Loblaw
COMPANIES LIMITED

Q3 *Third Quarter Report to Shareholders*

40 WEEKS ENDING OCTOBER 5, 2013

2013 Third Quarter Report to Shareholders

2013 Third Quarter Summary[1]

- Revenue of $10,009 million, an increase of 1.9% over the third quarter of 2012.
- Adjusted EBITDA[2] down 0.3% to $657 million compared to $659 million in the third quarter of 2012.
- Adjusted basic net earnings per common share[2] down 3.7% to $0.78 compared to $0.81 in the third quarter of 2012.
- Basic net earnings per common share[3] down 28.6% to $0.55 compared to $0.77 in the third quarter of 2012.
- Retail sales growth of 1.5% and same-store sales[3] growth of 0.4% compared to the third quarter of 2012. Retail same-store sales[3] growth was negatively impacted by the timing of the Thanksgiving holiday, estimated to be 0.5% to 0.7%.
- Financial Services revenue increased by 11.0% over the third quarter of 2012.
- Choice Properties Real Estate Investment Trust ("Choice Properties") completed an Initial Public Offering ("IPO") of trust units ("Units") and concurrent sale of Units to George Weston Limited ("Weston").
- Shoppers Drug Mart Corporation ("Shoppers Drug Mart") shareholders voted in favour of the Company's agreement to acquire all of Shoppers Drug Mart's outstanding common shares.
- Subsequent to the end of the third quarter of 2013, the Company announced the reduction of approximately 275 store-support positions.

"During the third quarter, we remained focused on our strategy to invest in the customer proposition and this resulted in the third straight quarter of same-store sales growth in an intensely competitive environment," said Galen G. Weston, Executive Chairman, Loblaw Companies Limited. "At the same time, we continued to create efficiencies in our business particularly in labour and supply chain. Unfortunately, due to incremental margin investment in the back half of the year, we are lowering our earnings growth expectations for 2013," continued Mr. Weston.

"Despite this disappointment, confidence remains high: our customer proposition continues to improve; cost reductions and efficiencies have momentum; and SAP is scaling up. Over the next three quarters, we will carefully balance our commitment to competitiveness and financial performance. Looking forward, the strength of the core business, combined with the acquisition of Shoppers Drug Mart, will powerfully position Loblaw Companies to deliver long-term earnings growth."

As at the completion of the IPO of Choice Properties, Loblaw held an 81.7% effective interest in Choice Properties. With the creation of Choice Properties, Loblaw now has three reportable operating segments:

- The Retail segment, which consists primarily of food operations and also includes drugstore, gas bar, apparel and other general merchandise operations;
- The Financial Services segment, which provides credit card services, a retail loyalty program, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services and telecommunication services; and
- The Choice Properties segment, which owns and leases income-producing commercial properties.

Beginning in the third quarter of 2013, the Company has introduced new financial measures: adjusted operating income[2], adjusted operating margin[2], adjusted EBITDA[2], adjusted EBITDA margin[2], adjusted net earnings[2] and adjusted basic net earnings per common share[2], which are all non-GAAP measures. Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

(1) This report contains forward-looking information. See Forward-Looking Statements on page 10 of this report for a discussion of material factors that could cause actual results to differ materially from forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This report should be read in conjunction with Loblaw Companies Limited's filings with securities regulators made from time to time, all of which can be found at sedar.com and at loblaw.ca.

(2) See Non-GAAP Financial Measures on page 30 of this report.

(3) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

With respect to Choice Properties segment results, management also uses net operating income[1], funds from operations[1], adjusted funds from operations[1], adjusted funds from operations per unit diluted[1] and adjusted funds from operations payout ratio[1] to measure Choice Properties' operations. Management uses these measures to assess the financial performance and financial condition of Choice Properties. See the Non-GAAP Financial Measures section on page 30 of the Management's Discussion and Analysis for more information on the Company's non-GAAP financial measures.

Consolidated Quarterly Results of Operations

For the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (16 weeks)**	2012[2] (16 weeks)	$ Change	% Change	**2013 (40 weeks)**	2012[2] (40 weeks)	$ Change	% Change
Revenue	**$ 10,009**	$ 9,827	$ 182	1.9 %	**$ 24,731**	$ 24,139	$ 592	2.5%
Operating income	**381**	405	(24)	(5.9)%	**1,012**	934	78	8.4%
Adjusted operating income[1]	**403**	418	(15)	(3.6)%	**1,003**	967	36	3.7%
Adjusted operating margin[1]	**4.0%**	4.3%			**4.1%**	4.0%		
Adjusted EBITDA[1]	**$ 657**	$ 659	$ (2)	(0.3)%	**$ 1,631**	$ 1,557	$ 74	4.8%
Adjusted EBITDA margin[1]	**6.6%**	6.7%			**6.6%**	6.5%		
Net interest expense and other financing charges	**$ 171**	$ 107	$ 64	59.8 %	**$ 327**	$ 267	$ 60	22.5%
Net earnings	**154**	217	(63)	(29.0)%	**503**	495	8	1.6%
Adjusted net earnings[1]	**220**	228	(8)	(3.5)%	**548**	525	23	4.4%
Basic net earnings per common share[3] ($)	**0.55**	0.77	(0.22)	(28.6)%	**1.79**	1.76	0.03	1.7%
Adjusted basic net earnings per common share[1] ($)	**0.78**	0.81	(0.03)	(3.7)%	**1.95**	1.87	0.08	4.3%

- During the third quarter of 2013, Choice Properties completed a $460 million IPO of Units, including the exercise of a $60 million over-allotment option, a public offering of $600 million aggregate principal amount of senior unsecured debentures and issued $200 million of Units to Weston. During the third quarter of 2013, the Company recorded $6 million of start-up and general and administrative costs in operating income and recorded $43 million in IPO transaction costs in net interest expense and other financing charges related to Choice Properties.
- On September 12, 2013, Shoppers Drug Mart shareholders voted in favour of the Company's agreement to acquire all of the outstanding common shares of Shoppers Drug Mart, and the Company subsequently completed the financing required to close this acquisition, as described in the Agreement to Acquire Shoppers Drug Mart section below. During the third quarter of 2013, the Company recorded income of $1 million in operating income and an $11 million charge in net interest expense and other financing charges in connection with the committed financing related to this acquisition.
- The $182 million increase in revenue compared to the third quarter of 2012 was primarily driven by increases in the Company's Retail and Financial Services segments.
- Operating income decreased by $24 million and adjusted operating income[1] decreased $15 million compared to the third quarter of 2012, primarily driven by a decrease in the Company's Retail segment, partially offset by an increase in the Company's Financial Services segment. Operating income was also negatively impacted by start-up and general and administrative costs related to Choice Properties and restructuring charges.

(1) See Non-GAAP Financial Measures on page 30 of this report.

(2) Certain 2012 figures have been restated due to the implementation of revised IAS 19, "Employee Benefits". See the "Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies" section on page 28 of this report.

(3) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

- Adjusted operating margin[1] was 4.0% for the third quarter of 2013 compared to 4.3% in the same quarter in 2012.
- Net interest expense and other financing charges increased by $64 million compared to the third quarter of 2012 and were negatively impacted by Choice Properties IPO transaction costs of $43 million, early debt settlement costs of $18 million and Shoppers Drug Mart acquisition related costs of $11 million, partially offset by a $7 million fair value gain on the Trust Unit Liability, which represents the fair value of Choice Properties Units held by unitholders other than the Company. Excluding these impacts, net interest expense and other financing charges decreased by $1 million.
- Net earnings decreased by $63 million compared to the third quarter of 2012, primarily driven by the decrease in operating income described above and the increase in net interest expense and other financing charges. Adjusted net earnings[1] decreased by $8 million compared to the third quarter of 2012, primarily driven by the decrease in adjusted operating income[1] described above.
- Basic net earnings per common share[2] were $0.55 in the third quarter of 2013 compared to $0.77 in the third quarter of 2012. Adjusted basic net earnings per common share[1] were $0.78 in the third quarter of 2013 compared to $0.81 in the third quarter of 2012.
- In the third quarter of 2013, the Company invested $252 million in capital expenditures.
- Subsequent to the end of the third quarter of 2013, the Company announced the reduction of approximately 275 store-support positions. The Company expects to incur a charge of approximately $30 million in the fourth quarter of 2013, reflecting the anticipated costs of the reductions.

(1) See Non-GAAP Financial Measures on page 30 of this report.

(2) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

Retail Results of Operations

For the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (16 weeks)**	2012 (16 weeks)	$ Change	% Change	**2013 (40 weeks)**	2012 (40 weeks)	$ Change	% Change
Sales	**$ 9,772**	$ 9,627	$ 145	1.5 %	**$ 24,181**	$ 23,671	$ 510	2.2 %
Gross profit	**2,104**	2,104	—	— %	**5,323**	5,244	79	1.5 %
Operating income	**342**	373	(31)	(8.3)%	**915**	873	42	4.8 %
Adjusted operating income(1)	**357**	386	(29)	(7.5)%	**899**	906	(7)	(0.8)%
Adjusted EBITDA(1)	**606**	624	(18)	(2.9)%	**1,517**	1,488	29	1.9 %

For the periods ended October 5, 2013 and October 6, 2012 (unaudited)	**2013 (16 weeks)**	2012 (16 weeks)	**2013 (40 weeks)**	2012 (40 weeks)
Same-store sales(2) growth (decline)	**0.4%**	(0.2)%	**1.3%**	(0.2)%
Gross profit percentage	**21.5%**	21.9 %	**22.0%**	22.2 %
Adjusted operating margin(1)	**3.7%**	4.0 %	**3.7%**	3.8 %
Adjusted EBITDA margin(1)	**6.2%**	6.5 %	**6.3%**	6.3 %

- In the third quarter of 2013, the increase in Retail sales of $145 million, or 1.5%, over the same period in the prior year was a result of the following factors:
  - Same-store sales(2) growth was 0.4% (2012 – decline of 0.2%) and excluding gas bar was 0.1% (2012 – decline of 0.3%), negatively impacted by the timing of the Thanksgiving holiday, estimated to be 0.5% to 0.7%;
  - Sales growth in food was modest;
  - Sales in drugstore declined marginally;
  - Sales growth in gas bar was strong;
  - Sales in general merchandise, excluding apparel, declined marginally;
  - Sales growth in apparel was strong;
  - The Company's average quarterly internal food price index was flat during the third quarter of 2013 (2012 – modest inflation) and was lower than the average quarterly national food price inflation of 0.9% (2012 – 1.8%) 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; and
  - 27 corporate and franchise stores were opened and 17 corporate and franchise stores were closed in the last 12 months, resulting in a net increase of 0.6 million square feet, or 1.2%.
- In the third quarter of 2013, gross profit percentage was 21.5%, down 40 basis points compared to the third quarter of 2012. The decline in gross profit percentage was primarily driven by continued investments in food margins and a change in sales mix, partially offset by margin improvements in general merchandise, including apparel, and improved shrink. In the third quarter of 2013, gross profit was flat compared to the third quarter of 2012 and included investments in food margins that were not covered by increased sales volumes, affected by the competitive marketplace, offset by gross profit improvements in general merchandise, including apparel, and lower shrink.
- Operating income decreased by $31 million and adjusted operating income(1) decreased by $29 million compared to the third quarter of 2012, primarily driven by declines in foreign exchange gains, increased other operating costs, including depreciation and amortization, and changes in the value of the Company's investments in its franchise business, partially offset by supply chain and labour efficiencies. Adjusted EBITDA(1) decreased by $18 million compared to the third quarter of 2012.
- For the third quarter of 2013, adjusted operating margin(1) and adjusted EBITDA margin(1) were 3.7% and 6.2%, respectively, compared to 4.0% and 6.5% in the same period in 2012 and were negatively impacted by the decline in gross profit percentage.

(1) See Non-GAAP Financial Measures on page 30 of this report.

(2) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

Financial Services Results of Operations

For the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (16 weeks)**	2012 (16 weeks)	$ Change	% Change	**2013 (40 weeks)**	2012 (40 weeks)	$ Change	% Change
Revenue	**$ 222**	$ 200	$ 22	11.0%	**$ 535**	$ 468	$ 67	14.3%
Operating income	**41**	32	9	28.1%	**99**	61	38	62.3%
Earnings before income taxes	**27**	19	8	42.1%	**64**	27	37	137.0%

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**As at October 5, 2013**	As at October 6, 2012	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,297**	$ 2,055	$ 242	11.8%
Credit card receivables	**2,430**	2,073	357	17.2%
Allowance for credit card receivables	**45**	39	6	15.4%
Annualized yield on average quarterly gross credit card receivables(1)	**13.5%**	12.8%		
Annualized credit loss rate on average quarterly gross credit card receivables(1)	**4.2%**	4.4%		

- Revenue for the third quarter of 2013 increased by 11.0% compared to the third quarter of 2012. This increase was primarily driven by higher interest and interchange income from increased credit card receivable balances and higher *PC* Telecom revenues resulting from growth in the Mobile Shop business.
- Operating income and earnings before income taxes increased by $9 million and $8 million, respectively, compared to the third quarter of 2012. These increases were mainly attributable to the higher revenue described above and lower costs related to the renegotiation of vendor contracts, partially offset by investments in marketing, customer acquisitions and the Mobile Shop business.
- As at October 5, 2013, credit card receivables were $2,430 million, an increase of $357 million compared to October 6, 2012. This increase was primarily driven by growth in the active customer base as a result of continued investments in customer acquisitions and marketing initiatives over the past two years. As at October 5, 2013, the allowance for credit card receivables was $45 million, an increase of $6 million compared to October 6, 2012, primarily due to the growth in the credit card receivables portfolio.

(1) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

Choice Properties Results of Operations

For the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars)	**2013[1] (16 weeks)**	2012 (16 weeks)	**2013[1] (40 weeks)**	2012 (40 weeks)
Revenue	**$ 154**	$ —	**$ 154**	$ —
Operating income	**184**	—	**184**	—
Adjusted operating income[2]	**191**	—	**191**	—
Net interest expense and other financing charges	**110**	—	**110**	—

For the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013[1] (16 weeks)**	2012 (16 weeks)	**2013[1] (40 weeks)**	2012 (40 weeks)
Net operating income[2]	**$ 108**	$ —	**$ 108**	$ —
Funds from operations[2]	**76**	—	**76**	—
Adjusted funds from operations[2]	**66**	—	**66**	—
Adjusted funds from operations per unit diluted[2] ($)	**0.18**	—	**0.18**	—
Adjusted funds from operations payout ratio[2]	**85.0%**	—%	**85.0%**	—%

- Revenue for the third quarter of 2013 was $154 million, of which $139 million was received from the Retail segment. Revenue consists of base rent, operating cost and property tax recoveries.
- Operating income for the third quarter of 2013 was $184 million and was negatively impacted by $7 million of start-up and general and administrative costs. Adjusted operating income[2] was $191 million and included a $76 million gain related to fair value adjustments on investment properties, which are measured by the Company at cost.
- Net operating income[2] for the third quarter of 2013 was $108 million, which consists of cash rental revenue less property operating costs.
- Funds from operations[2] and adjusted funds from operations[2] for the third quarter of 2013 were $76 million and $66 million respectively.
- Results of Choice Properties operations for the third quarter of 2013 were in line with the financial forecast included in Choice Properties' equity and debt prospectuses dated June 26, 2013.

(1) Results are for the period ended September 30, 2013, consistent with Choice Properties' fiscal calendar. Adjustments to October 5, 2013 are included in Consolidation and Eliminations.

(2) See Non-GAAP Financial Measures on page 30 of this report.

Agreement to Acquire Shoppers Drug Mart

On July 14, 2013, the Company entered into an arrangement agreement to acquire all of the outstanding common shares of Shoppers Drug Mart for consideration of up to approximately $6.7 billion of cash and the issuance of up to approximately 119.9 million common shares. Based on Loblaw's closing common share price on that date, the purchase price would be approximately $12.4 billion.

In connection with the acquisition of Shoppers Drug Mart, the Company entered into bank facilities consisting of a $3.5 billion term loan facility and a $1.6 billion bridge loan facility. On September 10, 2013, the Company issued $1.6 billion aggregate principal amount of senior unsecured notes and concurrently cancelled the $1.6 billion bridge loan facility. As part of the financing of the acquisition, the Company's controlling shareholder, Weston, has agreed to subscribe for approximately $500 million of additional Loblaw common shares.

On September 12, 2013, Shoppers Drug Mart shareholders voted in favour of the agreement and on September 16, 2013 a final order of the Ontario Superior Court of Justice approving the agreement was obtained. The transaction is subject to compliance with the *Competition Act* (Canada) and certain other closing conditions customary in transactions of this nature. The process of review under the *Competition Act* (Canada) is proceeding as expected and the Company anticipates that the transaction will be completed during the first quarter of 2014. Further information on the transaction and its expected effects on the Company can be found in the Information Statement filed by the Company on August 20, 2013, in respect of Shoppers Drug Mart shareholder approval of the transaction. There can be no assurance that all conditions will be met or waived or that the Company will be able to successfully consummate the proposed transaction as currently contemplated or at all.

Following a review of the implications of the Company's agreement to acquire Shoppers Drug Mart during the third quarter of 2013, Dominion Bond Rating Service and Standard & Poor's re-confirmed Loblaw and Choice Properties' credit ratings of BBB stable in each case, with a stable outlook.

Declaration of Dividends

Subsequent to the end of the third quarter of 2013, the Board of Directors declared a quarterly dividend on Loblaw Companies Limited common shares of $0.24 payable December 30, 2013 to shareholders of record on December 15, 2013 and a dividend on the Second Preferred Shares, Series A of $0.371875 per share payable January 31, 2014 to shareholders of record on January 15, 2014.

Outlook(1)

In a highly competitive market, Loblaw's strategy of focusing on its customer proposition has delivered same-store sales growth in each of the first three quarters of 2013. In addition to its focus on sales growth, the Company is committed to creating efficiencies in its business. Consistent with the first half of the year, in the third quarter the Company delivered operating efficiencies in its core retail business, including labour and supply chain efficiencies.

In the third quarter of 2013, the Company made greater than anticipated investments in targeted food categories as a result of an increasingly competitive environment driven by greater than historical square footage expansion. The Company remains committed to its strategy to drive its customer proposition, including investments in food margins, in the fourth quarter of 2013. As a result, the Company expects adjusted operating income(2) and operating income(3) for the full year to be flat compared to 2012.

(1) See Forward-Looking Statements on page 10 of this report.

(2) See Non-GAAP Financial Measures on page 30 of this report.

(3) Guidance given in previous quarters was not calculated on an adjusted basis. Items excluded for the calculation of operating income growth are: the $61 million restructuring charges recorded in the fourth quarter of 2012; the $51 million gain recorded in the first quarter of 2013 associated with amendments to certain defined benefit plans; costs associated with the creation and recently completed IPO of Choice Properties; cost incurred in connection with the agreement to acquire Shoppers Drug Mart; and $30 million of restructuring charges expected to be recorded in the fourth quarter of 2013.

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") should be read in conjunction with the Company's third quarter 2013 unaudited interim period condensed consolidated financial statements and the accompanying notes included in this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 29, 2012 and the related annual MD&A included in the Company's 2012 Annual Report – Financial Review ("2012 Annual Report").

The Company's third quarter 2013 unaudited interim period condensed consolidated financial statements and accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). These unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars.

A glossary of terms used throughout this Quarterly Report can be found on page 103 of the Company's 2012 Annual Report. In addition, this Quarterly Report includes the following terms: "adjusted debt(1) to rolling year adjusted EBITDA(1)", which is defined as adjusted debt(1) divided by cumulative adjusted EBITDA(1) for the latest four quarters; "rolling year return on average net assets(1)", which is defined as cumulative operating income for the latest four quarters divided by average net assets(1); "rolling year return on average shareholders' equity", which is defined as cumulative net earnings available to common shareholders for the latest four quarters divided by average total common shareholders' equity; and "free cash flow(1)", which is defined as cash flows from operating activities less the change in credit card receivables, fixed asset purchases and interest paid.

The information in this MD&A is current to November 12, 2013, unless otherwise noted.

During the third quarter of 2013, Choice Properties Real Estate Investment Trust ("Choice Properties") completed an Initial Public Offering ("IPO") of trust units ("Units") and also an offering of Units to George Weston Limited ("Weston"), as described in the Other Business Matters section on page 24 of this MD&A.

As at the completion of the IPO of Choice Properties, Loblaw held an 81.7% effective interest in Choice Properties. With the creation of Choice Properties, Loblaw now has three reportable operating segments:

- The Retail segment, which consists primarily of food operations and also includes drugstore, gas bar, apparel and other general merchandise operations;
- The Financial Services segment, which provides credit card services, a retail loyalty program, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services and telecommunication services; and
- The Choice Properties segment, which owns and leases income-producing commercial properties.

Beginning in the third quarter of 2013, the Company has introduced new financial measures: adjusted operating income(1), adjusted operating margin(1), adjusted EBITDA(1), adjusted EBITDA margin(1), adjusted net earnings(1) and adjusted basic net earnings per common share(1), which are all non-GAAP measures. Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

With respect to Choice Properties segment results, management also uses net operating income(1), funds from operations(1), adjusted funds from operations(1), adjusted funds from operations per unit diluted(1) and adjusted funds from operations payout ratio(1) to measure Choice Properties' operations. Management uses these measures to assess the financial performance and financial condition of Choice Properties. See the Non-GAAP Financial Measures section on page 30 of this MD&A for more information on the Company's non-GAAP financial measures.

(1) See Non-GAAP Financial Measures on page 30 of this report.

Forward-Looking Statements

This Quarterly Report for the Company contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. Specific forward-looking statements in this Quarterly Report include, but are not limited to, statements with respect to the Company's anticipated future results, planned capital expenditures, amount of pension plan contributions, expected costs associated with restructuring, status and impact of information technology ("IT") systems implementation, the Canadian retail environment and future plans. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, in the Outlook section on page 29 of this MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" 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 2013 is based on certain assumptions including assumptions about revenue growth, anticipated cost savings and operating efficiencies, no unanticipated changes in the effective income tax rates, the Company's plan to increase net retail square footage by 1% and no unexpected adverse events or costs related to the Company's investments in IT and supply chain. 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 the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to:

- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including those from restructuring;
- failure to realize benefits from investments in the Company's IT systems, including the Company's IT systems implementation, or unanticipated results from these initiatives;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- changes in economic conditions including the rate of inflation or deflation, changes in interest and currency exchange rates and derivative and commodity prices;
- public health events including those related to food safety;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements, which could lead to work stoppages;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- the impact of potential environmental liabilities;
- failure to respond to changes in consumer tastes and buying patterns;
- reliance on the performance and retention of third-party service providers including those associated with the Company's supply chain and apparel business;
- supply and quality control issues with vendors;
- changes to the regulation of generic prescription drug prices and the reduction of reimbursement under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- changes in the Company's income, commodity, other tax and regulatory liabilities including changes in tax laws, regulations or future assessments;
- any requirement of the Company to make contributions to its registered funded defined benefit pension plans or the multi-employer pension plans in which it participates in excess of those currently contemplated;
- 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;
- the inability of the Company to collect on its credit card receivables;
- failure of Choice Properties to execute its plan and realize its forecasted results; and

- failure by the Company to complete the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") or to realize the anticipated strategic benefits or operational, competitive or cost synergies.

