

SHOPPERS DRUG MART CORPORATION

Consolidated Statements of Earnings

(unaudited)

(in thousands of dollars except per share amounts)

	12 Weeks Ended	
	March 28, 2009	March 22, 2008
Sales	\$ 2,195,260	\$ 2,023,799
Operating expenses		
Cost of goods sold and other operating expenses (Notes 2 and 3)	1,971,422	1,818,667
Amortization	55,603	44,771
Operating income	168,235	160,361
Interest expense (Note 5)	14,506	13,760
Earnings before income taxes	153,729	146,601
Income taxes (Note 2)		
Current	46,724	48,663
Future	163	(2,802)
	46,887	45,861
Net earnings	\$ 106,842	\$ 100,740
Net earnings per common share:		
Basic	\$ 0.49	\$ 0.46
Diluted	\$ 0.49	\$ 0.46
Weighted average common shares outstanding		
- Basic (millions)	217.3	216.8
- Diluted (millions)	217.4	217.4
Actual common shares outstanding (millions)	217.3	216.9

SHOPPERS DRUG MART CORPORATION
Consolidated Statements of Retained Earnings
(unaudited)
(in thousands of dollars)

	12 Weeks Ended	
	March 28, 2009	March 22, 2008
Retained earnings, beginning of period as reported	\$ 1,938,023	\$ 1,559,551
Impact of the adoption of new accounting standard, Handbook Section 3064, Goodwill and Intangible Assets (Note 2)	(38,884)	(27,817)
Retained earnings, beginning of period as restated	1,899,139	1,531,734
Net earnings	106,842	100,740
Dividends	(46,727)	(46,626)
Retained earnings, end of period	\$ 1,959,254	1,585,848

**Consolidated Statements of Comprehensive Income and Accumulated
Other Comprehensive Loss**
(unaudited)
(in thousands of dollars)

	12 Weeks Ended	
	March 28, 2009	March 22, 2008
Net earnings	\$ 106,842	\$ 100,740
Other comprehensive income (loss), net of tax		
Change in unrealized gain/loss on interest rate derivatives (net of tax of \$121 (2008 - \$1,181))	257	(2,397)
Change in unrealized gain/loss on equity forward derivatives (net of tax of \$2 (2008 - \$149))	9	(304)
Amount of previously unrealized gain/loss recognized in earnings during the period (net of tax of \$23 (2008 - \$nil))	91	-
Other comprehensive income (loss)	357	(2,701)
Comprehensive income	\$ 107,199	\$ 98,039
Accumulated other comprehensive (loss) income, beginning of period	\$ (3,442)	\$ 247
Other comprehensive income (loss)	357	(2,701)
Accumulated other comprehensive loss, end of period	\$ (3,085)	\$ (2,454)

SHOPPERS DRUG MART CORPORATION

Consolidated Balance Sheets

(unaudited)

(in thousands of dollars)

	March 28, 2009	March 22, 2008	January 3, 2009
Assets			
Current			
Cash	\$ 26,190	\$ 35,784	\$ 36,567
Accounts receivable	411,293	384,310	448,476
Inventory (Note 3)	1,716,123	1,516,991	1,743,253
Income taxes recoverable	9,371	-	8,835
Future income taxes (Note 2)	82,285	77,371	84,770
Prepaid expenses and deposits (Note 2)	53,511	83,860	59,327
	2,298,773	2,098,316	2,381,228
Property and equipment (Note 2)	1,363,472	1,070,004	1,331,363
Goodwill (Note 2)	2,446,832	2,308,695	2,427,239
Intangible assets (Note 2)	216,512	154,848	212,279
Other assets (Note 2)	11,872	11,575	12,114
Total assets	\$ 6,337,461	\$ 5,643,438	\$ 6,364,223
Liabilities			
Current			
Bank indebtedness (Note 6)	\$ 265,058	\$ 191,082	\$ 240,844
Commercial paper	293,045	736,676	339,943
Short-term debt (Note 8)	-	-	197,845
Accounts payable and accrued liabilities	845,846	844,693	1,018,505
Income taxes payable	-	39,724	-
Dividends payable	46,727	46,626	46,709
Current portion of long-term debt	-	299,107	-
	1,450,676	2,157,908	1,843,846
Long-term debt (Note 8)	943,384	-	647,250
Other long-term liabilities	317,219	257,845	303,117
Future income taxes	31,565	21,866	30,803
	2,742,844	2,437,619	2,825,016
Associate interest	111,381	105,113	118,678
Shareholders' equity			
Share capital	1,516,359	1,507,257	1,514,207
Contributed surplus	10,708	10,055	10,625
Accumulated other comprehensive loss	(3,085)	(2,454)	(3,442)
Retained earnings (Note 2)	1,959,254	1,585,848	1,899,139
	1,956,169	1,583,394	1,895,697
	3,483,236	3,100,706	3,420,529
Total liabilities and shareholders' equity	\$ 6,337,461	\$ 5,643,438	\$ 6,364,223

