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First Quarter Report to Shareholders
12 weeks ending March 25, 2017

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2017 First Quarter Report to Shareholders

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 first quarter 2017 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 31, 2016 and the related annual MD&A included in the Company's 2016 Annual Report – Financial Review ("2016 Annual Report").

The Company's first quarter 2017 unaudited interim period condensed consolidated financial statements and the 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.

Management uses 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. The Company excludes 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. See Section 12 "Non-GAAP Financial Measures" for more information on the Company's non-GAAP financial measures.

A glossary of terms used throughout this Quarterly Report can be found at the back of the Company's 2016 Annual Report.

The information in this MD&A is current to May 2, 2017, unless otherwise noted.

1. Forward-Looking Statements

This Quarterly Report, including this MD&A, 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, opportunities and legal and regulatory matters. Specific forward-looking statements in this Quarterly Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, sale of gas bar operations, future liquidity, planned capital investments, and the status and impact of information technology ("IT") systems implementations. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, Section 5 "Liquidity and Capital Resources" and Section 11 "Outlook" 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 2017 is based on certain assumptions including assumptions about anticipated cost savings, operating efficiencies and continued growth from current initiatives. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in Section 12 "Enterprise Risks and Risk Management" of the Company's 2016 Annual Report, and the Company's 2016 Annual Information Form ("AIF") (for the year ended December 31, 2016). Such risks and uncertainties include:

- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to effectively manage the Company's loyalty programs;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to realize benefits from investments in the Company's new IT systems;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- public health events including those related to food and drug safety;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;

- failure to merchandise effectively, to execute the Company's e-commerce initiative or to adapt its business model to the shifts in the retail landscape caused by digital advances;
- failure to realize the anticipated benefits, including revenue growth, anticipated cost savings or operating efficiencies, associated with the Company's investment in major initiatives that support its strategic priorities;
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, interest rates, currency exchange rates or derivative and commodity prices;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- adverse outcomes of legal and regulatory proceedings and related matters;
- reliance on the performance and retention of third party service providers, including those associated with the Company's supply chain and apparel business, including issues with vendors in both advanced and developing markets; and
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink.

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 ("securities regulators") from time to time, including, without limitation, the section entitled "Risks" in the Company's 2016 AIF (for the year ended December 31, 2016). 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.

2. Key Financial Performance Indicators[1]

The Company has identified 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 March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	2017 (12 weeks)	2016[5] (12 weeks)
Consolidated:		
Revenue growth	**0.2 %**	3.3%
Operating Income	**$ 492**	$ 436
Adjusted EBITDA[2]	**865**	829
Adjusted EBITDA margin[2]	**8.3 %**	8.0%
Net earnings	**$ 232**	$ 187
Net earnings attributable to shareholders of the Company	**233**	196
Net earnings available to common shareholders of the Company	**230**	193
Adjusted net earnings available to common shareholders of the Company[2]	**364**	338
Diluted net earnings per common share ($)	**$ 0.57**	$ 0.47
Adjusted diluted net earnings per common share[2] ($)	**$ 0.90**	$ 0.82
Cash and cash equivalents, short term investments and security deposits	**$ 1,395**	$ 1,315
Cash flows from operating activities	**379**	813
Free cash flow[2]	**77**	512
Retail debt to rolling year retail adjusted EBITDA[2]	**1.7x**	2.0x
Rolling year adjusted return on equity[2]	**13.3 %**	11.5%
Rolling year adjusted return on capital[2]	**9.0 %**	7.8%
Retail Segment:		
Food retail same-store sales (decline) growth	**(1.2)%**	2.0%
Drug retail same-store sales growth	**0.9 %**	6.3%
Operating income	**$ 446**	$ 393
Adjusted gross profit[2]	**2,844**	2,777
Adjusted gross profit %[2]	**28.0 %**	27.3%
Adjusted EBITDA[2]	**$ 811**	$ 780
Adjusted EBITDA margin[2]	**8.0 %**	7.7%
Financial Services Segment[4]:		
Earnings before income taxes	**$ 25**	$ 28
Annualized yield on average quarterly gross credit card receivables	**13.8 %**	14.0%
Annualized credit loss rate on average quarterly gross credit card receivables	**4.1 %**	4.5%
Choice Properties Segment[4]:		
Net income (loss)	**$ 24**	$ (132)
Funds from operations[2]	**109**	103