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 the Enterprise Risks and Risk Management section of this MD&A and the Enterprise Risks and Risk Management section on pages 23 to 31 of the Company's 2012 Annual Report. 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 MD&A. 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.

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:

As at or for the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	2013 (16 weeks)	2012[1] (16 weeks)
Consolidated:		
Revenue growth	**1.9%**	1.0 %
Operating income	**$ 381**	$ 405
Adjusted operating income[2]	**403**	418
Adjusted operating margin[2]	**4.0%**	4.3 %
Adjusted EBITDA[2]	**657**	659
Adjusted EBITDA margin[2]	**6.6%**	6.7 %
Net earnings	**154**	217
Adjusted net earnings[2]	**220**	228
Basic net earnings per common share ($)	**0.55**	0.77
Adjusted basic net earnings per common share[2] ($)	**0.78**	0.81
Cash and cash equivalents, short term investments and security deposits	**4,220**	1,828
Cash flows from operating activities	**210**	490
Adjusted debt[2] to rolling year adjusted EBITDA[2]	**2.9x**	2.1x
Free cash flow[2]	**(5)**	122
Interest coverage[2]	**2.2x**	3.8x
Rolling year return on average net assets[2]	**10.2%**	10.5 %
Rolling year return on average shareholders' equity	**9.7%**	10.9 %
Retail Segment:		
Same-store sales[3] growth (decline)	**0.4%**	(0.2)%
Gross profit	**$ 2,104**	$ 2,104
Gross profit percentage	**21.5%**	21.9 %
Adjusted operating margin[2]	**3.7%**	4.0 %
Adjusted EBITDA margin[2]	**6.2%**	6.5 %
Financial Services Segment:		
Earnings before income taxes	**$ 27**	$ 19
Annualized yield on average quarterly gross credit card receivables[3]	**13.5%**	12.8 %
Annualized credit loss rate on average quarterly gross credit card receivables[3]	**4.2%**	4.4 %
Choice Properties Segment[4]:		
Net operating income[2]	**$ 108**	$ —
Funds from operations[2]	**76**	—
Adjusted funds from operations[2]	**66**	—
Adjusted funds from operations per unit diluted[2] ($)	**0.18**	—
Adjusted funds from operations payout ratio[2]	**85%**	— %

(1) Certain 2012 figures have been restated due to the implementation of revised IAS 19, "Employee Benefits". See the "Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies" section on page 28 of this report.

(2) See Non-GAAP Financial Measures on page 30 of this report.

(3) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

(4) Results are for the period ended September 30, 2013, consistent with Choice Properties' fiscal calendar. Adjustments to October 5, 2013 are included in Consolidation and Eliminations.

Consolidated Results of Operations

For the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (16 weeks)**	2012[(1)] (16 weeks)	$ Change	% Change	**2013 (40 weeks)**	2012[(1)] (40 weeks)	$ Change	% Change
Revenue	**$ 10,009**	$ 9,827	$ 182	1.9 %	**$ 24,731**	$ 24,139	$ 592	2.5%
Operating income	**381**	405	(24)	(5.9)%	**1,012**	934	78	8.4%
Adjusted operating income[(2)]	**403**	418	(15)	(3.6)%	**1,003**	967	36	3.7%
Adjusted operating margin[(2)]	**4.0%**	4.3%			**4.1%**	4.0%		
Adjusted EBITDA[(2)]	**$ 657**	$ 659	$ (2)	(0.3)%	**$ 1,631**	$ 1,557	$ 74	4.8%
Adjusted EBITDA margin[(2)]	**6.6%**	6.7%			**6.6%**	6.5%		
Net interest expense and other financing charges	**$ 171**	$ 107	$ 64	59.8 %	**$ 327**	$ 267	$ 60	22.5%
Net earnings	**154**	217	(63)	(29.0)%	**503**	495	8	1.6%
Adjusted net earnings[(2)]	**220**	228	(8)	(3.5)%	**548**	525	23	4.4%
Basic net earnings per common share[(3)] ($)	**0.55**	0.77	(0.22)	(28.6)%	**1.79**	1.76	0.03	1.7%
Adjusted basic net earnings per common share[(2)] ($)	**0.78**	0.81	(0.03)	(3.7)%	**1.95**	1.87	0.08	4.3%

During the third quarter of 2013, Choice Properties completed a $460 million IPO of Units, including the exercise of $60 million over-allotment option, a public offering of $600 million aggregate principal amount of senior unsecured debentures (the "Debentures") and issued $200 million of Units to Weston as described in the Other Business Matters section on page 24 of this report. During the third quarter of 2013, the Company recorded $6 million of start-up and general and administrative costs in operating income and recorded $43 million in IPO transaction costs in net interest expense and other financing charges related to Choice Properties.

On September 12, 2013, Shoppers Drug Mart shareholders voted in favour of the Company's agreement to acquire all of the outstanding common shares of Shoppers Drug Mart, and the Company subsequently completed the financing required to close this acquisition, as described in the Other Business Matters section on page 24 of this report. During the third quarter of 2013, the Company recorded income of $1 million in operating income and an $11 million charge in net interest expense and other financing charges in connection with the committed financing related to this acquisition.

Subsequent to the end of the third quarter of 2013, the Company announced the reduction of approximately 275 store-support positions. The Company expects to incur a charge of approximately $30 million in the fourth quarter of 2013, reflecting the anticipated costs of the reductions.

Revenue The $182 million increase in revenue compared to the third quarter of 2012 and the $592 million increase for the first three quarters of the year compared to the same periods in 2012 were primarily driven by increases in both the Company's Retail and Financial Services segments, as described in the Reportable Operating Segments section below.

Operating Income Operating income decreased by $24 million and adjusted operating income[(2)] decreased $15 million compared to the third quarter of 2012, primarily driven by a decrease in the Company's Retail segment, partially offset by an increase in the Company's Financial Services segment. Operating income was also negatively impacted by start-up and general and administrative costs related to Choice Properties and restructuring charges.

Year-to-date operating income increased by $78 million compared to 2012 and was positively impacted by the gain related to defined benefit plan amendments recorded in the first quarter of 2013 and favourable year-over-year equity-based compensation charges net of equity forwards, partially offset by start-up and general and administrative costs related to Choice Properties and unfavourable year-over-year restructuring charges and fixed asset and other related impairments, net of recoveries. Year-to-date adjusted operating income[(2)] increased by $36 million compared to the third quarter of 2012, primarily driven by an increase in the Financial Services segment's adjusted operating income[(2)], partially offset by a decline in the Retail segment's adjusted operating income[(2)].

(1) Certain 2012 figures have been restated due to the implementation of revised IAS 19, "Employee Benefits". See the "Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies" section on page 28 of this report.

(2) See Non-GAAP Financial Measures on page 30 of this report.

(3) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

Adjusted operating margin[(1)] was 4.0% for the third quarter of 2013 compared to 4.3% in the same quarter in 2012. Year-to-date adjusted operating margin[(1)] was 4.1% compared to 4.0% in 2012.

Net Interest Expense and Other Financing Charges In the third quarter of 2013, net interest expense and other financing charges increased by $64 million compared to the third quarter of 2012. Year-to-date net interest expense and other financing charges increased by $60 million to $327 million compared to the third quarter of 2012. These year-over-year increases were primarily driven by the Choice Properties' IPO transaction costs of $43 million, early debt settlement costs of $18 million and Shoppers Drug Mart acquisition related costs of $11 million, partially offset by a $7 million fair value gain on the Trust Unit Liability, which represents the fair value of Choice Properties' Units held by unitholders other than the Company. Excluding these impacts, net interest expense and other financing charges decreased by $1 million in the third quarter of 2013 and $4 million year-to-date compared to the same periods in 2012.

Income Taxes Income tax expense for the third quarter of 2013 was $56 million (2012 – $81 million) and the effective income tax rate was 26.7% (2012 – 27.2%). The decrease in the effective income tax rate over the third quarter of 2012 was primarily due to the change in the proportion of taxable income earned across different tax jurisdictions, partially offset by an increase in non-deductible amounts. Year-to-date income tax expense was $182 million (2012 – $172 million) and the effective tax rate was 26.6% (2012 – 25.8%). The year-to-date increase in the effective income tax rate over 2012 was primarily due to a decrease in income tax recoveries related to prior year matters and an increase in non-deductible amounts, partially offset by the change in the proportion of taxable income earned across different tax jurisdictions.

Net Earnings Net earnings decreased by $63 million compared to the third quarter of 2012, primarily driven by the decrease in operating income described above and the increase in net interest expense and other financing charges. Adjusted net earnings[(1)] decreased by $8 million compared to the third quarter of 2012, primarily driven by the decrease in adjusted operating income[(1)] described above.

Year-to-date net earnings for the third quarter of 2013 increased by $8 million compared to the same period in 2012, primarily driven by the increase in operating income described above, partially offset by the increase in net interest expense and other financing charges. Year-to-date adjusted net earnings[(1)] increased by $23 million compared to the third quarter of 2012, primarily driven by the increase in adjusted operating income[(1)].

Basic net earnings per common share[(2)] for the third quarter of 2013 decreased by 28.6% to $0.55, from $0.77 in the third quarter of 2012 and year-to-date increased by 1.7% to $1.79 compared to $1.76 for the same period last year. Adjusted basic net earnings per common share[(1)] for the third quarter of 2013 decreased by 3.7% to $0.78 from $0.81 in the third quarter of 2012 and year-to-date increased by 4.3% to $1.95 compared to $1.87 in 2012.

(1) See Non-GAAP Financial Measures on page 30 of this report.
(2) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

Reportable Operating Segments

Retail Results of Operations

For the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (16 weeks)**	2012 (16 weeks)	$ Change	% Change	**2013 (40 weeks)**	2012 (40 weeks)	$ Change	% Change
Sales	**$ 9,772**	$ 9,627	$ 145	1.5 %	**$ 24,181**	$ 23,671	$ 510	2.2 %
Gross profit	**2,104**	2,104	—	— %	**5,323**	5,244	79	1.5 %
Operating income	**342**	373	(31)	(8.3)%	**915**	873	42	4.8 %
Adjusted operating income(1)	**357**	386	(29)	(7.5)%	**899**	906	(7)	(0.8)%
Adjusted EBITDA(1)	**606**	624	(18)	(2.9)%	**1,517**	1,488	29	1.9 %

For the periods ended October 5, 2013 and October 6, 2012 (unaudited)	**2013 (16 weeks)**	2012 (16 weeks)	**2013 (40 weeks)**	2012 (40 weeks)
Same-store sales(2) growth (decline)	**0.4%**	(0.2)%	**1.3%**	(0.2)%
Gross profit percentage	**21.5%**	21.9 %	**22.0%**	22.2 %
Adjusted operating margin(1)	**3.7%**	4.0 %	**3.7%**	3.8 %
Adjusted EBITDA margin(1)	**6.2%**	6.5 %	**6.3%**	6.3 %

Sales In the third quarter of 2013, the increase in Retail sales of $145 million, or 1.5%, over the same period in the prior year was a result of the following factors:

- Same-store sales(2) growth was 0.4% (2012 – decline of 0.2%) and excluding gas bar was 0.1% (2012 – decline of 0.3%), negatively impacted by the timing of the Thanksgiving holiday, estimated to be 0.5% to 0.7%;
- Sales growth in food was modest;
- Sales in drugstore declined marginally;
- Sales growth in gas bar was strong;
- Sales in general merchandise, excluding apparel, declined marginally;
- Sales growth in apparel was strong;
- The Company's average quarterly internal food price index was flat during the third quarter of 2013 (2012 – modest inflation) and was lower than the average quarterly national food price inflation of 0.9% (2012 – 1.8%) 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; and
- 27 corporate and franchise stores were opened and 17 corporate and franchise stores were closed in the last 12 months, resulting in a net increase of 0.6 million square feet, or 1.2%.

On a year-to-date basis, sales increased by $510 million, or 2.2%, compared to the same period in 2012 driven primarily by the factors noted above. Year-to-date same-store sales(2) growth was 1.3% (2012 – decline of 0.2%) and excluding gas bar was 1.2% (2012 – decline of 0.2%), negatively impacted by the timing of the Thanksgiving holiday, estimated to be between 0.1% and 0.3%.

Gross Profit In the third quarter of 2013, gross profit percentage was 21.5%, down 40 basis points compared to the third quarter of 2012. The decline in gross profit percentage was primarily driven by continued investments in food margins and a change in sales mix, partially offset by margin improvements in general merchandise, including apparel, and improved shrink. In the third quarter of 2013, gross profit was flat compared to the third quarter of 2012 and included investments in food margins that were not covered by increased sales volumes, affected by the competitive marketplace, offset by gross profit improvements in general merchandise, including apparel, and lower shrink.

(1) See Non-GAAP Financial Measures on page 30 of this report.

(2) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

Year-to-date gross profit increased by $79 million compared to the same period in 2012 primarily driven by higher sales. Year-to-date gross profit percentage was 22.0% compared to 22.2% in the same period of 2012. The decline in year-to-date gross profit percentage was primarily driven by continued investments in food margins and a change in sales mix, partially offset by margin improvements in general merchandise, including apparel, and improved transportation costs.

Operating Income Operating income decreased by $31 million and adjusted operating income(1) decreased by $29 million compared to the third quarter of 2012, primarily driven by declines in foreign exchange gains, increased other operating costs, including depreciation and amortization, and changes in the value of the Company's investments in its franchise business, partially offset by supply chain and labour efficiencies. Adjusted EBITDA(1) decreased by $18 million compared to the third quarter of 2012. For the third quarter of 2013, adjusted operating margin(1) and adjusted EBITDA margin(1) were 3.7% and 6.2%, respectively, compared to 4.0% and 6.5% in the same period in 2012 and were negatively impacted by the decline in gross profit percentage.

Year-to-date operating income increased by $42 million compared to 2012 and was positively impacted by the gain related to the defined benefit plan amendments recorded in the first quarter of 2013 and favourable year-over-year equity-based compensation charges, net of equity forwards, partially offset by unfavourable year-over-year restructuring charges and fixed asset and other related impairments, net of recoveries. Year-to-date adjusted operating income(1) decreased by $7 million compared to 2012, primarily due to increased other operating costs, including depreciation and amortization, declines in foreign exchange gains and changes in the value of the Company's investments in its franchise business, partially offset by the increase in gross profit, supply chain efficiencies and favourable year-over-year labour buydowns. Year-to-date adjusted EBITDA(1) increased by $29 million compared to 2012. Year-to-date operating margin(1) was 3.7% compared to 3.8% in the same period in 2012 and year-to-date EBITDA margin(1) was 6.3%, which was flat compared to 2012.

Financial Services Results of Operations

For the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (16 weeks)**	2012 (16 weeks)	$ Change	% Change	**2013 (40 weeks)**	2012 (40 weeks)	$ Change	% Change
Revenue	**$ 222**	$ 200	$ 22	11.0%	**$ 535**	$ 468	$ 67	14.3%
Operating income	**41**	32	9	28.1%	**99**	61	38	62.3%
Earnings before income taxes	**27**	19	8	42.1%	**64**	27	37	137.0%

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**As at October 5, 2013**	As at October 6, 2012	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,297**	$ 2,055	$ 242	11.8%
Credit card receivables	**2,430**	2,073	357	17.2%
Allowance for credit card receivables	**45**	39	6	15.4%
Annualized yield on average quarterly gross credit card receivables(2)	**13.5%**	12.8%		
Annualized credit loss rate on average quarterly gross credit card receivables(2)	**4.2%**	4.4%		

Revenue Revenue for the third quarter of 2013 increased by 11.0% compared to the third quarter of 2012 and year-to-date revenue increased by 14.3% compared to 2012. These increases were primarily driven by higher interest and interchange income from increased credit card receivable balances and higher *PC* Telecom revenues resulting from growth in the Mobile Shop business.

Operating Income and Earnings Before Income Taxes Operating income and earnings before income taxes increased by $9 million and $8 million, respectively, compared to the third quarter of 2012 and on a year-to-date basis increased by $38 million and $37 million, respectively, compared to 2012. These increases were mainly attributable to the higher revenue described above and lower costs related to the renegotiation of vendor contracts, partially offset by investments in marketing, customer acquisitions and the Mobile Shop business.

(1) See Non-GAAP Financial Measures on page 30 of this report.
(2) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

Credit Card Receivables As at October 5, 2013, credit card receivables were $2,430 million, an increase of $357 million compared to October 6, 2012. This increase was primarily driven by growth in the active customer base as a result of continued investments in customer acquisitions and marketing initiatives over the past two years. As at October 5, 2013, the allowance for credit card receivables was $45 million, an increase of $6 million compared to October 6, 2012, primarily due to the growth in the credit card receivables portfolio.

Choice Properties Results of Operations

For the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars)	**2013[1]** **(16 weeks)**	2012 (16 weeks)	**2013[1]** **(40 weeks)**	2012 (40 weeks)
Revenue	**$ 154**	$ —	**$ 154**	$ —
Operating income	**184**	—	**184**	—
Adjusted operating income[2]	**191**	—	**191**	—
Net interest expense and other financing charges	**110**	—	**110**	—

For the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013[1]** **(16 weeks)**	2012 (16 weeks)	**2013[1]** **(40 weeks)**	2012 (40 weeks)
Net operating income[2]	**$ 108**	$ —	**$ 108**	$ —
Funds from operations[2]	**76**	—	**76**	—
Adjusted funds from operations[2]	**66**	—	**66**	—
Adjusted funds from operations per unit diluted[2] ($)	**0.18**	—	**0.18**	—
Adjusted funds from operations payout ratio[2]	**85.0%**	—%	**85.0%**	—%

Revenue Revenue for the third quarter of 2013 was $154 million, of which $139 million was received from the Retail segment. Revenue consists of base rent, operating cost and property tax recoveries.

Operating Income Operating income for the third quarter of 2013 was $184 million and was negatively impacted by $7 million of start-up and general and administrative costs. Adjusted operating income[2] was $191 million and included a $76 million gain related to fair value adjustments on investment properties, which are measured by the Company at cost.

Net Operating Income[2] Net operating income[2] for the third quarter of 2013 was $108 million, which consists of cash rental revenue less property operating costs.

Funds from Operations[2] and Adjusted Funds from Operations[2] Funds from operations[2] and adjusted funds from operations[2] for the third quarter of 2013 were $76 million and $66 million respectively.

Results of Choice Properties operations for the third quarter of 2013 were in line with the financial forecast included in Choice Properties' equity and debt prospectuses dated June 26, 2013.

(1) Results are for the period ended September 30, 2013, consistent with Choice Properties' fiscal calendar. Adjustments to October 5, 2013 are included in Consolidation and Eliminations.

(2) See Non-GAAP Financial Measures on page 30 of this report.

Liquidity and Capital Resources

Cash Flows

Major Cash Flow Components

For the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	2013 (16 weeks)	2012 (16 weeks)	$ Change	% Change	2013 (40 weeks)	2012 (40 weeks)	$ Change	% Change
Cash flows from (used in):								
Operating activities	**$ 210**	$ 490	$ (280)	(57.1)%	**$ 753**	$ 1,032	$ (279)	(27.0)%
Investing activities	**(1,943)**	(435)	(1,508)	(346.7)%	**(2,310)**	(766)	(1,544)	(201.6)%
Financing activities	**2,395**	(223)	2,618	1,174.0 %	**1,908**	(477)	2,385	500.0 %

Cash Flows from Operating Activities Cash flows from operating activities were $210 million in the third quarter of 2013, a decrease of $280 million compared to the third quarter of 2012. The decline was due to an increase in non-cash working capital and higher credit card receivables.

On a year-to-date basis, cash flows from operating activities were $753 million compared to $1,032 million in the same period in 2012. This decline was due to an increase in non-cash working capital and higher credit card receivables, partially offset by higher cash earnings, which excluded the $51 million gain related to the defined benefit plan amendments.

Cash Flows used in Investing Activities Cash flows used in investing activities were $1,943 million in the third quarter of 2013, an increase of $1,508 million from the third quarter of 2012, primarily due to an increase in cash placed in security deposits, partially offset by a decrease in cash placed in short term investments and lower fixed asset purchases.

On a year-to-date basis, cash flows used in investing activities were $2,310 million compared to $766 million in 2012. The increase was mainly due to increases in cash placed in security deposits and short term investments, partially offset by lower fixed asset purchases and lower intangible asset additions. In the second quarter of 2012, intangible asset additions included the purchase of prescription files from Zellers Inc. for approximately $30 million.

The increases in security deposits in the third quarter of 2013 and year-to-date were due to the funds placed in escrow related to the issuance of $1.6 billion aggregate principal amount of senior unsecured notes issued to partially fund the acquisition of all of the outstanding common shares of Shoppers Drug Mart.

Capital Investment and Store Activity

As at or for the periods ended October 5, 2013 and October 6, 2012 (unaudited)	2013 (40 weeks)	2012 (40 weeks)	% Change
Capital investment (millions of Canadian dollars)	**$ 561**	$ 656	(14.5)%
Corporate square footage (in millions)	**37.2**	37.4	(0.5)%
Franchise square footage (in millions)	**14.6**	13.8	5.8 %
Retail square footage (in millions)	**51.8**	51.2	1.2 %
Number of corporate stores	**570**	579	(1.6)%
Number of franchise stores	**488**	469	4.1 %
Percentage of corporate real estate owned	**72%**	72%	
Percentage of franchise real estate owned	**46%**	45%	
Average store size (square feet)			
Corporate	**65,300**	64,500	1.2 %
Franchise	**29,900**	29,500	1.4 %

Cash Flows from (used in) Financing Activities During the third quarter of 2013, cash flows from financing activities were $2,395 million compared to $223 million used in the third quarter of 2012. The increase was primarily due to net issuances of long term debt and net proceeds from the offering of Choice Properties' Units, partially offset by the purchase of common shares under the Company's Normal Course Issuer Bid ("NCIB").

