Shoppers Drug Mart Corporation

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

			12 Weeks Ended	
	Note		**March 24, 2012**	March 26, 2011
Sales		**$**	**2,394,441**	$ 2,347,021
Cost of goods sold	5		**(1,475,600)**	(1,459,906)
Gross profit			**918,841**	887,115
Operating and administrative expenses	6,7		**(743,878)**	(709,223)
Operating income			**174,963**	177,892
Finance expenses			**(13,292)**	(14,641)
Earnings before income taxes			**161,671**	163,251
Income taxes				
Current			**(66,613)**	(44,431)
Deferred			**24,174**	(1,279)
			(42,439)	(45,710)
Net earnings		**$**	**119,232**	$ 117,541
Net earnings per common share				
Basic	10	**$**	**0.56**	$ 0.54
Diluted	10	**$**	**0.56**	$ 0.54
Weighted average common shares outstanding (millions):				
Basic	10		**211.8**	217.5
Diluted	10		**211.9**	217.5
Actual common shares outstanding (millions)			**211.8**	217.5

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

Shoppers Drug Mart Corporation

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

	12 Weeks Ended	
	March 24, 2012	March 26, 2011
Net earnings	**$ 119,232**	$ 117,541
Other comprehensive income, net of tax		
Effective portion of changes in fair value of hedges on equity forward derivatives (net of tax of $81 (2011: $21))	**233**	(67)
Net change in fair value of hedges on equity forward derivatives transferred to earnings (net of tax of $10 (2011: $89))	**26**	225
Other comprehensive income, net of tax	**259**	158
Total comprehensive income	$ **119,491**	$ 117,699

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

Shoppers Drug Mart Corporation

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

	Note	**March 24, 2012**	December 31, 2011	March 26, 2011
Current assets				
Cash		**$ 52,375**	$ 118,566	$ 69,744
Accounts receivable		**479,839**	493,338	436,406
Inventory		**1,990,945**	2,042,302	1,925,780
Income taxes recoverable		**-**	-	20,416
Prepaid expenses and deposits		**47,086**	41,441	49,768
Total current assets		**2,570,245**	2,695,647	2,502,114
Non-current assets				
Property and equipment		**1,747,751**	1,767,543	1,681,607
Investment property		**18,112**	16,372	13,062
Goodwill		**2,504,370**	2,499,722	2,498,495
Intangible assets		**283,656**	281,737	268,545
Other assets		**11,003**	18,214	23,579
Deferred tax assets		**21,324**	21,075	26,018
Total non-current assets		**4,586,216**	4,604,663	4,511,306
Total assets		**$ 7,156,461**	$ 7,300,310	$ 7,013,420
Current liabilities				
Bank indebtedness		**$ 245,560**	$ 172,262	$ 223,832
Commercial paper		**287,966**	-	106,907
Accounts payable and accrued liabilities		**896,408**	1,109,444	892,682
Income taxes payable		**18,843**	26,538	-
Dividends payable	9	**55,780**	53,119	54,368
Current portion of long-term debt		**-**	249,971	249,459
Provisions		**13,632**	12,024	14,464
Associate interest		**147,990**	152,880	131,595
Total current liabilities		**1,666,179**	1,776,238	1,673,307
Long-term liabilities				
Long-term debt	8	**695,910**	695,675	694,521
Other long-term liabilities		**521,069**	520,188	450,464
Provisions		**1,577**	1,701	2,245
Deferred tax liabilities		**14,839**	38,678	27,919
Total long-term liabilities		**1,233,395**	1,256,242	1,175,149
Total liabilities		**2,899,574**	3,032,480	2,848,456
Shareholders' equity				
Share capital	9	**1,481,900**	1,486,455	1,521,421
Treasury shares	9	**(53,249)**	(4,735)	-
Contributed surplus	11	**10,514**	10,246	9,837
Accumulated other comprehensive loss		**(29,955)**	(30,214)	(8,485)
Retained earnings		**2,847,677**	2,806,078	2,642,191
Total shareholders' equity		**4,256,887**	4,267,830	4,164,964
Total liabilities and shareholders' equity		**$ 7,156,461**	$ 7,300,310	$ 7,013,420