3. Consolidated Results of Operations

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)	$ Change	% Change
Revenue	**$ 10,401**	$ 10,381	$ 20	0.2 %
Operating Income	**492**	436	56	12.8 %
Adjusted EBITDA(2)	**865**	829	36	4.3 %
Adjusted EBITDA margin(2)	**8.3%**	8.0%		
Depreciation and amortization	**$ 360**	$ 368	$ (8)	(2.2)%
Net interest expense and other financing charges	**161**	157	4	2.5 %
Adjusted net interest expense and other financing charges(2)	**125**	125	—	— %
Adjusted income taxes(2)	**135**	128	7	5.5 %
Adjusted income tax rate(2)	**26.9%**	27.8%		
Net earnings attributable to shareholders of the Company	**$ 233**	$ 196	$ 37	18.9 %
Net earnings available to common shareholders of the Company(i)	**230**	193	37	19.2 %
Adjusted net earnings available to common shareholders of the Company(2)	**364**	338	26	7.7 %
Diluted net earnings per common share ($)	**$ 0.57**	$ 0.47	$ 0.10	21.3 %
Adjusted diluted net earnings per common share(2) ($)	**0.90**	0.82	0.08	9.8 %
Diluted weighted average common shares outstanding (millions)	**403.2**	412.6		

(i) Net earnings available to common shareholders of the Company are net earnings attributable to shareholders of the Company net of dividends declared on the Company's Second Preferred Shares, Series B.

Net Earnings Available to Common Shareholders of the Company and Diluted Net Earnings Per Common Share Net earnings available to common shareholders of the Company in the first quarter of 2017 were $230 million ($0.57 per common share), an increase of $37 million ($0.10 per common share) compared to the first quarter of 2016. The increase in net earnings available to common shareholders of the Company was driven by improvements in underlying operating performance of $26 million and the favourable year-over-year net impact of certain adjusting items totaling $11 million as described below:

- improvements in underlying operating performance of $26 million ($0.06 per common share), were primarily due to the following:
  - the Retail segment (excluding the impact of the consolidation of franchises), driven by lower selling, general and administrative expenses ("SG&A") and stable gross margins despite the unfavourable impacts of the timing of New Year's Day and Easter on sales; and
  - the favourable impact of a decrease in depreciation and amortization, primarily due to a change in the estimated useful life of certain equipment and fixtures in the second quarter of 2016.
- the favourable year-over-year net impact of certain adjusting items totaling $11 million ($0.02 per common share) which included the impact of a prior year land transfer tax assessment of $7 million ($0.02 per common share).
- diluted net earnings per common share were also impacted by the favourable impact of the repurchase of common shares ($0.02 per common share).

Adjusted net earnings available to common shareholders of the Company(2) in the first quarter of 2017 were $364 million ($0.90 per common share), an increase of $26 million ($0.08 per common share) compared to the first quarter of 2016, due to the improvements in underlying operating performance and the favourable impact of the repurchase of common shares, as described above.

Revenue

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)	$ Change	% Change
Retail	**$ 10,166**	$ 10,154	$ 12	0.1%
Financial Services	**210**	207	3	1.4%
Choice Properties	**203**	192	11	5.7%
Consolidation and Eliminations	**(178)**	(172)	(6)	
Revenue	**$ 10,401**	$ 10,381	$ 20	0.2%

Revenue was $10,401 million in the first quarter of 2017, an increase of $20 million compared to the first quarter of 2016, primarily driven by the increase in Retail segment sales of $12 million. Excluding the consolidation of franchises, Retail segment sales decreased by $65 million primarily due to the same-store sales decline which included the unfavourable impacts of the timing of New Year's Day and Easter.

Operating Income Operating income was $492 million in the first quarter of 2017, an increase of $56 million compared to the first quarter of 2016. The increase in operating income was driven by improvements in underlying operating performance of $41 million and the favourable year-over-year net impact of certain adjusting items totaling $15 million as described below:

- the improvements in underlying operating performance of $41 million were driven by the Retail Segment and included lower SG&A, lower depreciation and amortization, stable gross margins despite the unfavourable impacts of the timing of New Year's Day and Easter on sales and the favourable impact from the consolidation of franchises; and
- the favourable year-over-year net impact of certain adjusting items totaling $15 million which included the impact of a prior year land transfer tax assessment of $10 million.

Adjusted EBITDA[(2)]

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)	$ Change	% Change
Retail	**$ 811**	$ 780	$ 31	4.0 %
Financial Services	**42**	44	(2)	(4.5)%
Choice Properties	**237**	136	101	74.3 %
Consolidation and Eliminations	**(225)**	(131)	(94)	
Adjusted EBITDA[(2)]	**$ 865**	$ 829	$ 36	4.3 %

Adjusted EBITDA[(2)] was $865 million in the first quarter of 2017, an increase of $36 million compared to the first quarter of 2016. The increase was primarily driven by Retail segment performance including lower SG&A, stable gross margins despite the unfavourable impacts of the timing of New Year's Day and Easter on sales and the favourable impact from the consolidation of franchises.