On a year-to-date basis, cash flows from financing activities were $1,908 million compared to $477 million used in 2012. The increase was primarily due to the net issuance of long term debt and net proceeds from the offering of Choice Properties' Units, partially offset by the timing of cash dividends paid and the purchase of common shares under the Company's NCIB, of which the Company placed $46 million into trusts for future settlement of the Company's Restricted Share Unit ("RSU") and Performance Share Unit ("PSU") obligations.

In the third quarter 2013 and year-to-date, net issuances of long term debt were primarily driven by:

- The issuance of $1.6 billion aggregate principal amount of senior unsecured notes issued to partially fund the acquisition of the outstanding common shares of Shoppers Drug Mart;
- Choice Properties' public offering of $600 million aggregate principal amount of Debentures; and
- The repayment of the Company's remaining United States dollar ("USD") $150 million US private placement ("USPP") note in advance of the May 29, 2015 maturity date in the third quarter of 2013 and USD $300 million year-to-date.

Free Cash Flow(1)

For the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (16 weeks)**	2012 (16 weeks)	$ Change	% Change	**2013 (40 weeks)**	2012 (40 weeks)	$ Change	% Change
Free cash flow(1)	**$ (5)**	$ 122	$ (127)	(104.1)%	**$ 45**	$ 95	$ (50)	(52.6)%

Free Cash Flow(1) For the third quarter of 2013, free cash flow(1) was negative $5 million compared to $122 million in the third quarter of 2012. The decrease was primarily due to a decrease in cash flows from operating activities driven by an increase in non-cash working capital.

On a year-to-date basis, free cash flow(1) was $45 million compared to $95 million in the third quarter of 2012. The decrease was primarily due to the decrease in cash flows from operating activities driven by an increase in non-cash working capital, partially offset by lower fixed asset purchases.

Defined Benefit Pension Plan Contributions During the first three quarters of 2013, the Company contributed $85 million (2012 – $113 million) to its registered funded defined benefit pension plans. The Company expects to contribute $17 million to these plans during the remainder of 2013, for total expected contributions for the year of $102 million compared to $150 million previously disclosed. The expected contributions have been reduced mainly due to rising solvency discount rates and improved returns on assets. The actual amount contributed may vary from the estimate based on changes in actuarial valuations, investment performance, volatility in discount rates, regulatory requirements and other factors. The Company also expects to continue making contributions for the remainder of 2013 to its defined contribution plans and the multi-employer pension plans in which it participates as well as benefit payments to the beneficiaries of the supplemental unfunded defined benefit pension plans, other defined benefit plans and other long term employee benefits plans.

Sources of Liquidity

Adjusted Debt(1) to Rolling Year Adjusted EBITDA(1) The Company monitors its adjusted debt(1) to rolling year adjusted EBITDA(1) ratio as a measure to ensure it is operating under an efficient capital structure. As at October 5, 2013, the Company's adjusted debt(1) to rolling year adjusted EBITDA(1) ratio was 2.9x compared to 2.1x as at October 6, 2012. The increase was driven primarily by the issuance of long term debt related to the Choice Properties and Shoppers Drug Mart transactions. The ratio is expected to increase in connection with the Shoppers Drug Mart acquisition and the Company will continue to target leverage ratios consistent with those of investment grade ratings.

The Company expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against its committed credit facilities will enable the Company to finance its capital investment program and fund its ongoing business requirements, including working capital, pension plans and financial obligations over the next 12 months. The Company has traditionally obtained its long term financing primarily through a medium term note ("MTN") program. Choice Properties expects to obtain its long term financing primarily through the issuance of equity and unsecured debentures.

(1) See Non-GAAP Financial Measures on page 30 of this report.

During the third quarter of 2013, the Company amended its Short Form Base Shelf Prospectus dated December 21, 2012 to increase the amount to $2.5 billion from $1.0 billion. During the third quarter of 2013, the Company entered into committed bank facilities in connection with the acquisition of Shoppers Drug Mart, consisting of a $3.5 billion term loan facility and a $1.6 billion bridge loan facility. On September 10, 2013, the Company issued $1.6 billion aggregate principal amount of senior unsecured notes under its $2.5 billion Short Form Base Shelf Prospectus and concurrently cancelled the $1.6 billion bridge loan facility. The net proceeds from the offering were placed in escrow and will be released upon satisfaction of the applicable release conditions of the agreement. In addition, in connection with the issuance of $1.6 billion of senior unsecured notes in the third quarter of 2013, the Company hedged its exposure to interest rates in advance of the issuance. As this relationship did not qualify for hedge accounting, the resulting $10 million gain on settlement was recorded in operating income.

The gross proceeds received during the third quarter of 2013 from Choice Properties' IPO and debt offering were $660 million and $600 million, respectively. A portion of the debt offering proceeds were used to replenish the cash used to repay the USD $150 million USPP note that matured during the second quarter of 2013 and to early-settle the remaining USD $150 million USPP note during the third quarter of 2013, including the associated early-settlement costs of approximately $18 million, which were recorded in net interest expense and other financing charges.

In addition, during the third quarter of 2013, Choice Properties filed a Short Form Base Shelf Prospectus allowing for the issuance from time to time of Units and debt securities having an aggregate offering price of up to $2 billion. The Short Form Base Shelf Prospectus is valid for a 25-month period.

Cash and Cash Equivalents, Short Term Investments and Security Deposits As at October 5, 2013, the Company held $4,220 million in cash and cash equivalents, short term investments and security deposits, an increase of $2,392 million from October 6, 2012. The increase was due to the proceeds from the $1.6 billion aggregate principal amount of senior unsecured notes issued to partially fund the acquisition of all of the outstanding common shares of Shoppers Drug Mart, and the $660 million and $600 million of proceeds from Choice Properties' IPO and debt offering, respectively, net of the repayment of USD $300 million of USPP notes.

Credit Facilities During the third quarter of 2013, the Company amended its $800 million committed credit facility ("Credit Facility") to include certain adjustments to exclude the impact of Choice Properties from the Company's covenant calculations. In addition, the Company increased the Credit Facility amount to $1 billion, subject to the successful close of the Shoppers Drug Mart transaction, and extended the term to December 31, 2018.

The Credit Facility contains certain financial covenants with which the Company was in compliance throughout the quarter and as at the end of the third quarter of 2013. As at the end of the third quarters of 2013 and 2012 and as at December 29, 2012, there were no amounts drawn under the Credit Facility.

In addition, during the third quarter of 2013, Choice Properties entered into an agreement for a $500 million, 5 year senior unsecured committed credit facility provided by a syndicate of lenders. This facility also contains certain financial covenants. Choice Properties was in compliance with these covenants throughout the quarter and as at the end of the third quarter of 2013. At the end of the third quarter of 2013, there were no amounts drawn under this facility.

As at October 5, 2013, the Company had agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of $134 million (October 6, 2012 – $132 million; December 29, 2012 – $133 million), of which $112 million (October 6, 2012 – $91 million; December 29, 2012 – $97 million) was deposited with major financial institutions and classified as security deposits.

Credit Ratings Following a review of the implications of the Company's agreement to acquire Shoppers Drug Mart during the third quarter of 2013, Dominion Bond Rating Service and Standard & Poor's re-confirmed Loblaw and Choice Properties' credit ratings of BBB stable in each case, with a stable outlook.

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

	Dominion Bond Rating Service		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	Stable
Preferred shares	Pfd-3	Stable	P-3 (high)	Stable
Other notes and debentures	BBB	Stable	BBB	Stable

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

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Stable	BBB	Stable
Senior unsecured debentures – Series A and B	BBB	Stable	BBB	Stable

Independent Securitization Trusts The Company, through President's Choice Bank ("PC Bank"), participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. PC Bank sells credit card receivables to Independent Securitization Trusts, including *Eagle Credit Card Trust® ("Eagle"*) and Other Independent Securitization Trusts, from time to time depending on PC Bank's financing requirements.

The Company has arranged letters of credit on behalf of PC Bank, representing 9% (October 6, 2012 and December 29, 2012 – 9%) of the outstanding securitized liability for the benefit of the Other Independent Securitization Trusts in the amount of $81 million (October 6, 2012 and December 29, 2012 – $81 million). Subsequent to the end of the third quarter of 2013, PC Bank repurchased $300 million of co-ownership interests in the securitized receivables from Other Independent Securitization Trusts and, as a result, the letters of credit outstanding were reduced to $54 million. In the event of a major decline in the income flow from, or in the value of, the securitized credit card receivables, the Other Independent Securitization Trusts can draw upon these letters of credit to recover up to a maximum of the amount outstanding on the letters of credit. 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 and was in compliance with this requirement throughout the quarter.

During the second quarter of 2013, *Eagle* filed a Short Form Base Shelf Prospectus which allows for the potential issuance of up to $1.5 billion of notes over a 25-month period. During the third quarter of 2013, PC Bank amended and extended the maturity date for one of its independent securitization trust agreements from the third quarter of 2014 to the third quarter of 2015, with no material impact to other terms and conditions.

Subsequent to the third quarter of 2013, *Eagle* issued $400 million of senior and subordinated term notes with a maturity date of October 17, 2018 at a weighted average interest rate of 2.91%.

On December 17, 2013, the three-year $250 million senior and subordinated term notes issued by *Eagle* will mature. As a result, the Company accumulated $83 million of cash in the third quarter of 2013, which was recorded in security deposits on the consolidated balance sheet. Subsequent to the third quarter of 2013, the Company accumulated a further $83 million by the end of October and expects to accumulate an additional $84 million by the end of November 2013.

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions, for the third quarters and year-to-date 2013 and 2012:

(millions of Canadian dollars) (unaudited)	**October 5, 2013 (16 weeks)**	October 6, 2012 (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012 (40 weeks)
Balance, beginning of period	**$ 273**	$ 235	**$ 303**	$ 276
GICs issued	**98**	13	**98**	15
GICs matured	**(6)**	(4)	**(36)**	(47)
Balance, end of period	**$ 365**	$ 244	**$ 365**	$ 244

As at October 5, 2013, $53 million in GICs were recorded as long term debt due within one year (October 6, 2012 – $35 million; December 29, 2012 – $36 million).

Independent Funding Trusts As at October 5, 2013, the independent funding trusts had drawn $460 million (October 6, 2012 – $458 million; December 29, 2012 – $459 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts.

The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% of the principal amount of the loans outstanding. As at October 5, 2013, the Company had provided a letter of credit in the amount of $48 million (October 6, 2012 and December 29, 2012 – $48 million).

Capital Structure

Dividends The following table summarizes the Company's cash dividends declared for the third quarters and year-to-date 2013 and 2012:

	October 5, 2013(i) (16 weeks)	October 6, 2012 (16 weeks)	October 5, 2013 (40 weeks)	October 6, 2012 (40 weeks)
Dividends declared per share ($):				
Common share	$ 0.24	$ 0.21	$ 0.70	$ 0.63
Second Preferred Share, Series A	$ 0.37	$ 0.37	$ 1.12	$ 1.12

(i) Dividends declared on common shares have a payment date of October 1, 2013. Dividends declared on Second Preferred Shares, Series A have a payment date of October 31, 2013.

Subsequent to the end of the third quarter of 2013, the Board of Directors declared a quarterly dividend of $0.24 per common share payable December 30, 2013, and declared a quarterly dividend of $0.37 per Second Preferred Share, Series A, payable January 31, 2014. At the time such dividends are declared, the Company identifies on its website (loblaw.ca) the designation of eligible and ineligible dividends in accordance with the administrative position of the Canada Revenue Agency ("CRA").

Normal Course Issuer Bid During the third quarter of 2013 and year-to-date, the Company purchased for cancellation 1,500,000 (2012 – 177,477 year-to-date) common shares under the NCIB, resulting in a charge to retained earnings of $64 million (2012 – $5 million) for the premium on the common shares and a reduction in common share capital of $9 million (2012 – $1 million).

During the second quarter of 2013, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or enter into equity derivatives to purchase up to 14,103,672 of the Company's common shares, representing approximately 5% of the common shares outstanding. In accordance with the rules and by-laws of the TSX, the Company may purchase its shares at the then market price of such shares. During the second quarter of 2013, the Company entered into an automatic share repurchase agreement under its NCIB that permits the Company to buy back its shares during blackout periods in accordance with predetermined instructions.

During the first quarter of 2013, the Company purchased 1,103,500 common shares under its NCIB for cash consideration of $46 million and placed these shares into trusts for future settlement of the Company's RSU and PSU obligations. This resulted in a charge to retained earnings of $40 million and a $6 million reduction in common share capital.

Financial Derivative Instruments

Cross Currency Swaps The Company uses cross currency swaps to reduce the exposure to exchange rate fluctuations relating to certain balance sheet items denominated in USD, including cash and long term debt.

As at October 5, 2013, Glenhuron Bank Limited ("Glenhuron") held cross currency swaps to exchange USD for Canadian dollars. The swaps mature by 2020 and are financial derivatives classified as fair value through profit or loss. Amounts receivable or payable arising from these swaps are settled in cash upon maturity. Subsequent to the end of the third quarter of 2013, Glenhuron unwound its cross currency swaps resulting in a fair value loss of $2 million, which will be recorded in operating income.

During the third quarter of 2013, the Company settled its remaining USD $150 million USPP cross currency swap in advance of its maturity on May 29, 2015. This settlement occurred in conjunction with the early payment of the underlying USD $150 million USPP note.

During the second quarter of 2013, the Company settled its USD $150 million USPP cross currency swap, which matured on May 29, 2013. In 2008, this swap was designated as a cash flow hedge to manage the foreign exchange variability related to the USPP note that also matured on May 29, 2013. In 2011, the designated swap was no longer classified as a cash flow hedge and an unrealized foreign exchange gain of $5 million, net of tax of $2 million, was deferred in accumulated other comprehensive income. On settlement of the swap during the second quarter, this gain was realized in operating income.

The following table summarizes the financial position of the Company's cross currency swaps:

(millions of Canadian dollars) (unaudited)	Glenhuron Cross Currency Swaps **As at October 5, 2013**	As at October 6, 2012	As at December 29, 2012	USPP Cross Currency Swaps **As at October 5, 2013**	As at October 6, 2012	As at December 29, 2012
Exchange amount	**$ 1,202**	$ 1,200	$ 1,199	**$ —**	$ 296	$ 296
Cumulative unrealized foreign currency exchange rate receivable recorded in:						
Prepaid expenses and other assets (other liabilities)	**$ 38**	$ 10	$ 20	**$ —**	$ (1)	$ 2
Other assets	**$ 30**	$ 123	$ 93	**$ —**	$ 3	$ 5

The Glenhuron cross currency swaps offset the effect of translation (gains) losses on the underlying cash and cash equivalents, short term investments and security deposits of USD $1,091 million (2012 – USD $1,112 million). The USPP cross currency swaps offset the effect of translation (gains) losses on the underlying USPP notes in long term debt, which were repaid as at October 5, 2013 (2012 – USD $300 million).

The following table summarizes the changes in fair value of the Glenhuron cross currency swaps and the underlying exposures:

	Glenhuron Cross Currency Swaps			
(millions of Canadian dollars) (unaudited)	**October 5, 2013 (16 weeks)**	October 6, 2012 (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012 (40 weeks)
Fair value loss (gain) related to swaps recorded in operating income	**$ 14**	$ (50)	**$ 38**	$ (50)
Translation (gain) loss related to the underlying exposures	**$ (14)**	$ 47	**$ (35)**	$ 47

The following table summarizes the changes in fair value of the USPP cross currency swaps and the underlying exposures:

	USPP Cross Currency Swaps			
(millions of Canadian dollars) (unaudited)	**October 5, 2013 (16 weeks)**	October 6, 2012 (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012 (40 weeks)
Fair value (gain) loss related to swaps recorded in operating income(i)	**$ (2)**	$ 14	**$ (11)**	$ 12
Translation loss (gain) related to the underlying exposures	**$ 5**	$ (12)	**$ 14**	$ (12)

(i) Excludes the $7 million gain reclassified from accumulated other comprehensive income in the second quarter of 2013.

Interest Rate Swaps During the third quarter of 2013, the Company settled its remaining notional $50 million interest rate swaps and as at October 5, 2013, the Company held no interest rate swaps (October 6, 2012 and December 29, 2012 – $150 million notional interest rate swaps which paid a fixed-rate of interest of 8.38%). As at October 5, 2013, no fair value gains or losses related to these interest rate swaps were recorded on the condensed consolidated balance sheet (October 6, 2012 – a cumulative loss of $10 million was recorded in trade payables and other liabilities; December 29, 2012 – a cumulative loss of $5 million was recorded in trade payables and other liabilities). In the third quarter of 2013, the Company recognized a $2 million fair value gain (2012 – gain of $2 million) and a $5 million fair value gain (2012 – gain of $5 million) year-to-date, in operating income related to these swaps. During the second quarter of 2013, the Company settled its notional $100 million interest rate swaps.

Equity Forward Contracts During the first quarter of 2013, Glenhuron paid $16 million to settle the remaining equity forwards representing 1,103,500 Loblaw common shares. Glenhuron recognized a nominal loss in operating income related to these forwards.

Off-Balance Sheet Arrangements

During the second quarter of 2012, the Company increased its guarantee on behalf of PC Bank to MasterCard® International Incorporated from USD $180 million to USD $230 million, primarily due to an increase in active accounts.

Other Business Matters

IT and Other Systems Implementations The Company is undertaking a major upgrade of its IT infrastructure, which began in 2010. This project represents one of the largest technology infrastructure programs ever implemented by the Company and is fundamental to its long term growth strategies. During the third quarter of 2013, the Company continued to make progress with the implementation and has successfully implemented the system in eight distribution centres and 31 stores, with little to no impact on the Company's customers. The Company is focused on optimizing data, systems and processes to continue to build a stable foundation for the roll-out and now expects the system to be implemented in eight distribution centres and 75 stores, including 16 Joe Fresh stores, by the end of 2013.

Choice Properties Real Estate Investment Trust During the third quarter of 2013, in connection with its acquisition of approximately $7 billion of properties and related assets from Loblaw, Choice Properties completed a $460 million IPO of Units. The IPO included the exercise of a $60 million over-allotment option. In addition, Choice Properties sold $200 million of Units to Weston. Units were issued at a price of $10.00 per unit and gross proceeds were $660 million. After the exercise of the over-allotment option, Loblaw held an 81.7% effective interest in Choice Properties through ownership of 21,500,000 Units and 272,497,871 Class B Limited Partnership units, which are economically equivalent to and exchangeable for Units. At closing, the Company recorded transaction costs of $43 million in net interest expense and other financing charges related to these transactions.

Concurrently, with the offering of Units, Choice Properties completed a public offering of $600 million aggregate principal amount of Debentures. A portion of the debt offering proceeds were used to replenish the cash used to repay the USD $150 million USPP note that matured during the second quarter of 2013 and to early-settle the remaining USD $150 million USPP note during the third quarter of 2013, including the associated early-settlement costs of approximately $18 million, which were recorded in net interest expense and other financing charges.

On October 22, 2013, Choice Properties acquired a portfolio of nine investment properties from Loblaw for an aggregate purchase price of approximately $150 million, which was settled through the issuance of 9,925,671 Class B Limited Partnership units and cash. As a result of the transaction, Loblaw now holds an effective ownership in Choice Properties of approximately 82.2%.

On October 28, 2013, Choice Properties completed the acquisition of a single-tenant retail property from a third party for a purchase price of approximately $2 million, excluding acquisition costs, which was settled with cash.

Agreement to Acquire Shoppers Drug Mart On July 14, 2013, the Company entered into an arrangement agreement to acquire all of the outstanding common shares of Shoppers Drug Mart for consideration of up to approximately $6.7 billion of cash and the issuance of up to approximately 119.9 million common shares. Based on Loblaw's closing common share price on that date, the purchase price would be approximately $12.4 billion.

In connection with the acquisition of Shoppers Drug Mart, the Company entered into bank facilities consisting of a $3.5 billion term loan facility and a $1.6 billion bridge loan facility. On September 10, 2013, the Company issued $1.6 billion aggregate principal amount of senior unsecured notes and concurrently cancelled the $1.6 billion bridge loan facility. As part of the financing of the acquisition, the Company's controlling shareholder, Weston, has agreed to subscribe for approximately $500 million of additional Loblaw common shares.

On September 12, 2013, Shoppers Drug Mart shareholders voted in favour of the agreement and on September 16, 2013 a final order of the Ontario Superior Court of Justice approving the agreement was obtained. The transaction is subject to compliance with the *Competition Act* (Canada) and certain other closing conditions customary in transactions of this nature. The process of review under the *Competition Act* (Canada) is proceeding as expected and the Company anticipates that the transaction will be completed during the first quarter of 2014. Further information on the transaction and its expected effects on the Company can be found in the Information Statement filed by the Company on August 20, 2013, in respect of Shoppers Drug Mart shareholder approval of the transaction. There can be no assurance that all conditions will be met or waived or that the Company will be able to successfully consummate the proposed transaction as currently contemplated or at all.

Quarterly Results of Operations

Under an accounting convention common in the food retail industry, the Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks. 2013, 2012 and 2011 are 52-week fiscal years. 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. 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.

Summary of Consolidated Quarterly Results

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
(millions of Canadian dollars except where otherwise indicated) (unaudited)	**2013 (16 weeks)**	**2012[(1)] (16 weeks)**	2013 (12 weeks)	2012[(1)] (12 weeks)	2013 (12 weeks)	2012[(1)] (12 weeks)	2012[(1)] (12 weeks)	2011[(2)] (12 weeks)
Revenue	**$ 10,009**	**$ 9,827**	$ 7,520	$ 7,375	$ 7,202	$ 6,937	$ 7,465	$ 7,373
Net earnings	**$ 154**	**$ 217**	$ 178	$ 156	$ 171	$ 122	$ 139	$ 174
Net earnings per common share								
Basic ($)	**$ 0.55**	**$ 0.77**	$ 0.63	$ 0.55	$ 0.61	$ 0.43	$ 0.49	$ 0.62
Diluted ($)	**$ 0.54**	**$ 0.75**	$ 0.63	$ 0.55	$ 0.60	$ 0.43	$ 0.46	$ 0.60
Average national food price inflation (as measured by CPI)	**0.9%**	**1.8 %**	1.5%	2.5%	1.4%	3.7 %	1.5%	5.2%
Retail same-store sales[(3)] growth (decline)	**0.4%**	**(0.2)%**	1.1%	0.2%	2.8%	(0.7)%	0.0%	2.5%

(1) Certain 2012 figures have been restated due to the implementation of revised IAS 19, "Employee Benefits". See the "Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies" section on page 28 of this report.