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

Shoppers Drug Mart Corporation

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

	Note	Share Capital	Treasury Shares	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance as at December 31, 2011		$ **1,486,455**	**$ (4,735)**	**$ 10,246**	**$ (30,214)**	**$ 2,806,078**	**$ 4,267,830**
Total comprehensive income		**-**	**-**	**-**	**259**	**119,232**	**119,491**
Dividends	10	**-**	**-**	**-**	**-**	**(55,780)**	**(55,780)**
Share repurchases	9, 10	**(3,755)**	**(53,249)**	**-**	**-**	**(17,928)**	**(74,932)**
Treasury shares cancelled	9	**(810)**	**4,735**	**-**	**-**	**(3,925)**	**-**
Share-based payments	12	**-**	**-**	**268**	**-**	**-**	**268**
Repayment of share-purchase loans		**10**	**-**	**-**	**-**	**-**	**10**
Balance as at March 24, 2012		**$ 1,481,900**	**$ (53,249)**	**$ 10,514**	**$ (29,955)**	**$ 2,847,677**	**$ 4,256,887**
Balance as at January 1, 2011		$ 1,520,558	$ -	$ 11,702	$ (8,643)	$ 2,579,018	$ 4,102,635
Total comprehensive income		-	-	-	158	117,541	117,699
Dividends	10	-	-	-	-	(54,368)	(54,368)
Share-based payments	12	-	-	(1,619)	-	-	(1,619)
Share options exercised	12	856	-	(246)	-	-	610
Repayment of share-purchase loans		7	-	-	-	-	7
Balance as at March 26, 2011		$ 1,521,421	-	9,837	(8,485)	2,642,191	4,164,964

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

Shoppers Drug Mart Corporation

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

		12 Weeks Ended	
	Note	**March 24, 2012**	March 26, 2011
Cash flows from operating activities			
Net earnings		**$ 119,232**	$ 117,541
Adjustments for:			
Depreciation and amortization		**71,990**	67,060
Finance expenses		**13,292**	15,441
Loss on sale or disposal of property and equipment		**1,189**	2,142
Share-based payment transactions		**268**	(1,619)
Recognition and reversal of provisions, net		**3,418**	3,345
Other long-term liabilities		**957**	5,036
Income tax expense		**42,439**	45,710
		252,785	254,656
Net change in non-cash working capital balances	12	**(142,978)**	(48,647)
Provisions used		**(1,934)**	(1,050)
Interest paid		**(16,909)**	(16,181)
Income tax paid		**(60,511)**	(46,113)
Net cash from operating activities		**30,453**	142,665
Cash flows from investing activities			
Proceeds from disposition of property and equipment		**23**	48
Business acquisitions	4	**(7,144)**	(6,052)
Deposits		**(6,653)**	25
Acquisition and development of property and equipment		**(44,230)**	(58,905)
Acquisition and development of intangible assets		**(11,542)**	(6,316)
Other assets		**(512)**	(3,901)
Net cash used in investing activities		**(70,058)**	(75,101)
Cash flows from financing activities			
Repurchase of own shares	9	**(79,064)**	-
Proceeds from exercise of share options		**-**	610
Repayment of share-purchase loans		**10**	7
Bank indebtedness, net		**73,261**	14,819
Issuance (repayment) of commercial paper, net	8	**288,000**	(21,000)
Repayment of long-term debt	8	**(250,000)**	-
Revolving term debt, net		**(152)**	-
Repayment of financing lease obligations		**(632)**	(405)
Associate interest		**(4,890)**	(7,278)
Dividends paid	9	**(53,119)**	(48,927)
Net cash used in financing activities		**(26,586)**	(62,174)
Net (decrease) increase in cash		**(66,191)**	5,390
Cash, beginning of period		**118,566**	64,354
Cash, end of period		**$ 52,375**	$ 69,744

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

1. GENERAL INFORMATION

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

The Company is a licensor of 1,206 Shoppers Drug Mart®/Pharmaprix® full-service retail drug stores across Canada. The Shoppers Drug Mart®/Pharmaprix® stores are licensed to corporations owned by pharmacists ("Associates"). The Company also licenses or owns 57 Shoppers Simply Pharmacy®/Pharmaprix Simplement Santé® medical clinic pharmacies and eight Murale™ beauty stores. In addition, the Company owns and operates 63 Shoppers Home Health Care® stores. In addition to its store network, the Company owns Shoppers Drug Mart Specialty Health Network Inc., a provider of specialty drug distribution, pharmacy and comprehensive patient support services, and MediSystem Technologies Inc., a provider of pharmaceutical products and services to long-term care facilities.