Depreciation and Amortization Depreciation and amortization was $360 million in the first quarter of 2017, a decrease of $8 million compared to the first quarter of 2016, primarily attributable to a change in the estimated useful life of certain equipment and fixtures in the second quarter of 2016, partially offset by an increase in depreciation from the consolidation of franchises. Included in depreciation and amortization in the first quarter of 2017 is the amortization of intangible assets related to the acquisition of Shoppers Drug Mart of $121 million (2016 – $124 million).

Net Interest Expense and Other Financing Charges

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)		**2017** **(12 weeks)**		2016 (12 weeks)		$ Change	% Change
Net interest expense and other financing charges	**$**	**161**	$	157	$	4	2.5%
Add (deduct) impact of the following:							
Fair value adjustment to the Trust Unit Liability		**(36)**		(32)		(4)	
Adjusted net interest expense and other financing charges(2)	**$**	**125**	$	125	$	—	—%

Net interest expense and other financing charges were $161 million in the first quarter of 2017, an increase of $4 million compared to the first quarter of 2016. The increase in net interest and other financing charges was primarily due to the year-over-year impact of the change in the fair value adjustment to the Trust Unit Liability of $4 million. Adjusted net interest expense and other financing charges(2) were flat compared to the first quarter of 2016 and included:

- lower interest expense in the Retail segment due to repayment of Medium Term Notes ("MTNs") in the second quarter of 2016; offset by
- an increase in interest expense in the Choice Properties Real Estate Investment Trust ("Choice Properties") segment due to higher drawings on its credit facilities and a gain on settlement of bond forwards in the first quarter of 2016.

Income Taxes

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)		**2017** **(12 weeks)**		2016 (12 weeks)		$ Change	% Change
Income taxes	**$**	**99**	$	92	$	7	7.6%
Add (deduct) impact of the following:							
Tax impact of items included in adjusted earnings before taxes		**36**		39		(3)	
Statutory corporate income tax rate change		**—**		(3)		3	
Adjusted income taxes(2)	**$**	**135**	$	128	$	7	5.5%
Effective tax rate		**29.9%**		33.0%			
Adjusted income tax rate(2)		**26.9%**		27.8%			

The effective tax rate in the first quarter of 2017 was 29.9% compared to 33.0% in the first quarter of 2016. The decrease in the effective tax rate was primarily attributable to a decrease in certain non-deductible items and a decrease in deferred tax expense resulting from the impact of a prior year charge related to the re-measurement of deferred tax liabilities as a result of the increase in the New Brunswick statutory corporate income tax rate from 12% to 14% enacted in the first quarter of 2016.

The adjusted income tax rate(2) in the first quarter of 2017 was 26.9% compared to 27.8% in the first quarter of 2016. The decrease in the adjusted tax rate was primarily attributable to a decrease in certain non-deductible items.

4. Reportable Operating Segments Results of Operations

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

- The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, and includes in-store pharmacies and other health and beauty products, gas bars and apparel and other general merchandise. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base;
- The Financial Services segment provides credit card services, loyalty programs, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services and telecommunication services; and
- The Choice Properties segment owns, manages and develops retail and commercial properties across Canada. The Choice Properties segment information presented below reflects the accounting policies of Choice Properties, which may differ from those of the consolidated Company. Differences in policies are eliminated in Consolidation and Eliminations.

4.1 Retail Segment

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)	$ Change	% Change
Sales	**$ 10,166**	$ 10,154	$ 12	0.1 %
Operating Income	**446**	393	53	13.5 %
Adjusted gross profit(2)	**2,844**	2,777	67	2.4 %
Adjusted gross profit %(2)	**28.0%**	27.3%		
Adjusted EBITDA(2)	**$ 811**	$ 780	$ 31	4.0 %
Adjusted EBITDA margin(2)	**8.0%**	7.7%		
Depreciation and amortization	**$ 352**	$ 362	$ (10)	(2.8)%

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**		2016 (12 weeks)	
	Sales	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 7,393**	**(1.2)%**	$ 7,390	2.0%
Drug retail	**2,773**	**0.9 %**	2,764	6.3%
Pharmacy	**1,343**	**1.3 %**	1,313	4.2%
Front Store	**1,430**	**0.6 %**	1,451	8.2%

Sales, operating income, adjusted gross profit(2), adjusted gross profit percentage(2), adjusted EBITDA(2) and adjusted EBITDA margin(2) in the first quarter of 2017 included the impacts of the consolidation of franchises, as set out in "Other Retail Business Matters".