SHOPPERS DRUG MART CORPORATION

Consolidated Statements of Cash Flows

(unaudited)

(in thousands of dollars)

	12 Weeks Ended	
	March 28, 2009	March 22, 2008
Operating activities		
Net earnings (Note 2)	\$ 106,842	\$ 100,740
Items not affecting cash		
Amortization (Note 2)	54,217	44,080
Future income taxes (Note 2)	163	(2,802)
Loss on disposal of property and equipment	1,865	857
Stock-based compensation	180	342
	163,267	143,217
Net change in non-cash working capital Balances (Note 2)	(101,530)	(157,393)
Increase in other long-term liabilities	9,623	7,625
Cash flows from (used in) operating activities	71,360	(6,551)
Investing activities		
Purchase of property and equipment (Note 2)	(81,207)	(63,407)
Proceeds from disposition of property and equipment	5,204	5,740
Business acquisitions (Note 4)	(27,280)	(77,542)
Deposits	555	43,987
Purchase and development of intangible assets (Note 2)	(2,426)	(6,411)
Other assets (Note 2)	242	(4,716)
Cash flows used in investing activities	(104,912)	(102,349)
Financing activities		
Bank indebtedness, net (Note 6)	24,214	(34,070)
Commercial paper, net	(47,000)	192,800
Repayment of short-term debt (Note 8)	(200,000)	-
Issuance of Series 3 notes (Note 8)	250,000	-
Issuance of Series 4 notes (Note 8)	250,000	-
Revolving term debt, net	(200,000)	-
Financing costs incurred	(2,088)	-
Associate interest	(7,297)	(8,006)
Proceeds from shares issued for stock options exercised	1,945	888
Repayment of share purchase loans	110	170
Dividends paid	(46,709)	(34,686)
Cash flows from financing activities	23,175	117,096
(Decrease) increase in cash	(10,377)	8,196
Cash, beginning of period	36,567	27,588
Cash, end of period	\$ 26,190	\$ 35,784
Supplemental cash flow information		
Interest paid	\$ 4,880	\$ 10,370
Income taxes paid	\$ 48,276	\$ 74,435

SHOPPERS DRUG MART CORPORATION

Notes to the Consolidated Financial Statements

(unaudited)
(in thousands of dollars except per share amounts)

1. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and follow the same accounting policies and methods of application with those used in the preparation of the audited annual consolidated financial statements for the 53 week period ended January 3, 2009, except as described in Note 2, Changes in Accounting Policies. These financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements and, accordingly, should be read in conjunction with the most recently prepared annual consolidated financial statements and the accompanying notes included in the Company’s 2008 Annual Report.

The consolidated financial statements of the Company include the accounts of Shoppers Drug Mart Corporation, its subsidiaries and entities considered to be variable interest entities, as defined by the Canadian Institute of Chartered Accountants (“CICA”) Accounting Guideline 15, “Consolidation of Variable Interest Entities” (“AcG-15”). Under AcG-15, the Company has consolidated the Associate-owned stores.