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

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). They have been prepared using the accounting policies that were described in Note 3 to the Company's annual consolidated financial statements as at and for the 52 weeks ended December 31, 2011, except as described in Note 3(a) to these condensed consolidated financial statements.

These condensed consolidated financial statements should be read in conjunction with the Company's 2011 annual financial statements.

These condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on April 26, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) New Accounting Standards

(i) Deferred Taxes – Recovery of Underlying Assets

The IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12 amendment"), which introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The IAS 12 amendment is effective for annual periods beginning on or after January 1, 2012. The IAS 12 amendment did not have an impact on the Company's results of operations, financial position or disclosures.

(b) New Standards and Interpretations not yet Adopted

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ending December 29, 2012 and, accordingly, have not been applied in preparing these condensed consolidated financial statements:

(i) Financial Instruments – Disclosures

The IASB has issued an amendment to IFRS 7, "Financial Instruments - Disclosures" ("IFRS 7"), requiring incremental disclosures regarding transfers of financial assets. This amendment to IFRS 7 is effective for annual periods beginning on or after July 1, 2011. The Company will apply the amendment to its 2012 annual financial statement disclosures and does not expect the implementation to have a significant impact on the Company's disclosures.

(ii) Financial Instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Fair Value Measurement

The IASB has issued a new standard, IFRS 13, "Fair Value Measurement" ("IFRS 13"), which provides a standard definition of fair value, sets out a framework for measuring fair value and provides for specific disclosures about fair value measurements. IFRS 13 applies to all International Financial Reporting Standards that require or permit fair value measurements or disclosures. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The Company is assessing the impact of IFRS 13 on its results of operations, financial position and disclosures.

(iv) Consolidated Financial Statements

The IASB has issued a new standard, IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), which establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 establishes control as the basis for consolidation and defines the principle of control. An investor controls an investee if the investor has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 was issued as part of the IASB's broader project on interests in all types of entities. This project also resulted in the issuance of additional standards as described in (vi) to (ix) below. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The Company is assessing the impact of IFRS 10 on its results of operations, financial position and disclosures.

(v) Joint Arrangements

The IASB has issued a new standard, IFRS 11, "Joint Arrangements" ("IFRS 11"), which establishes the principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures" and SIC Interpretation 13, "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". The standard defines a joint arrangement as an arrangement where two or more parties have joint control, with joint control being defined as the contractually agreed sharing of control where decisions about relevant activities require unanimous consent of the parties sharing control. The standard classifies joint arrangements as either joint operations or joint investments and the classification determines the accounting treatment. IFRS 11 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The Company is assessing the impact of IFRS 11 on its results of operations, financial position and disclosures.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) Disclosure of Interests in Other Entities

The IASB has issued a new standard, IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), which integrates and provides consistent disclosure requirements for all interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The Company is assessing the impact of IFRS 12 on its disclosures.

(vii) Separate Financial Statements

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

(viii) Investments in Associates and Joint Ventures

The IASB has issued a revised standard, IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"), which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The Company is assessing the impact of IAS 28 on its results of operations, financial position and disclosures.

(ix) Presentation of Financial Statements – Other Comprehensive Income

The IASB issued an amendment to IAS 1, "Presentation of Financial Statements" (the "IAS 1 amendment"), to improve consistency and clarity of the presentation of items of other comprehensive income. A requirement has been added to present items in other comprehensive income grouped on the basis of whether they may be subsequently reclassified to earnings in order to more clearly show the effects the items of other comprehensive income may have on future earnings. The IAS 1 amendment is effective for annual periods beginning on or after July 1, 2012 and must be applied retrospectively. The Company is assessing the impact of the IAS 1 amendment on its presentation of other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Post-Employment Benefits

The IASB has issued amendments to IAS 19, "Employee Benefits" ("IAS 19"), which eliminates the option to defer the recognition of actuarial gains and losses through the "corridor" approach, revises the presentation of changes in assets and liabilities arising from defined benefit plans and enhances the disclosures for defined benefit plans. IAS 19 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The Company is assessing the impact of IAS 19 on its results of operations, financial position and disclosures.