Sales Retail segment sales in the first quarter of 2017 were $10,166 million, an increase of $12 million compared to the first quarter of 2016. Excluding the consolidation of franchises, Retail segment sales decreased by $65 million, primarily driven by the following factors:

- Food retail same-store sales decline was 2.1% (2016 – growth of 2.6%) for the quarter, after excluding the gas bar increase of 0.9% (2016 – decline of 0.6%). Food retail same-store sales reflect the impact of retail promotional investments and were relatively flat excluding the unfavourable impacts of the timing of New Year's Day and Easter. Including gas bar, Food retail same-store sales decline was 1.2% (2016 – growth of 2.0%).
  - Sales decline in food and pharmacy was marginal and included the unfavourable impacts of the timing of New Year's Day and Easter;
  - Sales growth in gas bar was strong; and
  - The Company's Food retail average quarterly internal food price index declined and was relatively flat compared to (2016 – moderately higher than) the average quarterly national food price deflation of 3.9% (2016 – inflation of 4.3%), 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 the Company's stores.
- Drug retail same-store sales growth was 0.9% (2016 – 6.3%). Excluding the unfavourable impacts of the timing of New Year's Day and Easter, Drug retail same-store sales growth was approximately 2.5%.
  - Same-store pharmacy sales growth was 1.3% (2016 – 4.2%). The number of prescriptions dispensed increased by 2.9% (2016 – 4.1%). On a same-store basis, the number of prescriptions dispensed increased by 2.5% (2016 – 3.9%) and year-over-year, the average prescription value decreased by 1.3% (2016 – increased by 0.6%). Excluding the unfavourable impacts of the timing of New Year's Day and Easter pharmacy same-store sales growth was approximately 1.4%.
  - Same-store front store sales growth was 0.6% (2016 – 8.2%). Excluding the unfavourable impacts of the timing of New Year's Day and Easter front store same-store sales growth was approximately 3.6%.
- 28 food and drug stores were opened and 29 food and drug stores were closed in the last 12 months, resulting in a net increase in Retail square footage of 0.3 million square feet, or 0.4%.

Operating Income Operating Income in the first quarter of 2017 was $446 million, an increase of $53 million compared to the first quarter of 2016. The increase in operating income was driven by improvements in underlying operating performance of $38 million and the favourable year-over-year net impact of certain adjusting items totaling $15 million as described below:

- the improvements in underlying operating performance of $38 million included lower SG&A, lower depreciation and amortization, stable gross margins despite the unfavourable impacts of the timing of New Year's Day and Easter on sales and the favourable impact from the consolidation of franchises; and
- the favourable year-over-year net impact of certain adjusting items totaling $15 million which included the impact of a prior year land transfer tax assessment of $10 million.

Adjusted Gross Profit(2) Adjusted gross profit(2) in the first quarter of 2017 was $2,844 million, an increase of $67 million compared to the first quarter of 2016. Adjusted gross profit percentage(2) of 28.0% increased by 70 basis points compared to the first quarter of 2016. Excluding the consolidation of franchises, adjusted gross profit(2) decreased by $13 million, primarily driven by the unfavourable impacts of the timing of New Year's Day and Easter on sales. Adjusted gross profit percentage(2), excluding the consolidation of franchises, was 27.0%, an increase of 10 basis points compared to the first quarter of 2016. The increase in adjusted gross profit percentage(2) was driven by Drug retail margins partially offset by the impact of Food retail promotional investments.

Adjusted EBITDA(2) Adjusted EBITDA(2) in the first quarter of 2017 was $811 million, an increase of $31 million, compared to the first quarter of 2016 driven by the increase in adjusted gross profit(2) described above, partially offset by an increase in SG&A of $36 million. SG&A as a percentage of sales was 20.0%, an increase of 40 basis points compared to the first quarter of 2016. Excluding the consolidation of franchises, SG&A decreased $31 million and as a percentage of sales was 19.0%, an improvement of 10 basis points compared to the first quarter of 2016, driven by the following factors:

- the positive impact of store closures and divestitures effective in the second quarter of 2016; and
- favourable changes in the value of the Company's investments in its franchise business; partially offset by
- the unfavourable impacts of the timing of New Year's Day and Easter in both Food and Drug retail.

Depreciation and Amortization Depreciation and amortization in the first quarter of 2017 was $352 million, a decrease of $10 million compared to the first quarter of 2016 primarily attributable to a change in the estimated useful life of certain equipment and fixtures in the second quarter of 2016 partially offset by an increase in depreciation from the consolidation of franchises. Included in depreciation and amortization in the first quarter of 2017 is the amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") of $121 million (2016 – $124 million).