The individual Associate-owned stores that comprise the Company’s store network are variable interest entities and the Company is the primary beneficiary. As such, the Associate-owned stores are subject to consolidation by the Company. The Associate-owned stores remain separate legal entities and consolidation of the Associate-owned stores has no impact on the underlying risks facing the Company.

2. CHANGES IN ACCOUNTING POLICIES

Adoption of New Accounting Standards

Financial Statement Concepts

In February 2008, the CICA issued amendments to Section 1000, “Financial Statement Concepts” (“Section 1000”), to clarify the criteria for recognition of an asset and the timing of expense recognition, specifically, deleting the guidance permitting the deferral of costs. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Company applied the amendments to Section 1000 at the beginning of its current fiscal year in conjunction with Section 3064, “Goodwill and Intangible Assets”.

SHOPPERS DRUG MART CORPORATION

Notes to the Consolidated Financial Statements

(unaudited)
(in thousands of dollars except per share amounts)

2. CHANGES IN ACCOUNTING POLICIES (continued)

Goodwill and Intangible Assets

In February 2008, the CICA issued a new accounting standard concerning Goodwill and Intangible Assets (“Section 3064”), which is based on the International Accounting Standards Board’s (“IASB’s”) International Accounting Standard 38, “Intangible Assets”. The new section replaced the existing guidance on goodwill and other intangible assets and research and development costs. The objective of the new standard is to eliminate the practice of deferring costs that do not meet the definition and recognition criteria of assets. The standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Company applied the new accounting standard retrospectively at the beginning of its current fiscal year, with restatement of prior periods. Intangible assets recognized prior to the Company’s current fiscal year that no longer meet the new recognition or measurement criteria and the definition of an asset were removed from the consolidated balance sheets in accordance with CICA Handbook Section 1506, “Accounting Changes”. The balance of any such deferred costs as at the end of the Company’s 2007 and 2008 fiscal years was reflected as a charge to opening retained earnings.

Goodwill is recorded as the excess amount of the purchase price of an acquired business over the fair value of the underlying net assets, including intangible assets, at the date of acquisition. Goodwill is not amortized but is tested for impairment at least on an annual basis. In the event of an impairment, the excess of the carrying amount over the fair value of goodwill would be charged to earnings.

Intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets. Intangible assets are tested for impairment at least on an annual basis. In the event of an impairment, the excess of the carrying amount over the fair value of intangible assets would be charged to earnings.

Net Earnings Impact

The following table summarizes the impact of the implementation of the new standard on the Company’s consolidated statements of earnings for the 53 weeks ended January 3, 2009 and 12 weeks ended March 22, 2008, respectively:

SHOPPERS DRUG MART CORPORATION

Notes to the Consolidated Financial Statements

(unaudited)

(in thousands of dollars except per share amounts)

2. CHANGES IN ACCOUNTING POLICIES (continued)

	53 weeks ended January 3, 2009	12 weeks ended March 22, 2008
Adjustment – pre-tax	\$ (15,329)	\$ (792)
Income taxes	4,262	199
Net earnings impact	\$ (11,067)	\$ (593)
Net earnings per common share (diluted) impact	\$ (0.05)	\$ (0.01)
Net earnings, as reported	\$ 565,212	\$ 101,333
Net earnings per common share (diluted), as reported	\$ 2.60	\$ 0.47
Net earnings, as restated	\$ 554,145	\$ 100,740
Net earnings per common share (diluted), as restated	\$ 2.55	\$ 0.46

The adjustment relates to previously deferred costs that no longer qualify for recognition as an asset, primarily store opening costs.

Opening Retained Earnings Adjustment

The implementation of the new standard has resulted in a reduction to the Company's 2009 and 2008 fiscal years' opening retained earnings of \$38,884 and \$27,817, respectively.

Balance Sheet Adjustments

The following paragraphs summarize the impact of the implementation of the new standard on the Company's consolidated balance sheets as at January 3, 2009 and March 22, 2008, respectively.