(2) As reported under the original IAS 19, "Employee Benefits", no information has been restated.

(3) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

Over the past eight quarters, net retail square footage increased by 0.9 million square feet to 51.8 million square feet.

Fluctuations in quarterly net earnings reflect the underlying operations of the Company and are impacted by seasonality, which is greatest in the fourth quarter and least in the first quarter, and the timing of holidays and were impacted by the following significant items:

- Choice Properties start-up costs and IPO transaction costs recognized in the third quarter of 2013;
- Early debt settlement costs;
- Costs related to the acquisition of Shoppers Drug Mart;
- Costs related to equity-based compensation net of equity forwards;
- Restructuring costs, including the costs associated with reducing head office and administrative positions incurred in the fourth quarter of 2012;
- Choice Properties general and administrative costs which started in the third quarter of 2013;
- Fixed asset impairment and other related charges, net of recoveries;
- The fair value adjustment of the Trust Unit Liability;
- Gains related to defined benefit plan amendments recorded in the first quarter of 2013;
- Costs related to the incremental investment in IT and supply chain; and
- Start-up costs associated with the launch of the *Joe Fresh* brand in the United States incurred in the fourth quarter of 2011.

Internal Control over Financial Reporting

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.

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 financial reports for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any controls, 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. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in Internal Control over Financial Reporting The IPO of Choice Properties in the third quarter of 2013 involved the implementation of a number of Choice Properties-specific processes. These new processes and related controls represent a material change in internal controls for Loblaw Companies Limited.

Except for the preceding change, there were no other changes in the Company's internal controls over financial reporting during the third quarter of 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Enterprise Risks and Risk Management

Detailed descriptions of the operating and financial risks and risk management strategies are included in the Enterprise Risks and Risk Management Section on page 23 of the MD&A in the Company's 2012 Annual Report. The following is an update to those risks and risk management strategies:

Systems Implementations The Company continued to undertake a major upgrade of its IT infrastructure in the third quarter of 2013 as described in the Other Business Matters section on page 24 of this MD&A. Completing the IT system deployment will require continued focus and investment. Failure to successfully migrate from legacy systems to the new IT system or disruption in the Company's current IT systems during the implementation of the new IT system, could result in a lack of accurate data to enable management to effectively achieve its strategic plan or manage the day-to-day operations of the business, causing significant disruptions to the business and potential financial losses. Failure to implement appropriate processes to support the new IT system could result in inefficiencies and duplication in processes and could negatively affect the reputation, operations, revenues and financial performance of the Company.

Regulatory During the first three quarters of 2013, all provinces and territories reduced the reimbursement rates on six common generic prescription drugs and certain other provinces implemented further generic prescription drug reimbursement rate reductions. In addition, Ontario eliminated all professional allowances paid by drug manufacturers to pharmacies. These actions, and any potential further announcements, impact pharmacy sales and therefore could have an adverse effect on the financial performance of the Company. The Company continues to identify opportunities to mitigate the impact of these amendments, including the introduction of programs to add new services and enhance existing services to attract customers, but despite these efforts, the amendments could have an adverse effect on the financial performance of the Company. The acquisition of Shoppers Drug Mart will increase the Company's exposure to this risk.

Real Estate Investment Trust Additional key risks to the Company as a result of the creation and recent IPO of Choice Properties are as follows:

Tax and Regulatory Choice Properties intends to comply with the requirements under the Income Tax Act at all relevant times such that it maintains its status as a "unit trust" and a "mutual fund trust" for purposes of the Income Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects unitholders, including Loblaw. Should Choice Properties cease to qualify as a mutual fund trust under the Income Tax Act, the taxation of Choice Properties and unitholders, including Loblaw, could be materially and adversely different in certain respects.

Unless the Real Estate Investment Trust ("REIT") Exception under the Income Tax Act applies to Choice Properties, the specified investment flow-through rules ("SIFT Rules") may have an adverse impact on the taxation of Choice Properties and on the taxation of distributions to unitholders, including Loblaw. Although, as of the date hereof, the Company believes that Choice Properties will be able to meet the requirements of the REIT Exception throughout 2013 and beyond, there can be no assurance that Choice Properties will be able to qualify for the REIT Exception such that Choice Properties and unitholders, including Loblaw, will not be subject to the SIFT Rules in 2013 or in future years. In the event that the SIFT Rules apply to Choice Properties, the impact to unitholders, including Loblaw, will depend in part on the amount of income distributed which would not be deductible by Choice Properties in computing its income in a particular year and what portions of Choice Properties' distributions constitute "non-portfolio earnings", other income and returns of capital. In addition, the application of the SIFT rules could have a material adverse effect on the trading price of Units.

Interest Rate Choice Properties will require extensive financial resources to complete the implementation of its future investment and growth strategy. In addition to its credit facility, Choice Properties may enter into future financing agreements with variable interest rates. Given the historically low interest rates, there is a risk that interest rates will increase which could impact variable interest rates as well as the rates at which future financing and/or refinancing is obtained. An increase in interest rates could result in an increase in the Company's interest expense and negatively impact results of operations. Any increase in interest paid by Choice Properties to service debt could impact its ability to make distributions which could have a material adverse effect on the trading price of Units.

Capital Availability The real estate industry is highly capital intensive. Choice Properties requires access to capital to maintain its properties, refinance its indebtedness as well as to fund its growth strategy and certain capital expenditures from time to time. Although Choice Properties expects to have access to its credit facility, there can be no assurance that it will otherwise have access to sufficient capital or access to capital on favourable terms for future property acquisitions, refinancing its indebtedness, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, Choice Properties may not be able to borrow funds due to certain limitations. Failure by Choice Properties to access required capital could have a material adverse effect on the Company's ability to pay its financial or other obligations. An inability to access capital could also impact Choice Properties' ability to make distributions which could have an adverse material effect on the trading price of Units.

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

Additional risks and uncertainties relating to Choice Properties are discussed in Choice Properties materials filed with the Canadian securities regulatory authorities from time to time.

Acquisition of Shoppers Drug Mart Corporation On July 14, 2013, the Company entered into an arrangement agreement to acquire all of the outstanding common shares of Shoppers Drug Mart for consideration of up to approximately $6.7 billion of cash and the issuance of up to approximately 119.9 million common shares. On September 12, 2013, Shoppers Drug Mart shareholders voted in favour of the agreement and on September 16, 2013 a final order of the Ontario Superior Court of Justice approving the agreement was obtained. The transaction is subject to compliance with the *Competition Act* (*Canada)* and certain other closing conditions customary in transactions of this nature. The successful execution and implementation of the acquisition requires significant effort on the part of Management of the Company. Failure to properly execute and implement this transaction or realize the anticipated strategic benefits or operational, competitive or cost synergies could adversely affect the reputation, operations and financial performance of the Company. Information on risks and uncertainties related to Shoppers Drug Mart are disclosed in the Information Statement filed by the Company on August 20, 2013 and the Shoppers Drug Mart materials filed with the Canadian securities regulatory authorities from time to time.

Related Party Transactions

Concurrent with the Choice Properties IPO, Weston purchased 20,000,000 Units from Choice Properties at $10.00 per Unit for a total subscription price of $200 million. During the third quarter and year-to-date, Choice Properties recorded $3 million in distributions to Weston relating to Units, which have been classified as interest expense in the Condensed Consolidated Statement of Earnings. The Company's policy is to conduct all transactions and settle all balances between related parties on market terms and conditions.

Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies

Fair Value Measurement In 2011, the International Accounting Standards Board ("IASB") issued IFRS 13, "Fair Value Measurement" ("IFRS 13"), which establishes a single framework for the fair value measurement and disclosure of financial and non-financial assets and liabilities. The new standard unifies the definition of fair value and also introduces new concepts including 'highest and best use' and 'principal markets' for non-financial assets and liabilities. There are additional disclosure requirements, including increased fair value disclosure for financial instruments for interim and annual financial statements. The Company implemented this standard prospectively in the first quarter of 2013. There were no measurement impacts on the Company's unaudited interim period condensed consolidated financial statements as a result of the adoption of IFRS 13.

Employee Benefits In 2011, the IASB revised International Accounting Standard ("IAS") 19, "Employee Benefits" ("IAS 19"). The most significant amendments for the Company and its significant accounting policies are the requirement to immediately recognize all unvested past service costs and the replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying a prescribed discount rate to the net defined benefit obligation. Under the amendment, the Company continues to recognize actuarial gains and losses on plan assets and obligations through other comprehensive income, but has chosen to reclassify these amounts from accumulated other comprehensive income and record these actuarial gains and losses in retained earnings, consistent with its previous presentation. The Company implemented this standard retrospectively in the first quarter of 2013. The impact arising from the adoption of the amendments to IAS 19 is summarized as follows:

Consolidated Statements of Earnings and Comprehensive Income Increase (Decrease) (millions of Canadian dollars except where otherwise indicated)	October 6, 2012 (16 weeks)	October 6, 2012 (40 weeks)	December 29, 2012 (52 weeks)
Selling, General and Administrative Expenses	$ —	$ —	$ 1
Operating Income	$ —	$ —	$ (1)
Net interest expense and other financing charges	7	16	20
Earnings Before Income Taxes	$ (7)	$ (16)	$ (21)
Income taxes	(2)	(4)	(5)
Net Earnings	$ (5)	$ (12)	$ (16)
Other comprehensive income, net of taxes	5	12	15
Total Comprehensive Income	$ —	$ —	$ (1)
Net Earnings per Common Share ($)			
Basic	$ (0.02)	$ (0.04)	$ (0.06)
Diluted	$ (0.02)	$ (0.04)	$ (0.05)

Consolidated Balance Sheets Increase (Decrease) (millions of Canadian dollars)	As at October 6, 2012	As at December 29, 2012	As at January 1, 2012
Other long term liabilities	$ (3)	$ (2)	$ (3)
Shareholders' equity	$ 3	$ 2	$ 3

The amendments also require enhanced annual disclosures for defined benefit plans, including additional information on the characteristics and risks of those plans, which will be included in the Company's 2013 Annual Report – Financial Review.

Other Standards In addition to the above standards, the Company implemented the following standards and amendments effective January 1, 2013: IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 11, "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 28, "Investments in Associates" and IAS 1, "Presentation of Financial Statements". There was no significant impact on the Company's unaudited interim period condensed consolidated financial statements as a result of the implementation of these standards.

As a result of the implementation of IFRS 10, the Company consolidates structured entities, if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the structured entity. Structured entities are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

Restricted Share Unit Plan On January 2, 2013, the Company's RSU plan was amended to require settlement in common shares rather than in cash, prospectively for units settled subsequent to March 31, 2013. These awards are accounted for as equity-settled and vest after the end of a performance period, ranging from three to five years. The fair value of each RSU grant is measured based on the market value of a Loblaw common share less the net present value of the expected dividend stream at the date on which RSUs are awarded to each participant. The compensation expense is prorated over the performance period, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. Upon settlement of the award, the amount recognized in contributed surplus for the award is reclassified to share capital, with any premium or discount applied to retained earnings.

Performance Share Unit Plan On January 2, 2013, the Company's PSU plan was amended to require settlement in common shares rather than in cash. These awards are accounted for as equity-settled and vest after the end of a three year performance period. The number of units that vest will vary based on the achievement of specified performance measures. The fair value of each PSU granted is measured based on the market value of a Loblaw common share less the net present value of the expected dividend stream at the date on which PSUs are awarded to each participant. The compensation expense is prorated over the performance period, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. Upon settlement of the award, the amount recognized in contributed surplus for the award is reclassified to share capital, with any premium or discount applied to retained earnings.

Outlook[(1)]

In a highly competitive market, Loblaw's strategy of focusing on its customer proposition has delivered same-store sales growth in each of the first three quarters of 2013. In addition to its focus on sales growth, the Company is committed to creating efficiencies in its business. Consistent with the first half of the year, in the third quarter the Company delivered operating efficiencies in its core retail business, including labour and supply chain efficiencies.

In the third quarter of 2013, the Company made greater than anticipated investments in targeted food categories as a result of an increasingly competitive environment driven by greater than historical square footage expansion. The Company remains committed to its strategy to drive its customer proposition, including investments in food margins, in the fourth quarter of 2013. As a result, the Company expects adjusted operating income[(2)] and operating income[(3)] for the full year to be flat compared to 2012.

(1) See Forward-Looking Statements on page 10 of this report.

(2) See Non-GAAP Financial Measures on page 30 of this report.

(3) Guidance given in previous quarters was not calculated on an adjusted basis. Items excluded for the calculation of operating income growth are: the $61 million restructuring charges recorded in the fourth quarter of 2012; the $51 million gain recorded in the first quarter of 2013 associated with amendments to certain defined benefit plans; costs associated with the creation and recently completed IPO of Choice Properties; cost incurred in connection with the agreement to acquire Shoppers Drug Mart; and $30 million of restructuring charges expected to be recorded in the fourth quarter of 2013.

Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: adjusted operating income, adjusted operating margin, adjusted EBITDA, adjusted EBITDA margin, adjusted net earnings, adjusted basic net earnings per common share, interest and interest coverage, free cash flow, net assets, rolling year return on average net assets, adjusted debt and adjusted debt to rolling year adjusted EBITDA and with respect to Choice Properties, net operating income, funds from operations, adjusted funds from operations, adjusted funds from operations per unit diluted and adjusted funds from operations payout ratio. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

Adjusted Operating Income, Adjusted Operating Margin, Adjusted EBITDA and Adjusted EBITDA Margin The following table reconciles adjusted operating income and adjusted earnings before income taxes, net interest expense and other financing charges and depreciation and amortization ("adjusted EBITDA") to operating income, which is reconciled to GAAP net earnings measures reported in the condensed consolidated statements of earnings for the 16 and 40 week periods ended October 5, 2013 and October 6, 2012. The Company believes that adjusted operating income is useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of the business. The Company believes that adjusted EBITDA is also useful in assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

Adjusted operating margin is calculated as adjusted operating income divided by revenue. Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue.

					2013 (16 weeks)					2012(1) (16 weeks)
(millions of Canadian dollars) (unaudited)	Retail	Financial Services	Choice Properties(2)	Consolidation and Eliminations	Consolidated	Retail	Financial Services	Choice Properties	Consolidation and Eliminations	Consolidated
Net earnings					$ 154					$ 217
Add impact of the following:										
Net interest expense and other financing charges					171					107
Income taxes					56					81
Operating income	$ 342	$ 41	$ 184	$ (186)	$ 381	$ 373	$ 32	$ —	$ —	$ 405
Add (deduct) impact of the following:										
Equity-based compensation, net of equity forwards	10	—	—	—	10	9	—	—	—	9
Fixed asset and other related impairments, net of recoveries	4	—	—	—	4	4	—	—	—	4
Restructuring costs	3	—	—	—	3	—	—	—	—	—
Choice Properties general and administrative costs	(1)	—	4	—	3	—	—	—	—	—
Choice Properties start-up costs	—	—	3	—	3	—	—	—	—	—
Shoppers Drug Mart related costs	(1)	—	—	—	(1)	—	—	—	—	—
Adjusted operating income	$ 357	$ 41	$ 191	$ (186)	$ 403	$ 386	$ 32	$ —	$ —	$ 418
Depreciation and amortization	249	2	—	3	254	238	3	—	—	241
Adjusted EBITDA	$ 606	$ 43	$ 191	$ (183)	$ 657	$ 624	$ 35	$ —	$ —	$ 659

(1) Certain 2012 figures have been restated due to the implementation of revised IAS 19, "Employee Benefits". See the "Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies" section on page 28 of this report.

(2) Results are for the period ended September 30, 2013, consistent with Choice Properties' fiscal calendar. Adjustments to October 5, 2013 are included in Consolidation and Eliminations.

(millions of Canadian dollars) (unaudited)	2013 (40 weeks) Retail	Financial Services	Choice Properties[(2)]	Consolidation and Eliminations	Consolidated	2012[(1)] (40 weeks) Retail	Financial Services	Choice Properties	Consolidation and Eliminations	Consolidated
Net earnings					$ 503					$ 495
Add impact of the following:										
Net interest expense and other financing charges					327					267
Income taxes					182					172
Operating income	$ 915	$ 99	$ 184	$ (186)	$ 1,012	$ 873	$ 61	$ —	$ —	$ 934
Add (deduct) impact of the following:										
Equity-based compensation, net of equity forwards	24	—	—	—	24	26	—	—	—	26
Fixed asset and other related impairments, net of recoveries	10	—	—	—	10	7	—	—	—	7
Restructuring costs	3	—	—	—	3	—	—	—	—	—
Choice Properties general and administrative costs	(1)	—	4	—	3	—	—	—	—	—
Choice Properties start-up costs	—	—	3	—	3	—	—	—	—	—
Shoppers Drug Mart related costs	(1)	—	—	—	(1)	—	—	—	—	—
Defined benefit plan amendments	(51)	—	—	—	(51)	—	—	—	—	—
Adjusted operating income	$ 899	$ 99	$ 191	$ (186)	$ 1,003	$ 906	$ 61	$ —	$ —	$ 967
Depreciation and amortization	618	7	—	3	628	582	8	—	—	590
Adjusted EBITDA	$1,517	$ 106	$ 191	$ (183)	$ 1,631	$1,488	$ 69	$ —	$ —	$ 1,557

Equity-based compensation, net of equity forwards Until the first quarter of 2013, Glenhuron held equity forwards to partially hedge the impact of increases in the value of Loblaw common shares on equity-based compensation costs. The amount of net equity-based compensation costs recorded in operating income has historically been mainly dependent upon changes in the value of Loblaw common shares and the number and vesting of RSUs and PSUs relative to the number of common shares underlying the equity forwards. In the first quarter of 2013, Glenhuron settled its remaining equity forward contracts and the RSU and PSU plans were amended to require settlement in common shares rather than in cash. As a result of the settlements and plan amendments, the components of equity-based compensation and their exposure to changes in the value of Loblaw common shares have changed. In order to assess operating performance on a consistent basis, management excludes the impact of equity-based compensation from operating income. In the third quarter of 2013, a charge of $10 million (2012 – $9 million) and year-to-date $24 million (2012 – $26 million) related to equity-based compensation net of equity forwards were recorded.

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. In the third quarter of 2013, the Company recorded a charge of $4 million (2012 – $4 million) and year-to-date $10 million (2012 – $7 million) related to fixed asset and other related impairments, net of recoveries.

Restructuring costs During the third quarter of 2013 and year-to-date, the Company recorded $3 million (2012 – nil) of restructuring costs in operating income.

Choice Properties general and administrative costs During the third quarter of 2013 and year-to-date, the Company recorded incremental general and administrative costs relating to Choice Properties of $3 million in operating income.

Choice Properties start-up costs In connection with the IPO of Choice Properties, the Company incurred certain costs to facilitate the start-up of the new entity. During the third quarter of 2013 and year-to-date, the Company recorded $3 million of Choice Properties start-up costs in operating income.

(1) Certain 2012 figures have been restated due to the implementation of revised IAS 19, "Employee Benefits". See the "Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies" section on page 28 of the Company's 2013 Third Quarter Management's Discussion and Analysis.

(2) Results are for the period ended September 30, 2013, consistent with Choice Properties' fiscal calendar. Adjustments to October 5, 2013 are included in Consolidation and Eliminations.

Shoppers Drug Mart related costs In connection with the agreement to acquire all of the outstanding common shares of Shoppers Drug Mart, the Company incurred $9 million of acquisition costs, which were recorded in operating income during the third quarter of 2013. In addition, in connection with the issuance of $1.6 billion of unsecured notes in the third quarter of 2013, the Company hedged its exposure to interest rates in the period prior to the issuance. As the hedge did not qualify for hedge accounting, the resulting $10 million gain on settlement was recorded in operating income.

Defined benefit plan amendments During the first quarter of 2013, the Company announced amendments to certain of its defined benefit plans impacting certain employees retiring after January 1, 2015. As a result, the Company recorded a gain of $51 million in the first quarter of 2013 and year-to-date.

Adjusted Net Earnings and Adjusted Basic Net Earnings Per Common Share The Company believes adjusted net earnings and adjusted basic net earnings per common share are useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

The following table reconciles adjusted net earnings and adjusted basic net earnings per common share to GAAP net earnings and basic net earnings per common share reported for the 16 and 40 week periods ended October 5, 2013 and October 6, 2012:

(millions of Canadian dollars/Canadian dollars) (unaudited)	**2013 (16 weeks)**		2012(1) (16 weeks)		**2013 (40 weeks)**		2012(1) (40 weeks)	
Net earnings/basic net earnings per common share	**$ 154**	**$ 0.55**	$ 217	$ 0.77	**$ 503**	**$ 1.79**	$ 495	$ 1.76
Add (deduct) impact of the following:								
Equity-based compensation, net of equity forwards	**9**	**0.03**	8	0.03	**21**	**0.07**	25	0.09
Fixed asset and other related impairments, net of recoveries	**3**	**0.01**	3	0.01	**7**	**0.03**	5	0.02
Restructuring costs	**2**	**—**	—	—	**2**	**—**	—	—
Choice Properties general and administrative costs	**2**	**—**	—	—	**2**	**—**	—	—
Choice Properties start-up costs and IPO transaction costs	**34**	**0.12**	—	—	**34**	**0.12**	—	—
Shoppers Drug Mart related costs	**10**	**0.04**	—	—	**10**	**0.04**	—	—
Defined benefit plan amendments	**—**	**—**	—	—	**(37)**	**(0.13)**	—	—
Early debt settlement costs	**13**	**0.05**	—	—	**13**	**0.05**	—	—
Fair value adjustment of Trust Unit Liability	**(7)**	**(0.02)**	—	—	**(7)**	**(0.02)**	—	—
Adjusted net earnings/adjusted basic net earnings per common share	**$ 220**	**$ 0.78**	$ 228	$ 0.81	**$ 548**	**$ 1.95**	$ 525	$ 1.87

Choice Properties IPO transaction costs In addition to the start-up costs recorded in operating income noted above, during the third quarter and year-to-date transaction costs of $43 million on a pre-tax basis were incurred related directly to the Choice Properties IPO. These transaction costs were recorded in net interest and other financing charges.

Shoppers Drug Mart related costs In addition to the related costs recorded in operating income noted above, during the third quarter and year-to-date additional costs of $11 million on a pre-tax basis were incurred in connection with the committed financing related to the acquisition. These financing charges were recorded in net interest expense and other financing charges.