Other Retail Business Matters

Gas Bar Network Subsequent to the end of the first quarter, the Company entered into an agreement with Brookfield Business Partners L.P. ("Brookfield") to sell its gas bar operations for approximately $540 million. Closing of the transaction is subject to Competition Bureau approval and other customary closing conditions and is expected to occur in the third quarter of 2017. As a result of the transaction, Brookfield will become a strategic partner to the Company and will continue to offer the Company's *PC Plus* loyalty program at the gas bars. In addition, Brookfield will be rebranding the gas station portfolio to the Mobil fuel brand, which will mark the introduction of the Mobil fuel brand to Canada. The Company has included $78 million of fixed assets and $11 million of inventory, related to the gas bar operations, as assets held for sale. In addition, the Company has classified $49 million of related accounts payable and accrued liabilities that will be assumed by the purchaser as liabilities held for sale. No impairment or other charges were recognized on the net assets of the gas bar operations. In 2016, the gas bar operations sold approximately 1,700 million litres of gas and contributed approximately $1,500 million to sales. After taking into account the loss of the earnings associated with the gas bar operations and the ongoing commitment of the Company to fund certain loyalty program costs, the expected annual impact to adjusted EBITDA(2) will be approximately $80 million, based on 2016 information.

Consolidation of Franchises The Company has more than 500 franchise food retail stores in its network. As at the end of the first quarter of 2017, 225 of these stores were consolidated for accounting purposes under a new, simplified franchise agreement ("Franchise Agreement") implemented in 2015.

The Company will convert franchises to the Franchise Agreement as existing agreements expire, at the end of which all franchises will be consolidated. The following table provides the total impact of the consolidation of franchises included in the consolidated results of the Company.

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars unless where otherwise indicated)	**2017** **(12 weeks)**	2016 (12 weeks)
Number of Consolidated Franchise stores, beginning of period	**200**	85
Add: Net number of Consolidated Franchise stores in the period	**25**	30
Number of Consolidated Franchise stores, end of period	**225**	115
Sales	**$ 141**	$ 64
Adjusted gross profit(2)	**139**	59
Adjusted EBITDA(2)	**7**	(6)
Depreciation and amortization	**9**	4
Operating loss	**(2)**	(10)
Net loss attributable to Non-Controlling Interests	**(1)**	(9)

Operating loss included in the table above does not significantly impact net earnings available to common shareholders of the Company as the related losses are largely attributable to Non-Controlling Interests.

The Company expects that the estimated annual impact in 2017 of new and current consolidated franchises will be revenue of approximately $680 million, adjusted EBITDA(2) of approximately $55 million, depreciation and amortization of approximately $45 million and net earnings attributable to Non-Controlling Interests of approximately $10 million.

4.2 Financial Services Segment[(4)]

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	2017 (12 weeks)	2016 (12 weeks)	$ Change	% Change
Revenue	**$ 210**	$ 207	$ 3	1.4 %
Earnings before income taxes	**25**	28	(3)	(10.7)%

(millions of Canadian dollars except where otherwise indicated)	As at March 25, 2017	As at March 26, 2016	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,808**	$ 2,692	$ 116	4.3 %
Credit card receivables	**2,689**	2,594	95	3.7 %
Allowance for credit card receivables	**49**	53	(4)	(7.5)%
Annualized yield on average quarterly gross credit card receivables	**13.8%**	14.0%		
Annualized credit loss rate on average quarterly gross credit card receivables	**4.1%**	4.5%		

Revenue Revenue in the first quarter of 2017 was $210 million, an increase of $3 million compared to the first quarter of 2016, primarily driven by:

- higher interest and net interchange income attributable to the growth in the credit card portfolio; and
- higher sales attributable to The Mobile Shop.

Earnings before income taxes Earnings before income taxes in the first quarter of 2017 were $25 million, a decrease of $3 million compared to the first quarter of 2016, primarily driven by:

- higher costs associated with the Financial Services' loyalty program; and
- higher operating costs; partially offset by
- revenue growth, as described above; and
- lower credit losses due to the strong credit performance of the portfolio.

Credit Card Receivables As at March 25, 2017, credit card receivables were $2,689 million, an increase of $95 million compared to March 26, 2016. This increase was primarily driven by growth in the active customer base as a result of continued investments in customer acquisition, marketing and product initiatives. As at March 25, 2017, the allowance for credit card receivables was $49 million, a decrease of $4 million compared to March 26, 2016 due to the strong credit performance of the portfolio.

4.3 Choice Properties Segment(4)

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	2017 (12 weeks)	2016 (12 weeks)	$ Change	% Change
Revenue	$ 203	$ 192	$ 11	5.7 %
Net interest expense and other financing charges	213	268	(55)	(20.5)%
Net income (loss)(i)	24	(132)	156	118.2 %
Funds from operations(2)	109	103	6	5.8 %

(i) Choice Properties qualifies as a "mutual fund trust" under the Income Tax Act (Canada) and therefore net income (loss) is equal to earnings before income taxes.