(xi) Financial Instruments - Asset and Liability Offsetting

The IASB has issued amendments to IFRS 7 and IAS 32, "Financial Instruments: Presentation" ("IAS 32"), which clarify the requirements for offsetting financial instruments and require new disclosures on the effect of offsetting arrangements on an entity's financial position. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. The Company is assessing the impact of the amendments to IFRS 7 and IAS 32 on its results of operations, financial position and disclosures.

4. BUSINESS ACQUISITIONS

In the normal course of business, the Company acquires the assets or shares of pharmacies. The total cost of these acquisitions during the 12 weeks ended March 24, 2012 of $7,144 (2011: $6,265) was allocated primarily to goodwill and other intangible assets based on their fair values. The goodwill acquired represents the benefits the Company expects to receive from the acquisitions. For acquisitions during the 12 weeks ended March 24, 2012, the Company expects that $3,485 (2011: $38) of acquired goodwill will be deductible for tax purposes.

The values of assets acquired and liabilities assumed have been determined at the acquisition date using fair values. The intangible assets acquired are composed of prescription files. In determining the fair value of prescription files acquired during the 12 weeks ended March 24, 2012, the Company applied a pre-tax discount rate of 9 percent (2011: 9 percent) to the estimated expected future cash flows.

The operations of the acquired pharmacies have been included in the Company's results of operations from the date of acquisition.

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

5. COST OF GOODS SOLD

During the 12 weeks ended March 24, 2012, the Company recorded $12,525 (2011: $10,726) as an expense for the write-down of inventory as a result of net realizable value being lower than cost in cost of goods sold in the condensed consolidated statements of earnings.

During the 12 weeks ended March 24, 2012 and March 26, 2011, the Company did not reverse any significant inventory write-downs recognized in previous periods.

6. EMPLOYEE BENEFITS EXPENSE

Employee benefits expense, recognized within operating and administrative expenses, is as follows:

	12 Weeks Ended	
	March 24, 2012	March 26, 2011
Wages and salaries	**$ 327,596**	$ 310,548
Statutory deductions	**44,157**	41,580
Expenses related to pension and benefits	**1,976**	1,501
Share-based payment transactions	**1,811**	(2,422)
	$ 375,540	$ 351,207

7. DEPRECIATION AND AMORTIZATION EXPENSE

The components of the Company's depreciation and amortization expense, recognized within operating and administrative expenses, are as follows:

	12 Weeks Ended	
	March 24, 2012	March 26, 2011
Property and equipment	**$ 60,875**	$ 58,660
Investment property	**68**	70
Intangible assets	**11,956**	10,294
	$ 72,899	$ 69,024

These amounts include net gains and losses on the disposition of property and equipment and intangible assets and any impairment losses recognized by the Company. During the 12 weeks ended March 24, 2012, the Company recognized a net loss of $1,027 on the disposal of property and equipment (2011: $2,046). During the 12 weeks ended March 24, 2012 and March 26, 2011, the Company did not recognize any impairment losses on property and equipment or intangible assets.

8. LONG-TERM DEBT

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

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

9. SHARE CAPITAL

Normal Course Issuer Bid

On February 9, 2012, the Company renewed its normal course issuer bid providing for the repurchase, for cancellation, of up to 10,600,000 of its common shares, representing approximately 5.0% of the Company's then outstanding common shares. Repurchases will be effected through the facilities of the Toronto Stock Exchange (the "TSX") and may take place over a 12-month period ending no later than February 14, 2013. Repurchases will be made at market prices in accordance with the requirements of the TSX. The Company has entered into an automatic purchase plan with its designated broker to allow for purchases of its common shares during certain pre-determined black-out periods, subject to certain parameters as to price and number of shares. Outside of these pre-determined black-out periods, shares will be purchased at the Company's discretion, subject to applicable law. The Company's previous normal course issuer bid, which was implemented on February 10, 2011 and expired on February 14, 2012, provided for the repurchase, for cancellation, of up to 8,700,000 of its common shares, representing approximately 4.0% of the Company's then outstanding common shares.