(1) Certain 2012 figures have been restated due to the implementation of revised IAS 19, "Employee Benefits". See the "Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies" section on page 28 of this report.

Early debt settlement costs During the third quarter of 2013, the Company settled its remaining USD $150 million US private placement note in advance of its May 29, 2015 maturity date and related cross currency swap. The Company incurred early-settlement costs related to the prepayment of $18 million on a pre-tax basis, which were recorded in net interest expense and other financing charges.

Fair value adjustment of Trust Unit Liability The Company is exposed to market price fluctuations as a result of the Choice Properties Units held by unitholders other than the Company. These Units are presented as a liability on the Company's condensed 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 period based on the market price of Units. In the third quarter of 2013 and year-to-date, the Company recorded a gain of $7 million (2012 – nil) related to the fair value adjustment of the Trust Unit Liability.

Interest and Interest Coverage The following table reconciles interest expense used in the calculations of the interest coverage ratio to GAAP measures for the 16 and 40 week periods ended October 5, 2013 and October 6, 2012. The Company believes the interest coverage ratio is useful in assessing the Company's ability to cover its net interest expense with its operating income.

Interest expense is calculated as net interest expense and other financing charges plus interest capitalized on fixed assets. Interest coverage is calculated as operating income divided by interest expense.

(millions of Canadian dollars) (unaudited)	**2013 (16 weeks)**	2012[(1)] (16 weeks)	**2013 (40 weeks)**	2012[(1)] (40 weeks)
Net interest expense and other financing charges	**$ 171**	$ 107	**$ 327**	$ 267
Add: Interest capitalized to fixed assets	**—**	—	**1**	1
Interest expense	**$ 171**	$ 107	**$ 328**	$ 268

Free Cash Flow The following table reconciles free cash flow used in assessing the Company's financial condition to GAAP measures for the 16 and 40 week periods ended October 5, 2013 and October 6, 2012. In the first quarter of 2013, the Company refined its definition of free cash flow as cash flows from operating activities less the change in credit card receivables, fixed asset purchases and interest paid. The Company believes that this definition of free cash flow is the appropriate measure in assessing the Company's cash available for additional funding and investing activities.

(millions of Canadian dollars) (unaudited)	**2013 (16 weeks)**	2012[(1)] (16 weeks)	**2013 (40 weeks)**	2012[(1)] (40 weeks)
Cash flows from operating activities	**$ 210**	$ 490	**$ 753**	$ 1,032
Less: Change in credit card receivables	**(151)**	(15)	**(125)**	28
Fixed asset purchases	**252**	289	**561**	656
Interest paid	**114**	94	**272**	253
Free cash flow	**$ (5)**	$ 122	**$ 45**	$ 95

(1) Certain 2012 figures have been restated due to the implementation of revised IAS 19, "Employee Benefits". See the "Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies" section on page 28 of this report.

Net Assets The following table reconciles net assets used in the rolling year return on average net assets ratio to GAAP measures reported as at the periods ended as indicated. The Company believes the rolling year return on average net assets ratio is useful in assessing the return on operating assets.

Net assets is calculated as total assets less cash and cash equivalents, short term investments, security deposits and trade payables and other liabilities. Rolling year return on average net assets is calculated as cumulative operating income for the latest four quarters divided by average net assets.

(millions of Canadian dollars) (unaudited)	**As at October 5, 2013**	As at October 6, 2012	As at December 29, 2012
Total assets	**$ 20,460**	$ 17,354	$ 17,961
Less: Cash and cash equivalents	**1,438**	749	1,079
Short term investments	**883**	836	716
Security deposits	**1,899**	243	252
Trade payables and other liabilities	**3,383**	3,307	3,720
Net assets	**$ 12,857**	$ 12,219	$ 12,194

Adjusted Debt The following table reconciles adjusted debt used in the adjusted debt to rolling year adjusted EBITDA ratio to GAAP measures reported as at the periods ended as indicated. The Company believes that adjusted debt is relevant in assessing the amount of financial leverage employed.

The Company calculates debt as the sum of short term debt, long term debt, trust unit liability, certain other liabilities and the fair value of related financial derivatives. The Company calculates adjusted debt as debt less Independent Securitization Trusts in short term and long term debt, independent funding trusts, trust unit liability and PC Bank's GICs. Adjusted debt to rolling year adjusted EBITDA is calculated as adjusted debt divided by cumulative adjusted EBITDA for the latest four quarters.

(millions of Canadian dollars) (unaudited)	**As at October 5, 2013**	As at October 6, 2012	As at December 29, 2012
Short term debt	**$ 905**	$ 905	$ 905
Long term debt due within one year	**982**	219	672
Long term debt	**6,648**	5,373	4,997
Trust unit liability	**653**	—	—
Certain other liabilities	**39**	39	39
Fair value of financial derivatives related to the above	**—**	33	14
Total debt	**$ 9,227**	$ 6,569	$ 6,627
Less:			
Independent Securitization Trusts in short term debt	**905**	905	905
Independent Securitization Trusts in long term debt	**600**	600	600
Independent Funding Trusts	**460**	458	459
Trust Unit Liability	**653**	—	—
Guaranteed Investment Certificates	**365**	244	303
Adjusted debt	**$ 6,244**	$ 4,362	$ 4,360

The Second Preferred Shares, Series A classified as capital securities are excluded from the calculations of total debt and adjusted debt.

Choice Properties Net Operating Income The following table reconciles Choice Properties net operating income to GAAP measures for the 16 and 40 week periods ended October 5, 2013 and October 6, 2012. The Company believes net operating income is useful in measuring Choice Properties operating performance and the performance of the real estate properties.

(millions of Canadian dollars) (unaudited)	**2013[(1)] (16 and 40 weeks)**	2012 (16 and 40 weeks)
Rental revenue	**$ 154**	$ —
Reverse - Straight-line rent	**(8)**	—
	146	—
Property Operating Costs	**(38)**	—
Net Operating Income	**$ 108**	$ —

Choice Properties Funds from Operations, Adjusted Funds from Operations, Adjusted Funds from Operations per Unit Diluted and Adjusted Funds from Operations Payout Ratio The following table reconciles Choice Properties funds from operations and adjusted funds from operations to GAAP measures for the 16 and 40 week periods ended October 5, 2013 and October 6, 2012. The Company believes funds from operations is useful in measuring Choice Properties operating performance and the performance of the real estate properties and adjusted funds from operations is useful in measuring economic performance and is indicative of Choice Properties' ability to pay distributions.

(millions of Canadian dollars) (unaudited)	**2013[(1)] (16 and 40 weeks)**	2012 (16 and 40 weeks)
Net income	**$ 74**	$ —
Fair value adjustments on Class B Limited Partnership units	**35**	—
Fair value adjustments on investment properties	**(76)**	—
Fair value adjustments on unit-based compensation	**—**	—
Distributions on Class B Limited Partnership units	**43**	—
Amortization of tenant improvement allowances	**—**	—
Funds from Operations	**$ 76**	$ —
Business start-up costs	**3**	—
Straight-line rental revenue	**(8)**	—
Amortization of finance charges	**—**	—
Unit-based compensation expense	**—**	—
Sustaining capital expenditures[(2)]	**(5)**	—
Leasing capital expenditures	**—**	—
Adjusted Funds from Operations	**$ 66**	$ —

Adjusted funds from operations per unit diluted is calculated as adjusted funds from operations divided by Choice Properties' diluted weighted average units outstanding, which were 359.3 million in the third quarter of 2013.

Adjusted funds from operations payout ratio is calculated as Choice Properties' distribution per unit, which was $0.156416 in the third quarter of 2013, divided by adjusted funds from operations per unit diluted.

(1) Results are for the period ended September 30, 2013, consistent with Choice Properties' fiscal calendar. Adjustments to October 5, 2013 are included in Consolidation and Eliminations.
(2) Anticipated quarterly sustainable capital is approximately $5 million, however only $1 million was incurred in the third quarter of 2013.

Additional Information

Additional information about the Company has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at sedar.com and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, PC Bank.

November 12, 2013
Toronto, Canada

Financial Results

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**October 5, 2013 (16 weeks)**	October 6, 2012[(1)] (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012[(1)] (40 weeks)
Revenue	**$ 10,009**	$ 9,827	**$ 24,731**	$ 24,139
Cost of Merchandise Inventories Sold (note 9)	**7,686**	7,538	**18,901**	18,454
Selling, General and Administrative Expenses	**1,942**	1,884	**4,818**	4,751
Operating Income	**$ 381**	$ 405	**$ 1,012**	$ 934
Net interest expense and other financing charges (note 4)	**171**	107	**327**	267
Earnings Before Income Taxes	**$ 210**	$ 298	**$ 685**	$ 667
Income taxes (note 5)	**56**	81	**182**	172
Net Earnings	**$ 154**	$ 217	**$ 503**	$ 495
Net Earnings per Common Share ($) (note 6)				
Basic	**$ 0.55**	$ 0.77	**$ 1.79**	$ 1.76
Diluted	**$ 0.54**	$ 0.75	**$ 1.77**	$ 1.75

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

(1) Certain 2012 figures have been restated – see note 2.

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	**October 5, 2013 (16 weeks)**	October 6, 2012[1] (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012[1] (40 weeks)
Net earnings	**$ 154**	$ 217	**$ 503**	$ 495
Other comprehensive income (loss), net of taxes				
Items reclassified to profit or loss:				
Gain on derecognized derivative instrument (note 20)	**$ —**	$ —	**$ (5)**	$ —
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial gain (loss) (note 18)	**181**	32	**210**	(26)
Other comprehensive income (loss)	**$ 181**	$ 32	**$ 205**	$ (26)
Total Comprehensive Income	**$ 335**	$ 249	**$ 708**	$ 469

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

(1) Certain 2012 figures have been restated – see note 2.

Condensed Consolidated Statements of Changes in Shareholders' Equity

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Retained Earnings[(1)]	Contributed Surplus	Accumulated Other Comprehensive Income	Total Shareholders' Equity[(1)]
Balance at December 29, 2012	**$ 1,567**	**$ 4,792**	**$ 55**	**$ 5**	**$ 6,419**
Net earnings	**$ —**	**$ 503**	**$ —**	**$ —**	**$ 503**
Other comprehensive income (loss)	**—**	**210**	**—**	**(5)**	**205**
Total Comprehensive Income	**$ —**	**$ 713**	**$ —**	**$ (5)**	**$ 708**
Net effect of equity-based compensation (note 16 and 19)	**81**	**—**	**15**	**—**	**96**
Net effect of shares held in trust (note 16)	**(6)**	**(40)**	**—**	**—**	**(46)**
Common shares purchased for cancellation (note 16)	**(9)**	**(64)**	**—**	**—**	**(73)**
Dividends declared per common share – $0.70 (note 16)	**—**	**(197)**	**—**	**—**	**(197)**
	$ 66	**$ 412**	**$ 15**	**$ (5)**	**$ 488**
Balance at October 5, 2013	**$ 1,633**	**$ 5,204**	**$ 70**	**$ —**	**$ 6,907**

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Retained Earnings[(1)]	Contributed Surplus	Accumulated Other Comprehensive Income	Total Shareholders' Equity[(1)]
Balance at December 31, 2011	$ 1,540	$ 4,417	$ 48	$ 5	$ 6,010
Net earnings	$ —	$ 495	$ —	$ —	$ 495
Other comprehensive loss	—	(26)	—	—	(26)
Total Comprehensive Income	$ —	$ 469	$ —	$ —	$ 469
Net effect of equity-based compensation (note 16 and 19)	9	—	10	—	19
Common shares purchased for cancellation (note 16)	(1)	(5)	—	—	(6)
Dividends declared per common share – $0.63 (note 16)	—	(177)	—	—	(177)
	$ 8	$ 287	$ 10	$ —	$ 305
Balance at October 6, 2012	$ 1,548	$ 4,704	$ 58	$ 5	$ 6,315

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

(1) Certain 2012 figures have been restated – see note 2.

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	As at October 5, 2013	As at October 6, 2012(1)	As at December 29, 2012(1)
Assets			
Current Assets			
Cash and cash equivalents (note 7)	**$ 1,438**	$ 749	$ 1,079
Short term investments (note 7)	**883**	836	716
Accounts receivable	**565**	491	456
Credit card receivables (note 8)	**2,430**	2,073	2,305
Inventories (note 9)	**2,099**	1,946	2,007
Prepaid expenses and other assets	**152**	105	74
Assets held for sale	**22**	30	30
Total Current Assets	**$ 7,589**	$ 6,230	$ 6,667
Fixed Assets	**8,940**	8,808	8,973
Investment Properties	**96**	97	100
Goodwill and Intangible Assets (note 10)	**1,057**	1,061	1,057
Deferred Income Taxes	**249**	255	260
Security Deposits (note 7)	**1,899**	243	252
Franchise Loans Receivable (note 20)	**362**	365	363
Other Assets (note 11)	**268**	295	289
Total Assets	**$ 20,460**	$ 17,354	$ 17,961
Liabilities			
Current Liabilities			
Trade payables and other liabilities	**$ 3,383**	$ 3,307	$ 3,720
Provisions	**45**	40	78
Income taxes payable	**54**	11	21
Short term debt (note 12)	**905**	905	905
Long term debt due within one year (note 13)	**982**	219	672
Total Current Liabilities	**$ 5,369**	$ 4,482	$ 5,396
Provisions	**62**	46	59
Long Term Debt (note 13)	**6,648**	5,373	4,997
Trust Unit Liability (note 14)	**653**	—	—
Deferred Income Taxes	**22**	24	18
Capital Securities	**223**	222	223
Other Liabilities (note 15)	**576**	892	849
Total Liabilities	**$ 13,553**	$ 11,039	$ 11,542
Shareholders' Equity			
Common Share Capital (note 16)	**$ 1,633**	$ 1,548	$ 1,567
Retained Earnings	**5,204**	4,704	4,792
Contributed Surplus (note 19)	**70**	58	55
Accumulated Other Comprehensive Income	**—**	5	5
Total Shareholders' Equity	**$ 6,907**	$ 6,315	$ 6,419
Total Liabilities and Shareholders' Equity	**$ 20,460**	$ 17,354	$ 17,961

Contingent liabilities (note 22). Financial guarantees (note 24). Subsequent events (note 26).
See accompanying notes to the unaudited interim period condensed consolidated financial statements.
(1) Certain 2012 figures have been restated – see note 2.

Condensed Consolidated Statements of Cash Flow

(millions of Canadian dollars) (unaudited)	**October 5, 2013 (16 weeks)**	October 6, 2012[1] (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012[1] (40 weeks)
Operating Activities				
Net earnings	**$ 154**	$ 217	**$ 503**	$ 495
Income taxes (note 5)	**56**	81	**182**	172
Net interest expense and other financing charges (note 4)	**171**	107	**327**	267
Depreciation and amortization	**254**	241	**628**	590
Income taxes paid	**(79)**	(63)	**(207)**	(185)
Interest received	**16**	7	**43**	34
Settlement of equity forward contracts (note 20)	**—**	—	**(16)**	—
Settlement of cross currency swaps (note 20)	**10**	—	**18**	—
Change in credit card receivables (note 8)	**(151)**	(15)	**(125)**	28
Change in non-cash working capital	**(247)**	(84)	**(572)**	(376)
Fixed asset and other related impairments	**4**	4	**10**	7
Gain on disposal of assets	**(2)**	1	**(3)**	(1)
Gain on defined benefit plan amendments (note 18)	**—**	—	**(51)**	—
Other	**24**	(6)	**16**	1
Cash Flows from Operating Activities	**210**	490	**753**	1,032
Investing Activities				
Fixed asset purchases	**(252)**	(289)	**(561)**	(656)
Change in short term investments (note 7)	**(29)**	(151)	**(144)**	(115)
Proceeds from fixed asset sales	**12**	17	**23**	33
Change in franchise investments and other receivables	**2**	(4)	**27**	(1)
Change in security deposits (note 7)	**(1,673)**	(5)	**(1,643)**	17
Intangible asset additions	**(3)**	(3)	**(12)**	(44)
Cash Flows used in Investing Activities	**(1,943)**	(435)	**(2,310)**	(766)
Financing Activities				
Long term debt (note 13):				
Issued	**2,277**	12	**2,287**	49
Retired	**(178)**	(24)	**(402)**	(97)
Deferred debt financing costs	**(11)**	—	**(11)**	—
Issuance of Trust Units (note 14)	**660**	—	**660**	—
Trust Unit issue costs	**(43)**	—	**(43)**	—
Interest paid	**(114)**	(94)	**(272)**	(253)
Dividends paid	**(135)**	(118)	**(259)**	(177)
Common shares (note 16):				
Issued	**12**	3	**67**	7
Purchased and held in trust	**—**	—	**(46)**	—
Purchased for cancellation	**(73)**	(2)	**(73)**	(6)
Cash Flows from (used in) Financing Activities	**2,395**	(223)	**1,908**	(477)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**5**	(6)	**8**	(6)
Change in cash and cash equivalents	**667**	(174)	**359**	(217)
Cash and cash equivalents, beginning of period	**771**	923	**1,079**	966
Cash and Cash Equivalents, End of Period	**$ 1,438**	$ 749	**$ 1,438**	$ 749

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

(1) Certain 2012 figures have been restated – see note 2.

Note 1. Nature and Description of the Reporting Entity

Loblaw Companies Limited is a Canadian public company incorporated in 1956 and is Canada's largest food retailer and a leading provider of drugstore, general merchandise and financial products and services. Its registered office is located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S7. Loblaw Companies Limited and its subsidiaries are together referred to in these unaudited interim period condensed consolidated financial statements as the "Company" or "Loblaw".

The Company's parent is George Weston Limited ("Weston") which owns approximately 63% of the Company's outstanding common shares. The Company's ultimate parent is Wittington Investments, Limited. The remaining common shares are widely held.

During the third quarter of 2013, Choice Properties Real Estate Investment Trust ("Choice Properties") completed an Initial Public Offering ("IPO") (see note 3). Upon completion of the IPO, and exercise of the over-allotment option, Loblaw held an 81.7% effective interest in Choice Properties. The Company now has three reportable operating segments: Retail, Financial Services and Choice Properties (see note 27).

Under an accounting convention common in the food distribution industry, the Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks. 2013 and 2012 are 52-week fiscal years. 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. Quarterly net earnings are affected by seasonality and the timing of holidays. The impact of seasonality is greatest in the fourth quarter and least in the first quarter.

Note 2. Significant Accounting Policies

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company's 2012 audited annual financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements, except where noted below.

The Company's presentation and functional currency is Canadian dollars.

Statement of Compliance

The unaudited interim period condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2012 audited annual consolidated financial statements and accompanying notes.

These unaudited interim period condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors ("Board") on November 12, 2013.

Accounting Standards Implemented in 2013

Fair Value Measurement In 2011, the IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13"), which establishes a single framework for the fair value measurement and disclosure of financial and non-financial assets and liabilities. The new standard unifies the definition of fair value and also introduces new concepts including 'highest and best use' and 'principal markets' for non-financial assets and liabilities. There are additional disclosure requirements, including increased fair value disclosure for financial instruments for interim and annual financial statements. The Company implemented this standard prospectively in the first quarter of 2013. There were no measurement impacts on the Company's unaudited interim period condensed consolidated financial statements as a result of the adoption of IFRS 13. The Company has included the additional disclosures required by this standard in note 20.

Employee Benefits In 2011, the IASB revised IAS 19, "Employee Benefits" ("IAS 19"). The most significant amendments for the Company are the requirement to immediately recognize all unvested past service costs and the replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying a prescribed discount rate to the net defined benefit obligation. The Company implemented this standard retrospectively in the first quarter of 2013. The impact arising from the adoption of the amendments to IAS 19 is summarized as follows:

Consolidated Statements of Earnings and Comprehensive Income Increase (Decrease) (millions of Canadian dollars except where otherwise indicated)	October 6, 2012 (16 weeks)	October 6, 2012 (40 weeks)	December 29, 2012 (52 weeks)
Selling, General and Administrative Expenses	$ —	$ —	$ 1
Operating Income	$ —	$ —	$ (1)
Net interest expense and other financing charges	7	16	20
Earnings Before Income Taxes	$ (7)	$ (16)	$ (21)
Income taxes	(2)	(4)	(5)
Net Earnings	$ (5)	$ (12)	$ (16)
Other comprehensive income, net of taxes	5	12	15
Total Comprehensive Income	$ —	$ —	$ (1)
Net Earnings per Common Share ($)			
Basic	$ (0.02)	$ (0.04)	$ (0.06)
Diluted	$ (0.02)	$ (0.04)	$ (0.05)

Consolidated Balance Sheets Increase (Decrease) (millions of Canadian dollars)	As at October 6, 2012	As at December 29, 2012	As at January 1, 2012
Other long term liabilities	$ (3)	$ (2)	$ (3)
Shareholders' equity	$ 3	$ 2	$ 3

The amendments also require enhanced annual disclosures for defined benefit plans, including additional information on the characteristics and risks of those plans, which will be included in the Company's 2013 Annual Report – Financial Review.

Other Standards In addition to the above standards, the Company implemented the following standards and amendments effective January 1, 2013: IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 11, "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 28, "Investments in Associates" and IAS 1, "Presentation of Financial Statements". There was no significant impact on the Company's unaudited interim period condensed consolidated financial statements as a result of the implementation of these standards.

Changes in Significant Accounting Policies

Basis of Consolidation The unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls in accordance with IFRS 10 and IAS 27 "Separate Financial Statements". Structured entities are consolidated under IFRS 10, if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the structured entity. Structured entities are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

Post-Employment and Other Long term Employee Benefits The Company's net defined benefit plan obligations (assets) in respect of defined benefits are calculated separately for each plan. The net defined benefit plan obligations (assets) are actuarially calculated by a qualified actuary at the balance sheet date using the projected unit credit method.

The fair values of plan assets are deducted from the defined benefit plan obligations to arrive at the net defined benefit plan obligations (assets). Past service costs (credits) arising from plan amendments are recognized in operating income in the year that they arise. The actuarially determined net interest costs on the net defined benefit plan obligation are recognized in net interest expense and other financing charges.

At each balance sheet date, plan assets are measured at fair value and the defined benefit plan obligations (assets) are measured using assumptions which approximate their fair values at the reporting date, resulting in actuarial gains and losses from both of these measurements. These actuarial gains and losses are recognized through other comprehensive income and the Company has chosen to reclassify these amounts from accumulated other comprehensive income to retained earnings.