Revenue Revenue in the first quarter of 2017 was $203 million, an increase of $11 million compared to the first quarter of 2016 and included $178 million (2016 – $172 million) generated from tenants within the Retail segment. The increase in revenue was primarily driven by:

- revenue from properties acquired in 2016 and 2017;
- additional revenue generated from tenant openings in newly developed leasable space; and
- an increase in base rent from existing properties.

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $213 million in the first quarter of 2017, a decrease of $55 million compared to the first quarter of 2016, primarily driven by the change in fair value adjustment on Class B Limited Partnership units, partially offset by an increase in interest expense due to higher drawings on credit facilities and a gain on settlement of bond forwards in the first quarter of 2016.

Net income (loss) Net income in the first quarter of 2017 was $24 million, an increase of $156 million compared to the first quarter of 2016. The increase was primarily driven by:

- the change in fair value adjustment on investment properties;
- the change in fair value adjustment on Class B Limited Partnership units;
- additional net operating income generated from acquisitions and tenant openings in newly developed leasable space; and
- an increase in base rent from existing properties.

Funds from Operations(2) Funds from Operations(2) in the first quarter of 2017 were $109 million, an increase of $6 million compared to the first quarter of 2016, primarily driven by higher contributions from property operations, partially offset by an increase in interest expense due to higher drawings on credit facilities and a gain on settlement of bond forwards in the first quarter of 2016.

Other Matters In the first quarter of 2017, Choice Properties acquired two investment properties from third-parties for a combined purchase price of approximately $10 million, excluding acquisition costs, which was fully settled in cash.

5. Liquidity and Capital Resources

5.1 Cash Flows

Major Cash Flow Components

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	2017 (12 weeks)	2016 (12 weeks)	$ Change	% Change
Cash and cash equivalents, beginning of period	**$ 1,314**	$ 1,018	$ 296	29.1 %
Cash flows from (used in):				
Operating activities	**379**	813	(434)	(53.4)%
Investing activities	**(251)**	(134)	(117)	(87.3)%
Financing activities	**(404)**	(449)	45	10.0 %
Effect of foreign currency exchange rate changes on cash and cash equivalents	**—**	(5)	5	100.0 %
Cash and cash equivalents, end of period	**$ 1,038**	$ 1,243	$ (205)	(16.5)%

Cash Flows from Operating Activities Cash flows from operating activities in the first quarter of 2017 were $379 million, a decrease of $434 million compared to the first quarter of 2016, primarily driven by a change in non-cash working capital due to a decrease in trade payables and other liabilities and an increase in income taxes paid.

Cash Flows used in Investing Activities Cash flows used in investing activities in the first quarter of 2017 were $251 million, an increase of $117 million compared to the first quarter of 2016, primarily driven by an increase in short term investments.

Capital Investments and Store Activity

As at or for the periods ended March 25, 2017 and March 26, 2016	2017 (12 weeks)	2016 (12 weeks)	% Change
Capital investments (millions of Canadian dollars)	**$ 154**	$ 157	(1.9)%
Corporate square footage (in millions)	**35.7**	36.0	(0.8)%
Franchise square footage (in millions)	**16.3**	15.8	3.2 %
Associate-owned drug store square footage (in millions)	**18.1**	18.0	0.6 %
Total retail square footage (in millions)	**70.1**	69.8	0.4 %
Number of corporate stores	**564**	585	(3.6)%
Number of franchise stores	**532**	522	1.9 %
Number of Associate-owned drug stores	**1,324**	1,314	0.8 %
Total number of stores	**2,420**	2,421	— %
Percentage of corporate real estate owned	**72%**	72%	
Percentage of franchise real estate owned	**47%**	47%	
Percentage of Associate-owned drug store real estate owned	**1%**	2%	
Average store size (square feet)			
Corporate	**63,300**	61,500	2.9 %
Franchise	**30,600**	30,300	1.0 %
Associate-owned drug store	**13,700**	13,700	— %

Cash Flows used in Financing Activities Cash flows used in financing activities in the first quarter of 2017 were $404 million, a decrease of $45 million compared to the first quarter of 2016. The decrease was primarily driven by lower repurchases of common shares under the Company's Normal Course Issuer Bid ("NCIB") in the first quarter of 2017.

The Company's significant long term debt transactions are set out in Section "5.3 Components of Total Debt".