The impact on balances as at January 3, 2009 was primarily an increase in net future income tax assets of \$17,676, a decrease in prepaid expenses and deposits of \$4,727, a decrease in property and equipment of \$110,772, a decrease in deferred costs of \$47,213, an increase in intangible assets of \$114,466, and a decrease in other assets of \$8,328. The increase in intangible assets and decrease in property and equipment primarily reflects the reclassification of certain computer software costs, previously included in property and equipment.

The impact on balances as at March 22, 2008 was primarily an increase in net future income tax assets of \$13,612, a decrease in prepaid expenses and deposits of \$7,548, a decrease in property and equipment of \$81,389, a decrease in deferred costs of \$33,690, an increase in intangible assets of \$83,389, and a decrease in other assets of \$2,801.

SHOPPERS DRUG MART CORPORATION

Notes to the Consolidated Financial Statements

(unaudited)
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2. CHANGES IN ACCOUNTING POLICIES (continued)

Financial Assets and Financial Liabilities

The Emerging Issues Committee (“EIC”) issued a new abstract on January 20, 2009, concerning the measurement of financial assets and financial liabilities (“EIC-173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities”) (the “Abstract”). There has been diversity in practice as to whether an entity’s own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial instruments. The Committee reached a consensus that these risks should be taken into account in the measurement of financial assets and financial liabilities. The Abstract is effective for all financial assets and financial liabilities measured at fair value in interim and annual financial statements issued for periods ending on or after the date of issuance of the Abstract with retrospective application without restatement of prior periods. The Company applied the new Abstract at the beginning of its current fiscal year. The implementation did not have a significant impact on the Company’s results of operations, financial position or disclosures.

3. INVENTORY

During the 12 weeks ended March 28, 2009, the Company recognized cost of inventory of \$1,384,322 (2008 - \$1,277,596) as an expense. This expense is included in cost of goods sold and other operating expenses in the consolidated statements of earnings for the period.

During the 12 weeks ended March 28, 2009 and March 22, 2008, there were no significant write-downs of inventory as a result of net realizable values being lower than cost and no inventory write-downs recognized in previous years were reversed.

4. ACQUISITIONS

During the 12 weeks ended March 28, 2009, the Company acquired the assets or shares of a number of pharmacies, each of which is individually immaterial to the Company’s total acquisitions. The total cost of acquisitions of \$27,280 (2008 - \$77,542), including costs incurred in connection with the acquisitions, is allocated primarily to goodwill and other intangible assets based on their fair values. Certain purchase price allocations are preliminary and may change. The operations of the acquired pharmacies have been included in the Company’s results of operations from the date of acquisition.

SHOPPERS DRUG MART CORPORATION
Notes to the Consolidated Financial Statements
(unaudited)
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5. INTEREST EXPENSE

The components of the Company's interest expense are as follows:

	12 Weeks Ended	
	March 28, 2009	March 22, 2008
Interest on bank indebtedness	\$ 1,534	\$ 2,726
Interest on commercial paper	2,000	7,742
Interest on short-term debt	504	-
Interest on long-term debt	10,468	3,292
	\$ 14,506	\$ 13,760

6. BANK INDEBTEDNESS

Bank indebtedness is comprised of lines of credit borrowings by both the Company and the Associate-owned stores. The Associate-owned stores borrow under agreements guaranteed by the Company. The Company has entered into agreements with banks to guarantee a total of \$425,000 (2008 - \$415,000) of lines of credit. As at March 28, 2009, the Associate-owned stores have utilized \$278,444 (2008 - \$217,627) of the available lines of credit.

7. EMPLOYEE FUTURE BENEFITS

The net benefit expense included in the results for the 12 weeks ended March 28, 2009, for benefits provided under pension plans was \$1,082 (2008 - \$1,356), and for benefits provided under other benefit plans was \$23 (2008 - \$23).