Restricted Share Unit Plan On January 2, 2013, the Company's Restricted Share Unit ("RSU") plan was amended to require settlement in common shares rather than in cash, prospectively for units settled subsequent to March 31, 2013. These awards are accounted for as equity-settled and vest after the end of a performance period, ranging from three to five years. The fair value of each RSU grant is measured based on the market value of a Loblaw common share less the net present value of the expected dividend stream at the date on which RSUs are awarded to each participant. The compensation expense is prorated over the performance period, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. Upon settlement of the award, the amount recognized in contributed surplus for the award is reclassified to share capital, with any premium or discount applied to retained earnings.

Performance Share Unit Plan On January 2, 2013, the Company's Performance Share Unit ("PSU") plan was amended to require settlement in common shares rather than in cash. These awards are accounted for as equity-settled and vest after the end of a three year performance period. The number of units that vest will vary based on the achievement of specified performance measures. The fair value of each PSU granted is measured based on the market value of a Loblaw common share less the net present value of the expected dividend stream at the date on which PSUs are awarded to each participant. The compensation expense is prorated over the performance period, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. Upon settlement of the award, the amount recognized in contributed surplus for the award is reclassified to share capital, with any premium or discount applied to retained earnings.

Note 3. Initial Public Offering of Choice Properties Real Estate Investment Trust

During the third quarter of 2013, in connection with its acquisition of approximately $7 billion of properties and related assets from Loblaw, Choice Properties completed a $460 million IPO of trust units ("Units"), including the exercise of a $60 million over-allotment option. In addition, Choice Properties completed a $200 million offering of Units to Weston. Units were issued at a price of $10.00 per unit and gross proceeds were $660 million. At closing, the Company recorded transaction costs of approximately $43 million in net interest expense and other financing charges related to the completion of the IPO (see note 4).

Concurrent with the offering of Units, Choice Properties completed a public offering of $600 million aggregate principal amount of senior unsecured debentures (the "Debentures") (see note 13).

Upon completion of the IPO, and exercise of the over-allotment option, Loblaw held an 81.7% effective interest in Choice Properties through ownership of 21,500,000 Units and 272,497,871 Class B Limited Partnership units, which are economically equivalent to and exchangeable for Units.

The Company consolidates Choice Properties as a result of its controlling interest and accounts for the portfolio of properties on a historical cost basis in the consolidated financial statements. Units held by unitholders other than the Company are presented as a liability on the Company's consolidated balance sheet as Units are redeemable for cash at the option of the holder (see note 14). The Trust Unit Liability is recorded at fair value at each reporting period based on the market price of Units with any change recorded in net interest expense and other financing charges (see note 4).

Subsequent to the end of the third quarter, Choice Properties issued an additional 9,925,671 Class B Limited Partnership units to Loblaw, in connection with the October 22, 2013 acquisition of a portfolio of investment properties. As a result of the transaction, Loblaw now holds an effective ownership in Choice Properties of approximately 82.2% (see note 26).

Note 4. Net Interest Expense and Other Financing Charges

(millions of Canadian dollars)	October 5, 2013 (16 weeks)	October 6, 2012[1] (16 weeks)	October 5, 2013 (40 weeks)	October 6, 2012[1] (40 weeks)
Interest expense and other financing charges:				
Long term debt	**$ 88**	$ 87	**$ 221**	$ 219
Choice Properties IPO transaction costs	**43**	—	**43**	—
Early debt settlement costs	**18**	—	**18**	—
Shoppers Drug Mart Corporation related costs	**11**	—	**11**	—
Borrowings related to credit card receivables	**11**	11	**28**	28
Trust Unit distributions	**10**	—	**10**	—
Net interest on net defined benefit obligation (note 18)	**8**	10	**18**	22
Independent funding trusts	**4**	5	**11**	12
Dividends on capital securities	**4**	4	**11**	11
Capitalized interest	**—**	—	**(1)**	(1)
	$ 197	$ 117	**$ 370**	$ 291
Interest income:				
Accretion income	**$ (6)**	$ (6)	**$ (16)**	$ (14)
Fair value adjustment of Trust Unit Liability (note 14)	**(7)**	—	**(7)**	—
Derivative financial instruments	**(7)**	(2)	**(10)**	(3)
Short term interest income	**(6)**	(2)	**(9)**	(6)
Security deposits	**—**	—	**(1)**	(1)
	$ (26)	$ (10)	**$ (43)**	$ (24)
Net interest expense and other financing charges	**$ 171**	$ 107	**$ 327**	$ 267

Note 5. Income Taxes

Income tax expense for the third quarter of 2013 was $56 million (2012 – $81 million) and the effective income tax rate was 26.7% (2012 – 27.2%). The decrease in the effective income tax rate over the third quarter of 2012 was primarily due to the change in the proportion of taxable income earned across different tax jurisdictions, partially offset by an increase in non-deductible amounts. Year-to-date income tax expense was $182 million (2012 – $172 million) and the effective tax rate was 26.6% (2012 – 25.8%). The year-to-date increase in the effective income tax rate over 2012 was primarily due to a decrease in income tax recoveries related to prior year matters and an increase in non-deductible amounts, partially offset by the change in the proportion of taxable income earned across different tax jurisdictions.

(1) Certain 2012 figures have been restated – see note 2.

Note 6. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**October 5, 2013 (16 weeks)**	October 6, 2012[(1)] (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012[(1)] (40 weeks)
Net earnings for basic earnings per share	**$ 154**	$ 217	**$ 503**	$ 495
Impact of dividends on capital securities	**—**	4	**—**	11
Impact of equity forwards	**—**	(2)	**—**	—
Net earnings for diluted earnings per share	**$ 154**	$ 219	**$ 503**	$ 506
Weighted average common shares outstanding (in millions)	**281.2**	281.4	**281.1**	281.4
Dilutive effect of capital securities (in millions)	**—**	7.0	**—**	7.0
Dilutive effect of equity-based compensation (in millions)	**2.4**	0.3	**2.2**	0.3
Dilutive effect of equity forwards (in millions)	**—**	0.8	**—**	—
Dilutive effect of certain other liabilities (in millions)	**0.8**	1.0	**0.8**	1.0
Diluted weighted average common shares outstanding (in millions)	**284.4**	290.5	**284.1**	289.7
Basic net earnings per common share ($)	**$ 0.55**	$ 0.77	**$ 1.79**	$ 1.76
Diluted net earnings per common share ($)	**$ 0.54**	$ 0.75	**$ 1.77**	$ 1.75

For the third quarter of 2013, 10,180,344 (2012 – 11,246,848) and year-to-date 11,652,502 (2012 – 11,904,396) potentially dilutive instruments were excluded from the computation of diluted net earnings per common share as they were anti-dilutive.

Note 7. Cash and Cash Equivalents, Short Term Investments and Security Deposits

The components of cash and cash equivalents, short term investments and security deposits were as follows:

Cash and Cash Equivalents

(millions of Canadian dollars)	**As at October 5, 2013**	As at October 6, 2012	As at December 29, 2012
Cash	**$ 466**	$ 172	$ 185
Cash equivalents:			
Bankers' acceptances	**303**	168	279
Government treasury bills	**478**	219	322
Bank term deposits	**—**	47	—
Corporate commercial paper	**191**	122	238
Government agencies securities	**—**	21	11
Other	**—**	—	44
Total cash and cash equivalents	**$ 1,438**	$ 749	$ 1,079

(1) Certain 2012 figures have been restated – see note 2.

Short Term Investments

(millions of Canadian dollars)	As at October 5, 2013	As at October 6, 2012	As at December 29, 2012
Bankers' acceptances	**$ 224**	$ 16	$ 33
Government treasury bills	**371**	382	282
Corporate commercial paper	**141**	161	151
Government agency securities	**109**	276	237
Other	**38**	1	13
Total short term investments	**$ 883**	$ 836	$ 716

Security Deposits

(millions of Canadian dollars)	As at October 5, 2013	As at October 6, 2012	As at December 29, 2012
Cash	**$ 92**	$ 90	$ 90
Bankers' acceptances	**1**	—	—
Government treasury bills[(i)]	**1,777**	118	126
Government agency securities	**29**	35	36
Total security deposits	**$ 1,899**	$ 243	$ 252

(i) Included in Government treasury bills is $1.6 billion of proceeds from the issuance of senior unsecured notes held in escrow which will be used to partially fund the acquisition of all of the outstanding common shares of Shoppers Drug Mart Corporation (see note 25).

As at October 5, 2013, the Company had agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of $134 million (October 6, 2012 – $132 million; December 29, 2012 – $133 million), of which $112 million (October 6, 2012 – $91 million; December 29, 2012 – $97 million) was deposited with major financial institutions and classified as security deposits.

Note 8. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	As at October 5, 2013	As at October 6, 2012	As at December 29, 2012
Gross credit card receivables	**$ 2,475**	$ 2,112	$ 2,348
Allowance for credit card receivables	**(45)**	(39)	(43)
Credit card receivables	**$ 2,430**	$ 2,073	$ 2,305
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust*®	**600**	600	600
Securitized to Other Independent Securitization Trusts	**905**	905	905

The Company, through President's Choice Bank ("PC Bank"), participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. PC Bank sells credit card receivables to Independent Securitization Trusts, including *Eagle Credit Card Trust*® *("Eagle")* and Other Independent Securitization Trusts, from time to time depending on PC Bank's financing requirements.

The Company consolidates *Eagle* as a structured entity pursuant to IFRS 10. The associated liability of *Eagle* is recorded in long term debt (see note 13).

The credit card receivables associated with the Other Independent Securitization Trusts are not derecognized by the Company since PC Bank is required to absorb a portion of the related credit card losses. As a result, the Company has not transferred substantially all of the risks and rewards relating to these assets and continues to recognize these assets in credit card receivables. The associated liabilities are secured by the credit card receivables and are accounted for as financing transactions. The associated liabilities are included in short term debt based on their characteristics and are carried at amortized cost (see note 12).

The Company has arranged letters of credit on behalf of PC Bank, representing 9% (October 6, 2012 and December 29, 2012 – 9%) of the outstanding securitized liability for the benefit of the Other Independent Securitization Trusts in the amount of $81 million (October 6, 2012 and December 29, 2012 – $81 million). Subsequent to the end of the third quarter of 2013, PC Bank repurchased $300 million of co-ownership interests in the securitized receivables from Other Independent Securitization Trusts and, as a result, the letters of credit outstanding were reduced to $54 million. In the event of a major decline in the income flow from, or in the value of, the securitized credit card receivables, the Other Independent Securitization Trusts can draw upon these letters of credit to recover up to a maximum of the amount outstanding on the letters of credit. 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 and was in compliance with this requirement throughout the quarter.

Subsequent to the third quarter of 2013, *Eagle* issued $400 million of senior and subordinated term notes (see note 13).

On December 17, 2013, the three-year $250 million senior and subordinated term notes issued by *Eagle* will mature. As a result, the Company accumulated $83 million of cash in the third quarter of 2013, which was recorded in security deposits on the consolidated balance sheet (see note 7). Subsequent to the third quarter of 2013, the Company accumulated a further $83 million by the end of October and expects to accumulate an additional $84 million by the end of November 2013.

Note 9. Inventories

For inventories recorded as at October 5, 2013, the Company recorded $9 million (October 6, 2012 – $11 million) as an expense for the write-down of inventories below cost to net realizable value. The write-down was included in cost of merchandise inventories sold in the condensed consolidated statements of earnings. There were no reversals of previously recorded write-downs of inventories during the periods ended October 5, 2013 and October 6, 2012.

Note 10. Goodwill and Intangible Assets

During the first three quarters of 2012, the Company had $44 million of intangible asset additions, of which $32 million was related to the purchase of prescription files from Zellers Inc., which the Company classified as definite life intangible assets.

Note 11. Other Assets

(millions of Canadian dollars)	**As at October 5, 2013**	As at October 6, 2012	As at December 29, 2012
Fair value of cross currency swaps (note 20)	**$ 30**	$ 126	$ 98
Sundry investments and other receivables	**136**	131	159
Accrued benefit plan asset	**67**	—	—
Other	**35**	38	32
Other assets	**$ 268**	$ 295	$ 289

Note 12. Short Term Debt

The outstanding short term debt balances relate to the associated liabilities of the independent securitization trusts, excluding *Eagle,* which is included in long term debt (see note 13).

During the third quarter of 2013, PC Bank amended and extended the maturity date for one of its independent securitization trust agreements from the third quarter of 2014 to the third quarter of 2015, with no material impact to other terms and conditions.

Subsequent to the end of third quarter of 2013, PC Bank repurchased $300 million of co-ownership interests in the securitized receivables from the Other Independent Securitization Trusts.

Note 13. Long Term Debt

(millions of Canadian dollars)	As at October 5, 2013	As at October 6, 2012	As at December 29, 2012
Loblaw Companies Limited Notes (a)			
5.40%, due 2013	**$ 200**	$ 200	$ 200
6.00%, due 2014	**100**	100	100
4.85%, due 2014	**350**	350	350
7.10%, due 2016	**300**	300	300
5.22%, due 2020	**350**	350	350
6.65%, due 2027	**100**	100	100
6.45%, due 2028	**200**	200	200
6.50%, due 2029	**175**	175	175
11.40%, due 2031			
Principal	**151**	151	151
Effect of coupon repurchase	**(76)**	(85)	(76)
6.85%, due 2032	**200**	200	200
6.54%, due 2033	**200**	200	200
8.75%, due 2033	**200**	200	200
6.05%, due 2034	**200**	200	200
6.15%, due 2035	**200**	200	200
5.90%, due 2036	**300**	300	300
6.45%, due 2039	**200**	200	200
7.00%, due 2040	**150**	150	150
5.86%, due 2043	**55**	55	55
Senior Unsecured Notes (b)			
3.75%, due 2019	**800**	—	—
4.86%, due 2023	**800**	—	—
US Private Placement Notes (c)			
6.48%, due 2013 (USD $150 million)	**—**	147	150
6.86%, due 2015 (USD $150 million)	**—**	147	150
Long Term Debt Secured by Mortgage			
5.49%, due 2018 (note 13)	**86**	89	88
Guaranteed Investment Certificates (d)			
Due 2013 - 2017 (0.85% – 3.78%)	**365**	244	303
Independent Securitization Trusts (e)			
Eagle Credit Card Trust, 2.88%, due 2013	**250**	250	250
Eagle Credit Card Trust, 3.58%, due 2015	**350**	350	350
Independent Funding Trusts (f)	**460**	458	459
Finance Lease Obligations	**374**	362	366
Choice Properties (g)			
Series A 3.55%, due 2018	**400**	—	—
Series B 4.90%, due 2023	**200**	—	—
Transaction costs and other	**(10)**	(1)	(2)
Total long term debt	**7,630**	5,592	5,669
Less amount due within one year	**982**	219	672
Long Term Debt	**$ 6,648**	$ 5,373	$ 4,997

a) Loblaw Companies Limited Notes As at October 5, 2013, the Company recorded $650 million (October 6, 2012 – nil; December 29, 2012 – $200 million) of its Medium Term Notes as long term debt due within one year.

b) Senior Unsecured Notes During the third quarter of 2013, the Company issued $1.6 billion aggregate principal amount of senior unsecured notes, consisting of $800 million of Senior Unsecured Notes, Series 2019 due March 12, 2019 (the "Series 2019 Notes") and $800 million of Senior Unsecured Notes, Series 2023, due September 12, 2023 (the "Series 2023 Notes", and collectively with the Series 2019 Notes, the "Notes"). The Series 2019 Notes carry a coupon of 3.75% per annum and were issued at par and the Series 2023 Notes carry a coupon of 4.86% per annum and were issued at par. The net proceeds from the offering have been placed in escrow and will be released upon satisfaction of the applicable release conditions in connection with the Company's agreement to acquire all of the outstanding common shares of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") (see note 25).

c) Private Placement Notes During the third quarter of 2013, the Company settled its remaining United States dollar ("USD") $150 million US private placement ("USPP") note in advance of its May 29, 2015 maturity date and related cross currency swap (see note 20). The Company incurred approximately $18 million of early-settlement costs related to this transaction, which was recorded as net interest expense and other financing charges. As at October 5, 2013, the Company no longer held its USPP notes (October 6, 2012 – held USPP notes of $294 million of which $147 million was recorded in long term debt due within one year; December 29, 2012 – held USPP notes of $300 million of which $150 million was recorded in long term debt due within one year).

During the second quarter of 2013, the Company repaid its USD $150 million USPP note that matured on May 29, 2013.

d) Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions, for the third quarters and year-to-date 2013 and 2012:

(millions of Canadian dollars)	**October 5, 2013 (16 weeks)**	October 6, 2012 (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012 (40 weeks)
Balance, beginning of period	**$ 273**	$ 235	**$ 303**	$ 276
GICs issued	**98**	13	**98**	15
GICs matured	**(6)**	(4)	**(36)**	(47)
Balance, end of period	**$ 365**	$ 244	**$ 365**	$ 244

As at October 5, 2013, $53 million in GICs were recorded as long term debt due within one year (October 6, 2012 – $35 million; December 29, 2012 – $36 million).

e) Independent Securitization Trust As at October 5, 2013, *Eagle* had $600 million (October 6, 2012 and December 29, 2012 – $600 million) in notes outstanding, of which $250 million (October 6, 2012 – nil; December 29, 2012 – $250 million) was recorded as long term debt due within one year.

During the second quarter of 2013, *Eagle* filed a Short Form Base Shelf Prospectus which allows for the potential issuance of up to $1.5 billion of notes over a 25-month period.

Subsequent to the third quarter of 2013, *Eagle* issued $400 million of senior and subordinated term notes with a maturity date of October 17, 2018 at a weighted average interest rate of 2.91%.

f) Independent Funding Trusts As at October 5, 2013, the independent funding trusts had drawn $460 million (October 6, 2012 – $458 million; December 29, 2012 – $459 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts.

The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% of the principal amount of the loans outstanding. As at October 5, 2013, the Company had provided a letter of credit in the amount of $48 million (October 6, 2012 and December 29, 2012 – $48 million).

g) Choice Properties Senior Unsecured Debentures The Debentures consist of $400 million Series A Debentures with a 5-year term and a coupon of 3.55% per annum due July 5, 2018 and $200 million Series B Debentures with a 10-year term and a coupon of 4.90% per annum due July 5, 2023.

Committed Credit Facilities During the third quarter of 2013, the Company increased the $800 million committed credit facility ("Credit Facility") amount to $1 billion, subject to the successful close of the Shoppers Drug Mart transaction, and extended the term to December 31, 2018. In connection with the Choice Properties IPO, the Company amended the Credit Facility agreement to include certain adjustments to exclude the impact of Choice Properties from the Company's covenants, with which the Company was in compliance throughout the quarter. As at October 5, 2013, October 6, 2012 and December 29, 2012, the Company had not drawn on its Credit Facility.

During the third quarter of 2013, Choice Properties entered into an agreement for a $500 million, 5 year senior unsecured committed credit facility ("Choice Properties Credit Facility") provided by a syndicate of lenders. This facility also contains certain financial covenants (see note 17). The Choice Properties Credit Facility accrues interest based on short term floating interest rates. As at October 5, 2013, Choice Properties had not drawn on the Choice Properties Credit Facility.

Note 14. Trust Unit Liability

During the third quarter of 2013, Choice Properties completed a $660 million IPO and offering of Units (see note 3). Units held by unitholders other than the Company are presented as a liability on the Company's consolidated balance sheet as the Units are redeemable for cash at the option of the holder, subject to certain restrictions. The Trust Unit Liability is recorded at fair value at each reporting period based on the market price of Units with any change recorded in net interest expense and other financing charges. During the third quarter of 2013, the Company recorded a fair value gain of $7 million in net interest expense and other financing charges (see note 4). As at October 5, 2013, the fair value of the Trust Unit Liability was $653 million.

Note 15. Other Liabilities

(millions of Canadian dollars)	**As at October 5, 2013**	As at October 6, 2012[1]	As at December 29, 2012[1]
Net defined benefit plan obligation	**$ 228**	$ 568	$ 529
Other long term employee benefit obligation	**114**	112	116
Deferred vendor allowances	**17**	26	24
Equity-based compensation liability (note 19)	**12**	16	20
Other	**205**	170	160
Other liabilities	**$ 576**	$ 892	$ 849

Note 16. Share Capital

Common Shares (authorized – unlimited) Common shares issued are fully paid and have no par value. The activity in the common shares issued and outstanding during the period was as follows:

	October 5, 2013 (40 weeks)			October 6, 2012 (40 weeks)		
	Number of Common Shares		**Common Share Capital**	Number of Common Shares		Common Share Capital
Issued and outstanding, beginning of period	**281,680,157**	**$**	**1,567**	281,385,318	$	1,540
Issued for settlement of stock options	**1,912,501**		**81**	243,797		9
Purchased for cancellation	**(1,500,000)**		**(9)**	(177,477)		(1)
Issued and outstanding, end of period	**282,092,658**	**$**	**1,639**	281,451,638	$	1,548
Shares held in trust (note 19)	**(1,094,844)**	**$**	**(6)**	–		–
Issued and outstanding net of shares held in trust, end of period	**280,997,814**	**$**	**1,633**	281,451,638	$	1,548
Weighted average outstanding, net of shares held in trust	**281,120,552**			281,405,557		

(1) Certain 2012 figures have been restated – see note 2.

Dividends The following table summarizes the Company's cash dividends declared for the third quarters and year-to-date 2013 and 2012:

	October 5, 2013[(i)] (16 weeks)	October 6, 2012 (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012 (40 weeks)
Dividends declared per share ($):				
Common share	**$ 0.24**	$ 0.21	**$ 0.70**	$ 0.63
Second Preferred Share, Series A	**$ 0.37**	$ 0.37	**$ 1.12**	$ 1.12

(i) Dividends declared on common shares have a payment date of October 1, 2013. Dividends declared on Second Preferred Shares, Series A have a payment date of October 31, 2013.

For financial statement presentation purposes, Second Preferred Shares, Series A dividends of $4 million (2012 – $4 million) and $11 million (2012 – $11 million) for the 16 and 40 weeks ended October 5, 2013 and October 6, 2012, respectively, are included as a component of net interest expense and other financing charges in the condensed consolidated statements of earnings (see note 4).

Subsequent to the end of the third quarter of 2013, the Board declared a quarterly dividend of $0.24 per common share payable December 30, 2013, and declared a quarterly dividend of $0.37 per Second Preferred Share, Series A, payable January 31, 2014.