Free Cash Flow[2]

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017** **(12 weeks)**	2016 (12 weeks)	$ Change	% Change
Free cash flow[2]	**$ 77**	$ 512	$ (435)	(85.0)%

Free cash flow[2] was $77 million in the first quarter of 2017, a decrease of $435 million compared to the first quarter of 2016, primarily driven by lower cash flows from operating activities in the first quarter of 2017 as described above.

5.2 Liquidity and Capital Structure

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

The Company manages its capital structure on a segmented basis to ensure that each of the reportable operating segments is employing a capital structure that is appropriate for the industry in which it operates. The following table presents total debt, as monitored by management, by reportable operating segments:

	As at March 25, 2017				As at March 26, 2016				As at December 31, 2016			
(millions of Canadian dollars)	**Retail**	**Financial Services[4]**	**Choice Properties[4]**	**Total**	Retail	Financial Services[4]	Choice Properties[4]	Total	Retail	Financial Services[4]	Choice Properties[4]	Total
Bank indebtedness	**$ 254**	**$ —**	**$ —**	**$ 254**	$ 291	$ —	$ —	$ 291	$ 115	$ —	$ —	$ 115
Short term debt	**—**	**465**	**—**	**465**	—	350	—	350	—	665	—	665
Long term debt due within one year	**56**	**146**	**1**	**203**	583	100	1	684	56	142	202	400
Long term debt	**5,985**	**1,427**	**3,326**	**10,738**	5,985	1,348	3,062	10,395	6,019	1,436	3,015	10,470
Certain other liabilities	**31**	**—**	**—**	**31**	32	—	—	32	31	—	—	31
Total debt	**$ 6,326**	**$ 2,038**	**$ 3,327**	**$ 11,691**	$ 6,891	$ 1,798	$ 3,063	$ 11,752	$ 6,221	$ 2,243	$ 3,217	$ 11,681

Retail The Company manages its capital structure with the objective of maintaining Retail segment credit metrics consistent with those of investment grade retailers. The Company monitors the Retail segment's debt to rolling year retail adjusted EBITDA[2] ratio as a measure of the leverage being employed.

	As at March 25, 2017	As at March 26, 2016	As at December 31, 2016
Retail debt to rolling year retail adjusted EBITDA[2]	**1.7x**	2.0x	1.7x

The Retail debt to rolling year retail adjusted EBITDA[2] ratio as at March 25, 2017 was flat compared to December 31, 2016 and decreased compared to March 26, 2016. The decrease in the Retail debt to rolling year retail adjusted EBITDA[2] ratio compared to March 26, 2016 was primarily as a result of growth in adjusted EBITDA[2] and repayment of $525 million of MTNs that matured in the second quarter of 2016.

President's Choice Bank President's Choice Bank's ("PC Bank's") capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory requirements as defined by the Office of the Superintendent of Financial Institutions ("OSFI").

Choice Properties Choice Properties manages its capital structure with the objective of maintaining credit metrics consistent with those of investment grade real estate investment trusts ("REITs"). Choice Properties monitors metrics relevant to the REIT industry including targeting an appropriate debt to total assets ratio.

The Company and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at March 25, 2017 and throughout the first quarter, the Company and Choice Properties were in compliance with their respective covenants. As at March 25, 2017 and throughout the first quarter, PC Bank has met all applicable regulatory requirements.

Short Form Base Shelf Prospectus Subsequent to the end of the first quarter of 2017, the Company received approval from its Board of Directors ("Board") to file a Short Form Base Shelf Prospectus which allows for the potential issuance of up to $2 billion of unsecured debentures and/or preferred shares subject to the availability of funding in the capital markets.

5.3 Components of Total Debt

Debentures and Medium Term Notes The following table summarizes the debentures and MTNs issued in the first quarter of 2017 and 2016:

			March 25, 2017 (12 weeks)	March 26, 2016 (12 weeks)
(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	**Principal Amount**	Principal Amount
Choice Properties senior unsecured debentures				
– Series G	3.20%	March 7, 2023	$ —	$ 250
– Series H	5.27%	March 7, 2046	—	100
Total Debentures and Medium Term Notes issued			$ —	$ 350

The following table summarizes the debentures and MTNs repaid in the first quarter of 2017 and 2016:

			March 25, 2017 (12 weeks)	March 26, 2016 (12 weeks)
(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	**Principal Amount**	Principal Amount
Choice Properties senior unsecured debentures – Series 6	3.00%	April 20, 2017[(i)]	**$ 200**	$ —
Choice Properties senior unsecured debentures – Series 5	3.00%	April 20, 2016[(ii)]	**—**	300
Total Debentures and Medium Term Notes repaid			**$ 200**	$ 300

(i) Choice Properties Series 6 unsecured debentures were redeemed on January 23, 2017.

(ii) Choice Properties Series 5 unsecured debentures were redeemed on March 7, 2016.