8. DEBT REFINANCING

On January 20, 2009, the Company issued \$250,000 of three-year medium-term notes maturing January 20, 2012, which bear interest at a fixed rate of 4.80% (the "Series 3 notes") and \$250,000 of five-year medium-term notes maturing January 20, 2014, which bear interest at a fixed rate of 5.19% (the "Series 4 notes"). The Series 3 notes and the Series 4 notes were issued pursuant to the Company's shelf prospectus, as supplemented by pricing supplements dated January 14, 2009.

The net proceeds from the issuance of the Series 3 notes and the Series 4 notes were used to refinance existing indebtedness, including repayment of all amounts outstanding under the Company's senior unsecured 364-day bank credit facility ("short-term debt"). The Company's senior unsecured 364-day bank credit facility was terminated on January 20, 2009.

SHOPPERS DRUG MART CORPORATION

Notes to the Consolidated Financial Statements

(unaudited)

(in thousands of dollars except per share amounts)

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES RELATED TO FINANCIAL INSTRUMENTS

In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. The Company may use derivative financial instruments to manage certain of these risks. The Company does not use derivative financial instruments for trading or speculative purposes. These risks are discussed in more detail below:

Interest Rate Risk

Interest rate risk is the risk that fair value or future cash flows associated with the Company's financial assets or liabilities will fluctuate due to changes in market interest rates.

The Company, including its Associate-owned store network, is exposed to fluctuations in interest rates by virtue of its borrowings under its bank credit facilities, commercial paper program and financing programs available to its Associates. Increases or decreases in interest rates will positively or negatively impact the financial performance of the Company.

The Company uses interest rate derivatives to manage this exposure and monitors market conditions and the impact of interest rate fluctuations on its fixed and floating rate debt instruments on an ongoing basis. The Company has interest rate derivative agreements converting an aggregate notional principal amount of \$100,000 of floating rate commercial paper debt into fixed rate debt.

As at March 28, 2009, the Company had \$472,444 (2008 - \$677,775) of unhedged floating rate debt. During the 12 weeks ended March 28, 2009, the Company's average outstanding unhedged floating rate debt was \$670,969 (2008 - \$750,437). Had interest rates been higher or lower by 50 basis points during the 12 weeks ended March 28, 2009, net earnings would have decreased or increased, respectively, by approximately \$537 (2008 - \$594) as a result of the Company's exposure to interest rate fluctuations on its unhedged floating rate debt.

Furthermore, the Company may be exposed to losses should any counterparty to its derivative agreements fail to fulfill its obligations. The Company has sought to minimize counterparty risk by transacting with counterparties that are large financial institutions. As at March 28, 2009 and March 22, 2008, there are no net exposures, as the interest rate derivative agreements are in a liability position.

Credit Risk

Credit risk is the risk that the Company's counterparties will fail to meet their financial obligations to the Company causing a financial loss.

Accounts receivable arise primarily in respect of prescription sales billed to governments and third-party drug plans and, as a result, collection risk is low. There is no concentration of balances with debtors in the remaining accounts receivable. The Company does not consider its exposure to credit risk to be material.

SHOPPERS DRUG MART CORPORATION

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(unaudited)

(in thousands of dollars except per share amounts)

9. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES RELATED TO FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its obligations relating to its financial liabilities.

The Company prepares cash flow budgets and forecasts to ensure that it has sufficient funds through operations, access to bank facilities and access to debt and capital markets to meet its financial obligations, capital investment program and fund new investment opportunities or other unanticipated requirements as they arise. The Company manages its liquidity risk as it relates to financial liabilities by monitoring its cash flow from operating activities to meet its short-term financial liability obligations and planning for the repayment of its long-term financial liability obligations through cash flow from operating activities and/or the issuance of new debt.