Normal Course Issuer Bid During the third quarter of 2013 and year-to-date, the Company purchased for cancellation 1,500,000 (2012 – 177,477 year-to-date) common shares under the Normal Course Issuer Bid ("NCIB"), resulting in a charge to retained earnings of $64 million (2012 – $5 million) for the premium on the common shares and a reduction in common share capital of $9 million (2012 – $1 million).

During the second quarter of 2013, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or enter into equity derivatives to purchase up to 14,103,672 of the Company's common shares, representing approximately 5% of the common shares outstanding. In accordance with the rules and by-laws of the TSX, the Company may purchase its shares at the then market price of such shares. During the second quarter of 2013, the Company entered into an automatic share repurchase agreement under its NCIB that permits the Company to buy back its shares during blackout periods in accordance with predetermined instructions.

During the first quarter of 2013, the Company purchased 1,103,500 common shares under its NCIB for cash consideration of $46 million and placed these shares into trusts for future settlement of the Company's RSU and PSU obligations. This resulted in a charge to retained earnings of $40 million and a $6 million reduction in common share capital.

Note 17. Capital Management

The Company continues to manage its capital as disclosed in the Company's 2012 audited annual financial statements. As a result of the creation and recent IPO of Choice Properties, the Company's capital has increased in the current year by approximately $1.3 billion, comprising $600 million of long term debt (see note 13) and a $653 million Trust Unit Liability (see note 14). In addition, the Company has increased its long term debt by $1.6 billion related to the senior unsecured notes issued in relation to the agreement to acquire all of the outstanding common shares of Shoppers Drug Mart (see note 25).

During the third quarter of 2013, the Company amended its Short Form Base Shelf Prospectus dated December 21, 2012 to increase the amount to $2.5 billion from $1.0 billion. On September 10, 2013, the Company issued $1.6 billion aggregate principal amount of senior unsecured notes under its $2.5 billion Short Form Base Shelf Prospectus (see note 13).

Choice Properties has certain key financial and non-financial covenants in its Debentures and the Choice Properties Credit Facility. The key financial covenants include debt service ratios and leverage ratios, which are measured by the Trust on an ongoing basis to ensure compliance. As at October 5, 2013, Choice Properties was in compliance with the covenants under these agreements.

On September 3, 2013, Choice Properties filed a Short Form Base Shelf Prospectus allowing for the issuance, from time to time, of Units and debt securities, or any combination thereof, having an aggregate offering price of up to $2 billion. This document is valid for a 25-month period.

Note 18. Post-Employment and Other Long Term Employee Benefits

The costs and actuarial (gains) losses related to the Company's post-employment and other long term employee benefits were recorded as follows:

(millions of Canadian dollars)	**October 5, 2013 (16 weeks)**	October 6, 2012[1] (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012[1] (40 weeks)
Post-employment benefit cost recognized in operating income[2]	**$ 39**	$ 43	**$ 58**	$ 113
Other long term employee benefits cost recognized in operating income	**8**	5	**19**	15
Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 4)	**8**	10	**18**	22
Actuarial (gains) losses before income taxes recognized in other comprehensive income (loss)	**(246)**	(42)	**(286)**	36

(1) Certain 2012 figures have been restated – see note 2.

(2) Included in the 2013 year-to-date post-employment benefit cost recognized in operating income is a $51 million gain, recorded in the first quarter of 2013, related to the announced amendments to certain of the Company's defined benefit plans impacting certain employees retiring after January 1, 2015.

The post-employment benefit cost included costs for the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates. The other long term employee benefits cost included costs for the Company's long term disability plan. The actuarial gains in the third quarter of 2013 were primarily due to increases in the discount rates, partially offset by lower than expected return on assets. The year-to-date actuarial gains were primarily driven by increases in the discount rates and higher than expected returns on assets. Higher than expected returns on assets, and decreases in discount rates resulted in the actuarial (gains) losses in the third quarter and year-to-date 2012.

Note 19. Equity-Based Compensation

The Company's net equity-based compensation expense recognized in selling, general and administrative expenses related to its stock option, RSU and PSU plans, including the equity forwards of Glenhuron Bank Limited ("Glenhuron"), a wholly owned subsidiary of the Company, and the unit-based compensation plans of Choice Properties was:

(millions of Canadian dollars)	**October 5, 2013 (16 weeks)**	October 6, 2012 (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012 (40 weeks)
Stock option plan expense	**$ 4**	$ 6	**$ 12**	$ 14
RSU and PSU plan expense	**6**	5	**12**	8
Equity forwards expense	**—**	(2)	**—**	4
Net equity-based compensation expense	**$ 10**	$ 9	**$ 24**	$ 26

The carrying amount of the Company's equity-based compensation arrangements including stock option, RSU, PSU, Director Deferred Share Unit, Executive Deferred Share, and unit-based compensation plans of Choice Properties are recorded on the consolidated balance sheet as follows:

(millions of Canadian dollars)	**As at October 5, 2013**	As at October 6, 2012	As at December 29, 2012
Trade payables and other liabilities	**$ —**	$ 11	$ 11
Other liabilities	**12**	16	20
Contributed surplus	**70**	58	55

The following are details related to the equity-based compensation plans of Loblaw:

Stock Option Plan The following is a summary of the Loblaw's stock option plan activity:

(Number of Options)	**October 5, 2013 (16 weeks)**	October 6, 2012 (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012 (40 weeks)
Outstanding options, beginning of period	**12,096,407**	14,122,241	**12,538,928**	10,750,993
Granted	**2,683**	9,680	**1,482,817**	4,576,982
Exercised	**(336,304)**	(121,228)	**(1,912,501)**	(243,797)
Forfeited/cancelled	**(281,676)**	(16,190)	**(579,392)**	(547,946)
Expired	**–**	(29,120)	**(48,742)**	(570,849)
Outstanding options, end of period	**11,481,110**	13,965,383	**11,481,110**	13,965,383

During the third quarter of 2013, the Company granted stock options with a weighted average exercise price of $49.72 (2012 – $32.53) and $40.62 year-to-date (2012 – $34.92). In addition, the Company issued common shares on the exercise of stock options with a weighted average share price during the third quarter of $48.12 (2012 – $34.38) and $46.68 year-to-date (2012 – $33.94), and received cash consideration of $12 million (2012 – $3 million) during the third quarter and $67 million (2012 – $7 million) year-to-date.

The fair value of stock options granted during the third quarter was nominal (2012 – nominal) and $11 million year-to-date (2012 – $27 million). The assumptions used to measure the fair value of options granted during the third quarter of 2013 and the third quarter of 2012 under the Black-Scholes valuation model at the grant date were as follows:

	October 5, 2013 (16 weeks)	October 6, 2012 (16 weeks)
Expected dividend yield(1)	**2.0%**	2.6%
Expected share price volatility(2)	**19.2% – 23.7%**	22.6% – 23.4%
Risk-free interest rate(3)	**1.5% – 2.0%**	1.3% – 1.5%
Expected life of options(4)	**4.2 – 6.5 years**	4.2 – 6.5 years

(1) The expected dividend yield is estimated based on the annual dividend prior to the stock option grant date and the closing share price as at the stock option grant date.

(2) The expected share price volatility is estimated based on the Company's historical volatility over a period consistent with the expected life of the options.

(3) The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the grant date for a term to maturity equal to the expected life of the options.

(4) The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on historical experience and general option holder behaviour.

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at October 5, 2013 was 15.0% (October 6, 2012 – 16.3%; December 29, 2012 – 15.0%).

Equity Forward Contracts A summary of Glenhuron's equity forward contracts is as follows:

	As at October 5, 2013	As at October 6, 2012	As at December 29, 2012
Outstanding contracts (in millions)	**—**	1.1	1.1
Average forward price per share ($)	**$ —**	$ 56.41	$ 56.59
Interest expense per share ($)	**$ —**	$ (0.02)	$ 0.16
Unrealized market loss recorded in trade payables and other liabilities (millions of Canadian dollars)	**$ —**	$ 25	$ 16

During the first quarter of 2013, Glenhuron paid $16 million to settle its remaining equity forward contract representing 1,103,500 Loblaw common shares.

Restricted Share Unit Plan The following is a summary of the Loblaw's RSU plan activity:

(Number of Awards)	**October 5, 2013 (16 weeks)**	October 6, 2012 (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012 (40 weeks)
RSUs, beginning of period	**1,115,437**	1,192,699	**1,038,271**	1,119,496
Granted	**23,098**	798	**368,394**	377,540
Settled	**(6,940)**	(63,818)	**(249,062)**	(332,595)
Forfeited	**(14,089)**	(900)	**(40,097)**	(35,662)
RSUs, end of period	**1,117,506**	1,128,779	**1,117,506**	1,128,779
RSUs settled (millions of Canadian dollars)	**$ —**	$ 2	**$ 10**	$ 11

The fair value of RSUs granted during the third quarter was $1 million (2012 – nominal) and $15 million year-to-date (2012 – $12 million).

Performance Share Unit Plan The following is a summary of the Loblaw's PSU plan activity:

(Number of Awards)	**October 5, 2013 (16 weeks)**	October 6, 2012 (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012 (40 weeks)
PSUs, beginning of period	**329,429**	50,818	**50,818**	—
Granted	**593**	—	**283,264**	50,818
Settled	**(148)**	—	**(148)**	—
Forfeited/cancelled	**(8,496)**	—	**(12,556)**	—
PSUs, end of period	**321,378**	50,818	**321,378**	50,818

The fair value of PSUs granted during the third quarter was nominal (2012 – nil) and $11 million year-to-date (2012 – $2 million).

During the first quarter of 2013, the Company's RSU and PSU plans were amended to require settlement in shares rather than in cash. As a result, $11 million previously recorded at fair value in trade payables and other liabilities and other liabilities was reclassified to contributed surplus. During the first quarter of 2013, the Company established a trust for each of the RSU and PSU plans to facilitate the purchase of shares for future settlement upon vesting. The trusts are considered structured entities and are consolidated in the Company's financial statements with the cost of the acquired shares recorded at book value as a reduction to share capital (see note 16). Any premium on the acquisition of the shares above book value is applied to retained earnings until the shares are issued to settle RSU and PSU plan obligations. During 2013, the Company settled 249,210 RSUs and PSUs, of which 8,656 units were settled in shares through the trust established for the RSU and PSU plans, resulting in a nominal increase to share capital and a nominal increase to retained earnings.

The following are details related to the unit-based compensation plans of Choice Properties:

Unit Option Plan Choice Properties maintains a Unit Option plan for certain employees. Under this plan, Choice Properties may grant options totaling up to 4,075,000 Units. The options have a five to ten year term, vest 25% cumulatively on each anniversary date of the grant and are exercisable at the designated Unit price, which is based on the greater of the volume weighted average trading price of a Unit for the five trading days prior to the date of grant or the one trading day immediately preceding the grant date. Each option is exercisable into one Unit at the price specified in the terms of the option agreement.

The following is a summary of Choice Properties' Unit Option plan activity:

	October 5, 2013[(1)] (16 and 40 weeks)	
	Number of options	Weighted Average Exercise Price/Unit
Outstanding options, beginning of period	—	$ —
Granted	1,196,866	10.04
Outstanding options, end of period	1,196,866	$ 10.04
Options exercisable, end of period	—	$ —

The assumptions used to measure the fair value of the options under the Black-Scholes model at October 5, 2013 were as follows:

	October 5, 2013 (16 and 40 weeks)
Expected average distribution yield[(i)]	6.4%
Expected average unit price volatility[(ii)]	26.4%
Average risk-free interest rate[(iii)]	1.8%
Expected average life of options[(iv)]	4.8 years

(i) The expected distribution yield is estimated based on the expected annual distribution prior to the option grant date and the closing unit price as at the option grant date.

(ii) The expected unit price volatility is estimated based on the average volatility of investment grade entities in the Standard & Poor's/TSX REIT Index over a period consistent with the expected life of the options.

(iii) The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the balance sheet date for a term to maturity equal to the expected life of the options.

(iv) The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on expectations of option holder behaviour.

Estimated forfeiture rates are incorporated into the measurement of the unit option expense. The forfeiture rate applied as at October 5, 2013 was nil.

Restricted Unit Plan Choice Properties maintains a Restricted Unit ("RU") plan for certain employees. The RU plan entitles employees to receive cash or Units at the end of each performance period, which is usually three years in length. The RU plan reinvests the distributions accruing on the RUs granted over the period the RUs are outstanding.

The following is a summary of Choice Properties' RU plan activity:

(Number of awards)	October 5, 2013[(1)] (16 and 40 weeks)
RUs, beginning of period	—
Granted	105,948
Reinvested	1,079
RUs, end of period	107,027

There were no RUs vested as at October 5, 2013.

Trustee Deferred Unit Plan Members of the Board, who are not management of Choice Properties, are required to receive a portion of their annual retainer in the form of Deferred Units ("DUs") and may also elect to receive up to 100% of their remaining fees in DUs. The DU plan reinvests the distributions accruing to the DUs over the holding period. DUs vest upon grant.

(1) Results are for the period ended September 30, 2013, consistent with Choice Properties' fiscal calendar. Adjustments to October 5, 2013 are included in Consolidation and Eliminations.

The following is a summary of Choice Properties' DU plan activity:

(Number of awards)	October 5, 2013[(1)] (16 and 40 weeks)
DUs outstanding, beginning of period	—
Granted	16,869
DUs outstanding, end of period	16,869

All the DUs were vested as at October 5, 2013.

Note 20. Financial Instruments

The following table provides a comparison of the carrying and fair values for each classification of financial instruments as at October 5, 2013:

(millions of Canadian dollars)	Financial instruments required to be classified as fair value through profit or loss	Financial instruments designated as fair value through profit or loss	Loans and receivables (amortized cost)	Other financial liabilities (amortized cost)	Total carrying amount	Total fair value
Cash and cash equivalents	$ —	$ 1,438	$ —	$ —	$ 1,438	$ 1,438
Short term investments	—	883	—	—	883	883
Security deposits	—	1,899	—	—	1,899	1,899
Accounts receivable	—	–	565	—	565	565
Credit card receivables	—	–	2,430	—	2,430	2,430
Derivatives included in prepaid expenses and other assets	39	–	—	—	39	39
Franchise Loans Receivable	—	–	362	—	362	362
Derivatives included in other assets	30	–	—	—	30	30
Certain other assets	—	–	69	—	69	69
Total financial assets	$ 69	$ 4,220	$ 3,426	$ —	$ 7,715	$ 7,715
Trade payables and other liabilities	$ —	$ —	$ —	$ 3,383	$ 3,383	$ 3,383
Short term debt	—	—	—	905	905	905
Long Term debt	—	—	—	7,630	7,630	8,103
Trust Unit Liability	653	—	—	—	653	653
Capital Securities	—	—	—	223	223	238
Certain other liabilities	—	—	—	41	41	41
Total financial liabilities	$ 653	$ —	$ —	$ 12,182	$ 12,835	$ 13,323

(1) Results are for the period ended September 30, 2013, consistent with Choice Properties' fiscal calendar. Adjustments to October 5, 2013 are included in Consolidation and Eliminations.

The following table presents the fair value hierarchy of financial assets and financial liabilities, excluding those classified as amortized cost that are short term in nature, as at October 5, 2013:

(millions of Canadian dollars)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Classified as fair value through profit or loss	**$ —**	**$ 68**	**$ 1**	**$ 69**
Designated as fair value through profit or loss	**558**	**3,662**	**—**	**4,220**
Loans and receivables (amortized cost)	**—**	**8**	**423**	**431**
Financial liabilities				
Classified as fair value through profit or loss	**$ 653**	**$ —**	**$ —**	**$ 653**
Other financial liabilities (amortized cost)	**238**	**8,103**	**41**	**8,382**

There were no transfers between levels of the fair value hierarchy.

The level 3 financial instruments classified as fair value through profit or loss consists of embedded derivatives on purchase orders placed in countries that do not trade in USD, which is the transacting and settlement currency. The valuation technique used for this embedded derivative is a market approach, which is based on the differential in exchange rates and timing of settlement. The significant unobservable input used in the fair value measurement is the cost of purchase orders. Significant increases (decreases) in any of the inputs would result in a significantly higher (lower) fair value measurement.

The fair value of the embedded foreign currency derivative classified as Level 3 included in prepaid expenses and other assets as at October 5, 2013 was $1 million (October 6, 2012 – $2 million; December 29, 2012 – $1 million included in trade payables and other liabilities). During the third quarter of 2013 and year to date, a fair value gain of $1 million was recorded in operating income. A 1% increase (decrease) in foreign currency exchange rates would result in a $2 million gain (loss) in fair value.

During the third quarter of 2013, financial instruments designated as fair value through profit or loss recognized a gain of $14 million and a gain of $35 million year-to-date in earnings before income taxes. In addition, during the third quarter of 2013 a gain of $10 million and gain of $8 million year-to-date was recorded in earnings before income taxes related to financial instruments required to be classified as fair value through profit or loss.

During the third quarter of 2013, net interest expense of $183 million and $336 million year-to-date was recorded related to financial instruments not classified or designated as fair value through profit or loss.

The following is a discussion of the Company's derivative instruments:

Cross Currency Swaps As at October 5, 2013, Glenhuron held cross currency swaps to exchange USD for Canadian dollars. The swaps mature by 2020 and are financial derivatives classified as fair value through profit or loss. Amounts receivable or payable arising from these swaps are settled in cash upon maturity. Subsequent to the end of the third quarter of 2013, Glenhuron unwound its cross currency swaps resulting in a fair value loss of $2 million, which will be recorded in operating income.

During the third quarter of 2013, the Company settled its remaining USD $150 million USPP cross currency swap in advance of its maturity on May 29, 2015. This settlement occurred in conjunction with the early payment of the underlying USD $150 million USPP note (see note 13).

During the second quarter of 2013, the Company settled its USD $150 million USPP cross currency swap, which matured on May 29, 2013. In 2008, this swap was designated as a cash flow hedge to manage the foreign exchange variability related to the USPP note that also matured on May 29, 2013. In 2011, the designated swap was no longer classified as a cash flow hedge and an unrealized foreign exchange gain of $5 million, net of tax of $2 million, was deferred in accumulated other comprehensive income. On settlement of the swap during the second quarter, this gain was realized in operating income.

The following table summarizes the financial position of the Company's cross currency swaps:

(millions of Canadian dollars)	Glenhuron Cross Currency Swaps **As at October 5, 2013**	As at October 6, 2012	As at December 29, 2012	USPP Cross Currency Swaps **As at October 5, 2013**	As at October 6, 2012	As at December 29, 2012
Exchange amount	**$ 1,202**	$ 1,200	$ 1,199	**$ —**	$ 296	$ 296
Cumulative unrealized foreign currency exchange rate receivable recorded in:						
Prepaid expenses and other assets (other liabilities)	**$ 38**	$ 10	$ 20	**$ —**	$ (1)	$ 2
Other assets	**$ 30**	$ 123	$ 93	**$ —**	$ 3	$ 5

The Glenhuron cross currency swaps offset the effect of translation (gains) losses on the underlying cash and cash equivalents, short term investments and security deposits of USD $1,091 million (2012 – USD $1,112 million). The USPP cross currency swaps offset the effect of translation (gains) losses on the underlying USPP notes in long term debt, which were repaid as at October 5, 2013 (2012 – USD $300 million).

The following table summarizes the changes in fair value of the Glenhuron cross currency swaps and the underlying exposures:

	Glenhuron Cross Currency Swaps			
(millions of Canadian dollars)	**October 5, 2013 (16 weeks)**	October 6, 2012 (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012 (40 weeks)
Fair value loss (gain) related to swaps recorded in operating income	**$ 14**	$ (50)	**$ 38**	$ (50)
Translation (gain) loss related to the underlying exposures	**$ (14)**	$ 47	**$ (35)**	$ 47

The following table summarizes the changes in fair value of the USPP cross currency swaps and the underlying exposures:

	USPP Cross Currency Swaps			
(millions of Canadian dollars)	**October 5, 2013 (16 weeks)**	October 6, 2012 (16 weeks)	**October 5, 2013 (40 weeks)**	October 6, 2012 (40 weeks)
Fair value loss (gain) related to swaps recorded in operating income(i)	**$ (2)**	$ 14	**$ (11)**	$ 12
Translation loss (gain) related to the underlying exposures	**$ 5**	$ (12)	**$ 14**	$ (12)

(i) Excludes the $7 million gain reclassified from accumulated other comprehensive income in the second quarter of 2013.

Interest Rate Swaps During the third quarter of 2013, the Company settled its remaining notional $50 million interest rate swaps and as at October 5, 2013, the Company held no interest rate swaps (October 6, 2012 and December 29, 2012 – $150 million notional interest rate swaps which paid a fixed-rate of interest of 8.38%). As at October 5, 2013, no fair value gains or losses related to these interest rate swaps were recorded on the condensed consolidated balance sheet (October 6, 2012 – a cumulative loss of $10 million was recorded in trade payables and other liabilities; December 29, 2012 – a cumulative loss of $5 million was recorded in trade payables and other liabilities). In the third quarter of 2013, the Company recognized a $2 million fair value gain (2012 – gain of $2 million) and a $5 million fair value gain (2012 – gain of $5 million) year-to-date, in operating income related to these swaps.

During the second quarter of 2013, the Company settled its notional $100 million interest rate swaps.

Equity Forward Contracts During the first quarter of 2013, Glenhuron paid $16 million to settle the remaining equity forwards representing 1,103,500 Loblaw common shares. Glenhuron recognized a nominal loss in operating income related to these forwards.

Other Derivatives The Company also maintains other financial derivatives including foreign exchange forwards, electricity forwards and fuel exchange traded futures and options. During the third quarter of 2013, the Company recognized a $2 million gain (2012 – nominal gain) and $4 million gain year-to-date (2012 – $2 million loss) in operating income. As at October 5, 2013, a nominal cumulative unrealized loss was recorded in trade payables and other liabilities (October 6, 2012 and December 29, 2012 – nominal cumulative unrealized gain was recorded in prepaid expenses and other assets).

In connection with the issuance of $1.6 billion of senior unsecured notes in the third quarter of 2013 (see note 13), the Company hedged its exposure to interest rates in advance of the issuance. The hedging relationship did not qualify for hedge accounting and a $10 million gain on settlement was recorded in operating income.

Franchise Loans Receivable and Franchise Investments in Other Assets The value of Loblaw franchise loans receivable of $362 million (October 6, 2012 – $365 million; December 29, 2012 – $363 million) was recorded on the consolidated balance sheets. During the third quarter of 2013, the Company recorded an impairment loss of $6 million (2012 – $4 million) and an impairment loss of $11 million (2012 – $10 million) year-to-date in operating income related to these loans receivable.