During the 12 weeks ended March 24, 2012, the Company purchased and cancelled 536,700 (2011: nil) common shares under its normal course issuer bid programs at a cost of $21,683 (2011: $nil). The premium paid over the average book value of the shares repurchased of $17,928 (2011: $nil) has been charged to retained earnings. The Company purchased an additional 1,283,000 (2011: nil) shares during the period at a cost of $53,249 (2011: $nil). These shares were cancelled subsequent to the end of the period. The cost of these latter purchases is recorded as treasury shares in Shareholders' equity at the end of the period and includes 14,400 shares at a cost of $602 that had yet to settle at the end of the period. During the 12 weeks ended March 24, 2012, the Company cancelled the 115,900 shares that were recognized as treasury shares at December 31, 2011 and charged share capital and retained earnings accordingly.

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

9. SHARE CAPITAL (continued)

Dividends

On April 26, 2012, the Board of Directors declared a dividend of 26.5 cents per common share payable July 13, 2012 to shareholders of record as of the close of business on June 29, 2012.

The following table provides a summary of the dividends declared by the Company:

Declaration Date	Record Date	Payment Date	Dividend per Common Share
February 9, 2012	March 30, 2012	April 13, 2012	$ 0.265
April 26, 2012	June 29, 2012	July 13, 2012	$ 0.265
February 10, 2011	March 31, 2011	April 15, 2011	$ 0.250
April 27, 2011	June 30, 2011	July 15, 2011	$ 0.250
July 21, 2011	September 30, 2011	October 14, 2011	$ 0.250
November 9, 2011	December 30, 2011	January 13, 2012	$ 0.250

10. EARNINGS PER COMMON SHARE

Basic Net Earnings per Common Share

The calculation of basic net earnings per common share at March 24, 2012 was based on net earnings for the 12 weeks ended March 24, 2012 of $119,232 (2011: $117,541) and a weighted average number of shares outstanding (basic) of 211,839,103 (2011: 217,465,585). The weighted average number of shares outstanding (basic) is calculated as follows:

Weighted Average Shares Outstanding (Basic)

	12 Weeks Ended	
	March 24, 2012	March 26, 2011
Issued shares, beginning of the period	**212,475,597**	217,452,068
Effect of share options exercised	**-**	16,328
Effect of treasury shares cancelled	**(115,900)**	-
Effect of shares repurchased	**(519,260)**	-
Effect of share purchase loans	**(1,334)**	(2,811)
Weighted average number of shares outstanding, end of the period	**211,839,103**	217,465,585

Diluted Net Earnings per Common Share

The calculation of diluted net earnings per common share at March 24, 2012 was based on net earnings for the 12 weeks ended March 24, 2012 of $119,232 (2011: $117,541) and a weighted average number of shares outstanding after adjustment for the effects of all dilutive potential shares of 211,861,852 (2011: 217,540,940). The weighted average number of shares outstanding (diluted) is calculated as follows:

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

10. EARNINGS PER COMMON SHARE (continued)

Weighted Average Shares Outstanding (Diluted)

	12 Weeks Ended	
	March 24, 2012	March 26, 2011
Weighted average number of shares outstanding (basic), end of the period	**211,839,103**	217,465,585
Potentially dilutive share options	**22,749**	75,355
Weighted average number of shares outstanding (diluted), end of the period	**211,861,852**	217,540,940

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

11. SHARE-BASED PAYMENTS

The Company established stock option and other share-based payment plans for certain employees and members of its Board of Directors, as described in Note 26 to the Company's 2011 annual financial statements.

During the 12 weeks ended March 24, 2012, the Company recognized the following compensation expense associated with stock options issued under the employee and director plans in operating and administrative expenses:

	12 Weeks Ended	
Net expenses (reversal) associated with:	**March 24, 2012**	March 26, 2011
Options granted in 2006	$ **-**	$ (921)
Options granted in 2010	**15**	(758)
Options granted in 2011	**148**	60
Options granted in 2012	**105**	-
Total net expenses (reversal) recognized in operating and administrative expenses	$ **268**	$ (1,619)

Included in the amounts above is a reversal of compensation expense of $nil (2011: $1,715), respectively, the latter as a result of the departure of certain management personnel.