The contractual maturities of the Company's financial liabilities as at March 28, 2009, are as follows:

\$000's	Payments due in the next 90 days	Payments due between 90 days and less than a year	Payments due between 1 year and less than 2 years	Payments due after 2 years	Total
Bank indebtedness	\$ 265,058	\$ -	\$ -	\$ -	\$ 265,058
Commercial paper	294,000	-	-	-	294,000
Accounts payable	786,599	40,522	-	-	827,121
Dividends payable	46,727	-	-	-	46,727
Medium-term notes	-	-	-	950,000	950,000
Other long-term liabilities	-	-	12,973	13,438	26,411
Total	\$ 1,392,384	\$ 40,522	\$ 12,973	\$ 963,438	\$ 2,409,317

There is no difference between the carrying value of bank indebtedness and the amount the Company is required to pay. The accounts payable and other long-term liabilities amounts exclude certain liabilities that are not considered financial liabilities.

10. FINANCIAL INSTRUMENTS

Interest Rate Derivatives

The Company has interest rate derivative agreements converting an aggregate notional principal amount of \$100,000 of floating rate commercial paper debt into fixed rate debt. The fixed rates payable by the Company under the derivative agreements ranged from 4.11% to 4.18%. The agreements mature as follows: \$50,000 with a fixed rate payable of 4.11% in December 2009 and \$50,000 with a fixed rate payable of 4.18% in December 2010, with reset terms of one month.

SHOPPERS DRUG MART CORPORATION

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(unaudited)
(in thousands of dollars except per share amounts)

10. FINANCIAL INSTRUMENTS (continued)

Based on market values of the interest rate derivative agreements at March 28, 2009, the Company recognized a liability of \$4,268 (2008 - \$3,151), of which \$1,318 (2008 - \$1,025) is presented in accounts payable and accrued liabilities and \$2,950 (2008 - \$2,126) is presented in other long-term liabilities. During the 12 weeks ended March 28, 2009 and March 22, 2008, the Company assessed that the interest rate derivatives were an effective hedge for the floating interest rates on the associated commercial paper debt. Market values were determined based on information received from the Company's counterparties to these agreements.

Equity Forward Derivatives

The Company uses cash-settled equity forward agreements to limit its exposure to future price changes in the Company's share price for share unit awards under the Company's long-term incentive plan. The income or expense arising from the use of these instruments is included in cost of goods sold and other operating expenses for the year.

Based on market values of the equity forward agreements at March 28, 2009, the Company recognized a liability of \$2,334, of which \$1,145 is presented in accounts payable and accrued liabilities and \$1,189 is presented in other long-term liabilities. Based on market values of equity forward agreements at March 22, 2008, the Company recognized a net liability of \$767, of which \$127 was presented in accounts receivable and \$894 was presented in other long-term liabilities. During the 12 weeks ended March 28, 2009 and March 22, 2008, the Company assessed that the percentage of the equity forward derivatives related to unearned units under the LTIP were an effective hedge for the common share price of the unearned units. Market values were determined based on information received from the Company's counterparties to these agreements.

During the 12 weeks ended March 28, 2009, an amount previously recorded in accumulated other comprehensive loss of \$91 (2008 - \$nil) was recognized in earnings.

Fair Value of Financial Instruments

The fair value of a financial instrument is the estimated amount that the Company would receive or pay to settle the financial assets and financial liabilities as at the reporting date.

The fair values of cash, accounts receivable, deposits, bank indebtedness, commercial paper, short-term debt, accounts payable and dividends payable approximate their carrying values given their short-term maturities. The fair values of long-term receivables, long-term debt and other long-term liabilities approximate their carrying values given the current market rates associated with these instruments.

The interest rate and equity forward derivatives are recognized at fair value, which is determined based on current market rates and on information received from the Company's counterparties to these agreements.