The value of Loblaw franchise investments of $61 million (October 6, 2012 – $55 million; December 29, 2012 – $64 million) was recorded in other assets. During the third quarter of 2013, the Company recorded a $5 million gain (2012 – $2 million loss) and loss of $1 million (2012 – $6 million) year-to-date in operating income related to these investments.

Valuation process The determination of the fair value of financial instruments is performed by the Company's treasury and financial reporting departments on a quarterly basis. There was no change in the valuation techniques applied to financial instruments during the first three quarters of 2013. The following table describes the valuation techniques used in the determination of the fair values of financial instruments:

Type	Valuation Approach
Cash and cash equivalents, short term investments and security deposits	The carrying amount approximates fair value due to the short term maturity of these instruments.
Accounts receivable, credit card receivables, trade payables and other liabilities and short term debt	The carrying amount approximates fair value due to the short term maturity of these instruments.
Franchise loans receivable	The carrying amount approximates fair value due to the minimal fluctuations in the forward interest rate and the sufficiency provisions recorded for all impaired receivables.
Derivative financial instruments	Specific valuation techniques used to value derivative financial instruments include: • Quoted market prices or dealer quotes for similar instruments; • The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and • The fair value of cross currency swaps is determined by forward and spot foreign exchange rates. The fair value of certain swaps is determined by an external valuator with experience in the financial markets.
Long term debt, trust unit liability, capital securities and other financial instruments	The fair value is based on the present value of contractual cash flows, discounted at the Company's current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, quoted market prices.

Note 21. Financial Risk Management

The liquidity and capital availability risk, credit risk and market risk of the Company remain consistent with those disclosed in the Company's 2012 audited annual financial statements except for risks resulting from the creation and recent IPO of Choice Properties. The following is a description of such risks related to Choice Properties and how the exposures are managed.

Capital Availability Risk The real estate industry is highly capital intensive. Choice Properties requires access to capital to maintain its properties, refinance its indebtedness as well as to fund its growth strategy and certain capital expenditures from time to time. Failure by Choice Properties to access required capital could have a material adverse effect on the Company's ability to pay its financial or other obligations. An inability to access capital could also impact Choice Properties' ability to make distributions which could have an adverse material effect on the trading price of Units.

Capital availability risks are mitigated by the Company by actively monitoring market conditions, diversifying its sources of funding, including its Credit Facility, and managing its cash flows. Despite these mitigation strategies, if the Company's or Choice Properties' financial performance and condition deteriorate or downgrades in the Company's current credit ratings occur, the Company's or Choice Properties' ability to obtain funding from external sources may be restricted. In addition, credit and capital markets are subject to inherent risks that may negatively affect the Company's access and ability to fund its financial and other liabilities.

Interest Rate Risk Choice Properties will require extensive financial resources to complete the implementation of its future investment and growth strategy. In addition to its credit facility, Choice Properties may enter into future financing agreements with variable interest rates. Given the historically low interest rates, there is a risk that interest rates will increase which could impact variable interest rates as well as the rates at which future financing and/or refinancing is obtained. An increase in interest rates could result in an increase in the Company's interest expense and negatively impact results of operations. Any increase in interest paid by Choice Properties to service debt could impact its ability to make distributions which could have a material adverse effect on the trading price of Units.

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

Note 22. Contingent Liabilities

Legal Proceedings The Company is the subject of various legal proceedings and claims that arise in the ordinary course of business. The outcome of all of these proceedings and claims is uncertain. However, based on information currently available, these proceedings and claims, individually and in the aggregate, are not expected to have a material impact on the Company.

Tax The Company is involved in and potentially subject to tax audits from various governments and regulatory agencies relating to income, capital and commodity taxes 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 may be amended, which could lead to assessments and reassessments. These assessments and reassessments may have a material impact on the Company's financial statements in future periods.

During 2012, the Company received indication from the Canada Revenue Agency that it intends to proceed with a reassessment with regard to the tax treatment of the Company's wholly owned subsidiary, Glenhuron. At this stage, it is not possible to quantify the amount of the proposed reassessment. While the Company does not expect the ultimate outcome to be material, such matters cannot be predicted with certainty and could result in a material charge for the Company in future periods.

Indemnification Provisions The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements and leases, in connection with business or asset acquisitions or dispositions. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representation and warranty or with future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. Given the nature of such indemnification provisions, the Company is unable to reasonably estimate its total maximum potential liability as certain indemnification provisions do not provide for a maximum potential amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Note 23. Related Party Transactions

Concurrent with the Choice Properties IPO, Weston purchased 20,000,000 Units from Choice Properties at $10.00 per Unit for a total subscription price of $200 million. During the third quarter and year-to-date, Choice Properties recorded $3 million in distributions to Weston relating to Units, which have been classified as interest expense in the Condensed Consolidated Statement of Earnings. The Company's policy is to conduct all transactions and settle all balances between related parties on market terms and conditions.

Note 24. Financial Guarantees

During the second quarter of 2012, the Company increased its guarantee on behalf of PC Bank to MasterCard® International Incorporated from USD $180 million to USD $230 million, primarily due to an increase in active accounts.

Note 25. Agreement to Acquire Shoppers Drug Mart

On July 14, 2013, the Company entered into an arrangement agreement to acquire all of the outstanding common shares of Shoppers Drug Mart for consideration of up to approximately $6.7 billion of cash and the issuance of up to approximately 119.9 million common shares. Based on Loblaw's closing common share price on that date, the purchase price would be approximately $12.4 billion. Weston, which has voting ownership of approximately 63% of Loblaw's common shares, has provided the TSX with a written consent confirming that it is in favour of the transaction, which satisfies the shareholder approval requirements of the TSX.

In connection with the acquisition of Shoppers Drug Mart, the Company entered into bank facilities consisting of a $3.5 billion term loan facility and a $1.6 billion bridge loan facility. On September 10, 2013, the Company issued $1.6 billion aggregate principal amount of senior unsecured notes and concurrently cancelled the $1.6 billion bridge loan facility (see note 13). The net proceeds from the offering have been placed in escrow and will be released from escrow upon satisfaction of the applicable release conditions in connection with the Company's proposed acquisition of the outstanding common shares of Shoppers Drug Mart. As part of the financing of the acquisition, the Company's controlling shareholder, Weston, has agreed to subscribe for approximately $500 million of additional Loblaw common shares.

On September 12, 2013, Shoppers Drug Mart shareholders voted in favour of the agreement and on September 16, 2013 a final order of the Ontario Superior Court of Justice approving the agreement was obtained. The transaction is subject to compliance with the *Competition Act* (Canada) and certain other closing conditions customary in transactions of this nature. Further information on the transaction and its expected effects on the Company can be found in the Information Statement filed by the Company on August 20, 2013, in respect of Shoppers Drug Mart shareholder approval of the transaction. There can be no assurance that all conditions will be met or waived or that the Company will be able to successfully consummate the proposed transaction as currently contemplated or at all.

Note 26. Subsequent Events

Restructuring Subsequent to the end of the third quarter of 2013, the Company announced the reduction of approximately 275 store-support positions. The Company expects to incur a charge of approximately $30 million in the fourth quarter of 2013, reflecting the anticipated costs of the reductions.

Choice Properties Acquisition of Properties On October 22, 2013, Choice Properties acquired a portfolio of nine investment properties from Loblaw for an aggregate purchase price of approximately $150 million, which was settled through the issuance of 9,925,671 Class B Limited Partnership units and cash. As a result of the transaction, Loblaw now holds an effective ownership in Choice Properties of approximately 82.2%.

On October 28, 2013, Choice Properties completed the acquisition of a single-tenant retail property from a third party for a purchase price of approximately $2 million, excluding acquisition costs, which was settled with cash.

Note 27. **Segment Information**

The Company has three reportable operating segments with all material operations carried out in Canada:

- The Retail segment, which consists primarily of food operations and also includes drugstore, gas bar, apparel and other general merchandise operations;
- The Financial Services segment, which provides credit card services, a retail loyalty program, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services and telecommunication services; and
- The Choice Properties segment, which owns and leases income-producing commercial properties. The Choice Properties segment information presented below reflects the accounting policies of Choice Properties, which may differ from those of the consolidated Company. Any differences in policies are eliminated in Consolidation and Eliminations.

The Company's chief operating decision maker evaluates segment performance on the basis of adjusted operating income(1) and adjusted EBITDA(1), as reported to internal management, on a periodic basis.

(1) Certain items are excluded from operating income and EBITDA to derive adjusted operating Income and adjusted EBITDA, respectively. Adjusted operating income and adjusted EBITDA are used internally by management when analyzing segment underlying performance.

Information for each reportable operating segment is included below:

(millions of Canadian dollars) (unaudited)	**October 5, 2013 (16 weeks)** Retail	Financial Services(i)	Choice Properties(1)	Consolidation and Eliminations(ii)	Total	October 6, 2012 (16 weeks) Retail	Financial Services(i)	Choice Properties	Consolidation and Eliminations(ii)	Total
Revenue	**$ 9,772**	**$ 222**	**$ 154**	**$ (139)**	**$ 10,009**	$ 9,627	$ 200	$ —	$ —	$ 9,827
Operating Income	**$ 342**	**$ 41**	**$ 184**	**$ (186)**	**$ 381**	$ 373	$ 32	$ —	$ —	$ 405
Adjusting Items(2)	**15**	**—**	**7**	**—**	**22**	13	—	—	—	13
Adjusted Operating Income(2)	**357**	**41**	**191**	**(186)**	**403**	386	32	—	—	418
Depreciation and Amortization	**$ 249**	**$ 2**	**$ —**	**$ 3**	**$ 254**	$ 238	$ 3	$ —	$ —	$ 241
Adjusted EBITDA(2)	**606**	**43**	**191**	**(183)**	**657**	624	35	—	—	659
Net interest expense and other financing charges	**104**	**14**	**110**	**(57)**	**171**	94	13	—	—	107

(i) Included in Financial Services revenue is $97 million (October 6, 2012 – $84 million) of interest income.

(ii) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $107 million of rental revenue and $32 million of cost recovery recognized by Choice Properties, received from the Retail segment.
- Operating income includes the elimination of the $107 million impact of rental revenue described above; the elimination of a $76 million gain recognized by Choice Properties related to the fair value adjustments on investment properties, which are classified as Fixed Assets or Investment Properties by the Company and measured at cost; and the recognition of $3 million of depreciation expense for certain investment properties recorded by Choice Properties and measured at fair value.
- Net interest expense and other financing charges includes the elimination of $68 million of interest expense included in Choice Properties related to debt owing to the Company; Unit distributions to external unitholders of $10 million, which excludes distributions paid to the Company, and Choice Properties Unit issuance costs of $43 million, which are reflected as a reduction of equity in Choice Properties, and presented as interest expense for the consolidated Company; the elimination of a $35 million fair value loss recognized by Choice Properties on Class B Limited Partnership units held by the Company; and a $7 million fair value gain on the Company's Trust Unit Liability.

(1) Results are for the period ended September 30, 2013, consistent with Choice Properties' fiscal calendar. Adjustments to October 5, 2013 are included in Consolidation and Eliminations.

(2) Certain items are excluded from operating income and EBITDA to derive adjusted operating Income and adjusted EBITDA, respectively. Adjusted operating income and adjusted EBITDA are used internally by management when analyzing segment underlying performance.

	October 5, 2013 (40 weeks)					October 6, 2012 (40 weeks)				
(millions of Canadian dollars) (unaudited)	**Retail**	**Financial Services[(i)]**	**Choice Properties[(1)]**	**Consolidation and Eliminations[(ii)]**	**Total**	Retail	Financial Services[(i)]	Choice Properties	Consolidation and Eliminations[(ii)]	Total
Revenue	**$ 24,181**	**$ 535**	**$ 154**	**$ (139)**	**$ 24,731**	$ 23,671	$ 468	$ —	$ —	$ 24,139
Operating Income	**$ 915**	**$ 99**	**$ 184**	**$ (186)**	**$ 1,012**	$ 873	$ 61	$ —	$ —	$ 934
Adjusting Items[(2)]	**(16)**	**—**	**7**	**—**	**(9)**	33	—	—	—	33
Adjusted Operating Income[(2)]	**$ 899**	**$ 99**	**$ 191**	**$ (186)**	**$ 1,003**	$ 906	$ 61	$ —	$ —	$ 967
Depreciation and Amortization	**618**	**7**	**—**	**3**	**628**	582	8	—	—	590
Adjusted EBITDA[(2)]	**$ 1,517**	**$ 106**	**$ 191**	**$ (183)**	**$ 1,631**	$ 1,488	$ 69	$ —	$ —	$ 1,557
Net interest expense and other financing charges	**239**	**35**	**110**	**(57)**	**327**	233	34	—	—	267

(i) Included in Financial Services revenue is $238 million (October 6, 2012 – $207 million) of interest income.

(ii) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $107 million of rental revenue and $32 million of cost recovery recognized by Choice Properties, received from the Retail segment.
- Operating income includes the elimination of the $107 million impact of rental revenue described above; the elimination of a $76 million gain recognized by Choice Properties related to the fair value adjustments on investment properties, which are classified as Fixed Assets or Investment Properties by the Company and measured at cost; and the recognition of $3 million of depreciation expense for certain investment properties recorded by Choice Properties and measured at fair value.
- Net interest expense and other financing charges includes the elimination of $68 million of interest expense included in Choice Properties related to debt owing to the Company; Unit distributions to external unitholders of $10 million, which excludes distributions paid to the Company, and Choice Properties Unit issuance costs of $43 million, which are reflected as a reduction of equity in Choice Properties, and presented as interest expense for the consolidated Company; the elimination of a $35 million fair value loss recognized by Choice Properties on Class B Limited Partnership units held by the Company; and a $7 million fair value gain on the Company's Trust Unit Liability.

(1) Results are for the period ended September 30, 2013, consistent with Choice Properties' fiscal calendar. Adjustments to October 5, 2013 are included in Consolidation and Eliminations.

(2) Certain items are excluded from operating income and EBITDA to derive adjusted operating Income and adjusted EBITDA, respectively. Adjusted operating income and adjusted EBITDA are used internally by management when analyzing segment underlying performance.

(millions of Canadian dollars)		As at October 5, 2013		As at October 6, 2012		As at December 29, 2012
Total Assets						
Retail	**$**	**17,109**	$	14,975	$	15,474
Financial Services		**2,688**		2,379		2,487
Choice Properties(1)		**7,174**		—		—
Consolidation and Eliminations(i)		**(6,511)**		—		—
Total	**$**	**20,460**	$	17,354	$	17,961

(i) Consolidation and Eliminations includes the elimination of certain investment properties held by Choice Properties measured at fair value, which are presented in the consolidated results as fixed assets and investment properties measured at cost.

(millions of Canadian dollars)		October 5, 2013 (16 weeks)		October 6, 2012 (16 weeks)		October 5, 2013 (40 weeks)		October 6, 2012 (40 weeks)
Additions to Fixed Assets and Goodwill and Intangible Assets								
Retail	**$**	**226**	$	289	**$**	**543**	$	688
Financial Services		**2**		3		**3**		12
Choice Properties(1)(i)		**6,929**		—		**6,929**		—
Consolidation and Eliminations(i)		**(6,902)**		—		**(6,902)**		—
Total	**$**	**255**	$	292	**$**	**573**	$	700

(i) Consolidation and Eliminations includes the elimination of $7 billion of investment properties acquired by Choice Properties from the Retail segment.

(1) Results are for the period ended September 30, 2013, consistent with Choice Properties' fiscal calendar. Adjustments to October 5, 2013 are included in Consolidation and Eliminations.

Earnings Coverage Exhibit to the Unaudited Interim Period Condensed Consolidated Financial Statements

The following is the Company's updated earnings coverage ratio for the rolling 52-week period ended October 5, 2013 in connection with the Company's Amended Short Form Base Shelf Prospectus dated August 29, 2013. The following earnings coverage ratio gives effect to the subsequent issuance of $400 million senior and subordinated term notes by *Eagle Credit Card Trust* and the subsequent repayment of $300 million co-ownership interest in the securitized receivables from Other Independent Securitization Trusts. The following earnings coverage ratio does not (i) give effect to the *pro-forma* impact of the Acquisition of Shoppers Drug Mart Corporation and (ii) purport to be indicative of earnings coverage ratios for any future periods.

Earnings coverage on financial liabilities[(1)]	2.91 times

The earnings coverage ratio on financial liabilities is equal to consolidated net earnings (before interest on short term debt and long term debt, dividends on capital securities, Trust Unit distributions and income taxes) divided by consolidated interest on short term and long term debt, dividends on capital securities and Trust Unit distributions. For the purposes of calculating the earnings coverage ratio set forth above, long term debt includes the current portion of long term debt.

(1) The Company's earnings coverage ratio has been calculated using certain 2012 figures that have been restated due to the implementation of revised IAS 19 "Employee Benefits" – see note 2.

Financial Summary[1]

As at or for the periods ended October 5, 2013 and October 6, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	2013 (16 weeks)	2012[2] (16 weeks)
Consolidated Results of Operations		
Revenue	**$ 10,009**	$ 9,827
Operating income	**381**	405
Adjusted operating income[3]	**403**	418
Adjusted EBITDA[3]	**657**	659
Net interest expense and other financing charges	**171**	107
Net earnings	**154**	217
Adjusted net earnings[3]	**220**	228
Consolidated Financial Position and Cash Flows		
Adjusted debt[3]	**6,244**	4,362
Cash and cash equivalents, short term investments and security deposits	**4,220**	1,828
Cash flows from operating activities	**210**	490
Capital investment	**252**	289
Free cash flow[3]	**(5)**	122
Consolidated Per Common Share ($)		
Basic net earnings	**0.55**	0.77
Adjusted basic net earnings[3]	**0.78**	0.81
Consolidated Financial Measures and Ratios		
Revenue growth	**1.9%**	1.0 %
Adjusted operating margin[3]	**4.0%**	4.3 %
Adjusted EBITDA margin[3]	**6.6%**	6.7 %
Interest coverage[3]	**2.2x**	3.8x
Adjusted debt[3] to rolling year adjusted EBITDA[3]	**2.9x**	2.1x
Rolling year return on average net assets[3]	**10.2%**	10.5 %
Rolling year return on average shareholders' equity	**9.7%**	10.9 %
Retail Results of Operations		
Sales	**9,772**	9,627
Gross profit	**2,104**	2,104
Operating income	**342**	373
Adjusted operating income[3]	**357**	386
Retail Operating Statistics		
Same-store sales growth (decline)	**0.4%**	(0.2)%
Gross profit percentage	**21.5%**	21.9 %
Adjusted operating margin[3]	**3.7%**	4.0 %
Adjusted EBITDA margin[3]	**6.2%**	6.5 %
Retail square footage (in millions)	**51.8**	51.2
Number of corporate stores	**570**	579
Number of franchise stores	**488**	469
Financial Services Results of Operations		
Revenue	**222**	200
Operating income	**41**	32
Earnings before income taxes	**27**	19
Financial Services Operating Measures and Statistics		
Average quarterly net credit card receivables	**2,297**	2,055
Credit card receivables	**2,430**	2,073
Allowance for credit card receivables	**45**	39
Annualized yield on average quarterly gross credit card receivables	**13.5%**	12.8 %
Annualized credit loss rate on average quarterly gross credit card receivables	**4.2%**	4.4 %
Choice Properties Results of Operations[4]		
Revenue	**154**	—
Operating income	**184**	—
Adjusted operating income[3]	**191**	—
Net interest expense and other financing charges	**110**	—
Choice Properties Operating Measures[4]		
Net operating income[3]	**108**	—
Funds from operations[3]	**76**	—
Adjusted funds from operations[3]	**66**	—
Adjusted funds from operations per unit diluted[3] ($)	**0.18**	—
Adjusted funds from operations payout ratio[3]	**85.0%**	—

(1) For financial definitions and ratios refer to the Glossary beginning on page 103 of the Company's 2012 Annual Report.
(2) Certain 2012 figures have been restated (see note 2 of the unaudited interim period condensed consolidated financial statements).
(3) See Non-GAAP financial measures beginning on page 30 of the Management's Discussion and Analysis in this report.
(4) Results are for the period ended September 30, 2013, consistent with Choice Properties' fiscal calendar. Adjustments to October 5, 2013 are included in Consolidation and Eliminations.

Corporate Profile

The Company is a subsidiary of George Weston Limited and is Canada's largest food retailer and a leading provider of drugstore, general merchandise and financial products and services. The Company has three reportable operating segments: Retail, Financial Services and Choice Properties. Loblaw and its franchisees together are among the largest private sector employers in Canada, employing approximately 134,000 full-time and part-time employees across more than 1,000 corporate and franchise stores from coast to coast. Through its portfolio of store formats, Loblaw is committed to providing Canadians with a wide range of products and services to meet the everyday household demands of Canadian consumers. Loblaw is known for the quality, innovation and value of its food offering. It offers one of Canada's strongest control brand programs, including the unique *President's Choice*, *no name* and *Joe Fresh* brands. In addition, through its subsidiaries, the Company makes available to consumers *President's Choice Financial* services and offers the *PC* points and *PC* Plus loyalty programs.

The Company's mission is to be Canada's best food, health and home retailer by exceeding customer expectations through innovative products at great prices. As one of the country's leading retailers, reaching 14 million consumers each week, the Company is uniquely positioned to deliver on its purpose – *Live Life Well* – and to provide Canadians with products, services, value and experience to enrich their lives. The Company delivers on this purpose through its strategy to strengthen its competitive position with a winning customer proposition and efficient and cost-effective operations fueled by growth opportunities in emerging and complementary businesses.

Trademarks

Loblaw Companies Limited and its subsidiaries own a number of trademarks. Several subsidiaries are licensees of additional trademarks. These trademarks are the exclusive property of Loblaw Companies Limited or the licensor and where used in this report, are in italics.

Shareholder Information

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Computershare Investor Services Inc.	Toll free: 1-800-564-6253
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To change your address or eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

Investor Relations

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Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, President's Choice Bank. The Company holds an analyst call shortly following the release of its quarterly results. These calls are archived in the Investor Centre section of the Company's website loblaw.ca.

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on November 13, 2013 at 11:00am (EST).

To access via tele-conference, please dial (647) 427-7450. The playback will be made available two hours after the event at (416) 849-0833, access code: 83804490. To access via audio webcast, please visit the Investor Centre section at loblaw.ca. Pre-registration will be available.

Full details are available on the Loblaw Companies Limited website at loblaw.ca.

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