Employee Stock Option Plan

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

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

11. SHARE-BASED PAYMENTS (continued)

The following is a summary of the status of the employee Share Incentive Plan ("share plan") and changes to it during the 12 weeks ended:

	March 24, 2012		March 26, 2011	
	Options on common shares	**Weighted average exercise price**	Options on common shares	Weighted average exercise price per share
Outstanding, beginning of period	**380,877**	**$ 40.23**	803,492	$ 39.53
Granted	**138,543**	**40.21**	83,312	40.81
Exercised	**-**	**-**	(21,648)	28.20
Forfeited/cancelled including repurchased	**-**	**-**	(287,039)	44.47
Outstanding, end of period	**519,420**	**$ 40.22**	578,117	$ 37.79
Options exercisable, end of period	**138,702**	**$ 36.75**	465,033	$ 36.60

	March 24, 2012				
	Outstanding Options			**Exercisable Options**	
Range of exercise price	**Number of options outstanding**	**Weighted average contractual life (years)**	**Weighted average exercise price per share**	**Number of exercisable options**	**Weighted average exercise price per share**
$23.48 - $26.57	32,390	0.38	23.68	32,390	23.68
$29.30 - $36.41	29,253	2.39	34.39	29,253	34.39
$40.21 - $44.09	457,777	6.14	41.76	77,059	43.13
	519,420	5.57	$ 40.22	138,702	$ 36.75

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

11. SHARE-BASED PAYMENTS (continued)

Options granted

In February 2012 and 2011, the Company granted awards of time-based options under the share plan to certain senior management, with one-third of such options vesting each year.

In November 2011, the Company granted an award of time-based options under the share plan to the Company's Chief Executive Officer, with one-fourth of such options vesting each year.

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

		February, 2012		**November, 2011**		February, 2011
Fair value per unit at grant date	**$**	**5.40**	**$**	**5.89**	$	6.32
Share price	**$**	**40.21**	**$**	**42.28**	$	40.81
Exercise price	**$**	**40.21**	**$**	**42.28**	$	40.81
Valuation assumptions:						
Expected life		**5 years**		**5 years**		5 years
Expected dividends		**2.64%**		**2.37%**		2.45%
Expected volatility (based on historical share price volatility)		**19.79%**		**19.86%**		19.32%
Risk-free interest rate (based on government bonds)		**1.50%**		**1.39%**		2.63%

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

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

11. SHARE-BASED PAYMENTS (continued)

Restricted Share Unit Plan

In February 2012 and 2011, the Company made grants of restricted share units ("RSUs") under the Company's restricted share unit plan ("RSU Plan") and, for certain senior management, grants of RSUs combined with grants of stock options under the Company's share plan.

During the 12 weeks ended March 24, 2012, the Company awarded 280,106 RSUs (2011: 193,474 RSUs) at a grant date fair value of $40.21 (2011: $40.81), which vest 100% after three years.

During the 12 weeks ended March 24, 2012, the Company cancelled nil RSUs (2011: 80,537 RSUs) as a result of the departure of certain management personnel.

As at March 24, 2012, there were 647,191 RSUs outstanding (2011: 397,513 RSUs).

During the 12 weeks ended March 24, 2012, the Company recognized compensation expense of $1,543 (2011: $1,098) associated with the RSUs granted during the year and reversed compensation expense of $nil (2011: $1,428) the latter as a result of the cancellation of previously granted RSUs.

The Company entered into cash-settled equity forward agreements to limit its exposure to future price changes in the Company's share price for the Company's RSUs granted in 2010 and 2011. These agreements mature in December 2012 and December 2013. A percentage of the equity forward derivatives, related to unearned RSUs, has been designated as a hedge.

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

12. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	12 Weeks Ended	
	March 24, 2012	March 26, 2011
Accounts receivable	**$ 20,907**	$ (4,317)
Inventory	**51,608**	31,058
Prepaid expenses	**(12,252)**	18,689
Accounts payable and accrued liabilities	**(203,241)**	(94,077)
	$ (142,978)	$ (48,647)

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

Earnings Coverage Exhibit to the Condensed Consolidated Financial Statements

52 weeks ended March 24, 2012:		
Earnings coverage ratio	13.79	times

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