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11. CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are to profitably grow its business while maintaining adequate financing flexibility to fund attractive new investment opportunities and other unanticipated requirements or opportunities that may arise. Profitable growth is defined as earnings growth commensurate with the additional capital being invested in the business in order that the Company earns an attractive rate of return on that capital. The primary investments undertaken by the Company to drive profitable growth include additions to the selling square footage of its store network via the construction of new, relocated and expanded stores, including related leasehold improvements and fixtures, the purchase of sites for future store construction, as well as through the acquisition of independent drug stores or their prescription files. In addition, the Company makes capital investments in information technology and its distribution capabilities to support an expanding store network. The Company also provides working capital to its Associates via loans and/or loan guarantees. The Company largely relies on its cash flow from operations to fund its capital investment program and dividend distributions to its shareholders. This cash flow is supplemented, when necessary, through the borrowing of additional debt. No changes were made to these objectives during the period.

The Company considers its total capitalization to be bank indebtedness, commercial paper, short-term debt, long-term debt (including the current portion thereof) and shareholders' equity, net of cash. The Company also gives consideration to its obligations under operating leases when assessing its total capitalization. The Company manages its capital structure with a view to maintaining investment grade credit ratings from two credit rating agencies. In order to maintain its desired capital structure, the Company may adjust the level of dividends paid to shareholders, issue additional equity, repurchase shares for cancellation or issue or repay indebtedness. The Company has certain debt covenants and is in compliance with those covenants.

The Company monitors its capital structure principally through measuring its net debt to shareholders' equity and net debt to total capitalization ratios, and ensures its ability to service its debt and meet other fixed obligations by tracking its interest and other fixed charges coverage ratios.

The following table provides a summary of certain information with respect to the Company's capital structure and financial position as at the dates indicated.

SHOPPERS DRUG MART CORPORATION
Notes to the Consolidated Financial Statements
(unaudited)
(in thousands of dollars except per share amounts)

11. CAPITAL MANAGEMENT (continued)

	March 28, 2009	March 22, 2008	January 3, 2009
Cash	\$ (26,190)	\$ (35,784)	\$ (36,567)
Bank indebtedness	265,058	191,082	240,844
Commercial paper	293,045	736,676	339,943
Short-term debt	-	-	197,845
Current portion of long-term debt	-	299,107	-
Long-term debt	943,384	-	647,250
Net debt	1,475,297	1,191,081	1,389,315
Shareholders' equity	3,483,236	3,100,706	3,420,529
Total capitalization	\$ 4,958,533	\$ 4,291,787	\$ 4,809,844
Net debt:Shareholders' equity	0.42:1	0.38:1	0.41:1
Net debt:Total capitalization	0.30:1	0.28:1	0.29:1
EBITDA:Cash interest expense ⁽¹⁾⁽²⁾	17.39:1	18.09:1	17.21:1

⁽¹⁾ For purposes of calculating the ratios, EBITDA is comprised of EBITDA for the 53 week and 52 week periods then ended, as appropriate. EBITDA (earnings before interest, taxes, depreciation and amortization) is a non-GAAP financial measure. Non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other reporting issuers.

⁽²⁾ Cash interest expense is also a non-GAAP measure and is comprised of interest expense for the 53 week and 52 week periods then ended, as appropriate, and exclude the amortization of deferred financing costs.

As measured by the ratios set out above, the Company maintained its desired capital structure and financial position during the period.

The following table provides a summary of the Company's credit ratings at March 28, 2009:

	Standard & Poor's	Dominion Bond Rating Service
Corporate credit rating	BBB+	-
Senior unsecured debt	BBB+	A (low)
Commercial paper	-	R-1 (low)

There were no changes to the Company's credit ratings during the 12 weeks ended March 28, 2009.

SHOPPERS DRUG MART CORPORATION
Exhibit to the Consolidated Financial Statements
(unaudited)

Earnings Coverage Exhibit to the Consolidated Financial Statements

53 Weeks Ended March 28, 2009

Earnings coverage on long-term debt obligations

25.20 times

The earnings coverage ratio on long-term debt (including any current portion) is equal to earnings (before interest and income taxes) divided by interest expense on long-term debt (including any current portion). Interest expense excludes any amounts in respect of amortization and includes amounts capitalized to property and equipment that were included in and excluded from, respectively, interest expense as shown in the consolidated statement of earnings of the Company for the period.