Committed Credit Facilities The components of the committed lines of credit as at March 25, 2017, March 26, 2016 and December 31, 2016 were as follows:

		As at March 25, 2017		As at March 26, 2016		As at December 31, 2016	
(millions of Canadian dollars)	Maturity Date	**Available Credit**	**Drawn**	Available Credit	Drawn	Available Credit	Drawn
Loblaw's Committed Credit Facility	June 10, 2021	**$ 1,000**	**$ —**	$ 1,000	$ —	$ 1,000	$ —
Choice Properties Committed Syndicated Credit Facility	July 5, 2021	**500**	**233**	500	16	500	172
Choice Properties Committed Bi-lateral Credit Facility	December 21, 2018	**250**	**250**	—	—	250	—
Total Committed Lines of Credit		**$ 1,750**	**$ 483**	$ 1,500	$ 16	$ 1,750	$ 172

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

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

(millions of Canadian dollars)	**As at March 25, 2017**	As at March 26, 2016	As at December 31, 2016
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust*®	**$ 650**	$ 650	$ 650
Securitized to Other Independent Securitization Trusts	**465**	350	665
Total securitized to independent securitization trusts	**$ 1,115**	$ 1,000	$ 1,315

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at March 25, 2017 and throughout the first quarter of 2017.

Independent Funding Trusts As at March 25, 2017, the independent funding trusts had drawn $560 million (March 26, 2016 – $547 million; December 31, 2016 – $587 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. As at March 25, 2017, the Company has agreed to provide a credit enhancement of $64 million (March 26, 2016 – $58 million) for the benefit of the independent funding trusts representing not less than 10% (2016 – 10%) of the principal amount of loans outstanding.

5.4 Financial Condition

Rolling Year Adjusted Return on Equity(2) and Rolling Year Adjusted Return on Capital(2)

	As at March 25, 2017	As at March 26, 2016(5)	As at December 31, 2016
Rolling year adjusted return on equity(2)	**13.3%**	11.5%	12.9%
Rolling year adjusted return on capital(2)	**9.0%**	7.8%	8.8%

The rolling year adjusted return on equity(2) as at March 25, 2017 increased compared to March 26, 2016 and December 31, 2016, primarily due to higher adjusted net earnings and common shares repurchased. The rolling year adjusted return on capital(2) as at March 25, 2017 increased compared to March 26, 2016 and December 31, 2016 primarily due to the factors noted above, as well as debt reduction in the last twelve months.

5.5 Credit Ratings

Subsequent to the end of the first quarter of 2017, Standard and Poor's reaffirmed the credit ratings and outlook of the Company.

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

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

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	Positive	BBB	Stable
Senior unsecured debentures	BBB	Positive	BBB	n/a

5.6 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 periods was as follows:

	March 25, 2017		March 26, 2016	
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	**400,829,870**	**$ 7,713**	409,985,226	$ 7,861
Issued for settlement of stock options	**224,875**	**10**	731,214	32
Purchased and cancelled	**(2,703,493)**	**(52)**	(3,392,000)	(65)
Issued and outstanding, end of period	**398,351,252**	**$ 7,671**	407,324,440	$ 7,828
Shares held in trust, beginning of period	**(1,105,620)**	**$ (21)**	(643,452)	$ (10)
Purchased for future settlement of RSUs and PSUs	**(686,000)**	**(13)**	(1,250,000)	(24)
Released for settlement of RSUs and PSUs	**6,489**	**—**	706,134	12
Shares held in trust, end of period	**(1,785,131)**	**$ (34)**	(1,187,318)	$ (22)
Issued and outstanding, net of shares held in trust, end of period	**396,566,121**	**$ 7,637**	406,137,122	$ 7,806
Weighted average outstanding, net of shares held in trust	**399,454,993**		409,012,769	

Normal Course Issuer Bid Activity under the Company's NCIB during the periods was as follows:

(millions of Canadian dollars except where otherwise indicated)	**March 25, 2017 (12 weeks)**	March 26, 2016 (12 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)	**2,703,493**	3,392,000
Cash consideration paid	**$ 192**	$ 231
Premium charged to Retained Earnings	**140**	166
Reduction in Common Share Capital	**52**	65
Common shares repurchased under the NCIB and held in trust (number of shares)	**686,000**	1,250,000
Cash consideration paid	**$ 48**	$ 90
Premium charged to Retained Earnings	**35**	66
Reduction in Common Share Capital	**13**	24

Subsequent to the end of the first quarter of 2017, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 21,016,472 of the Company's common shares, representing approximately 10% of the public float. In accordance with the rules and by-laws of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares.

Dividends The following table summarizes the Company's cash dividends declared for the periods as indicated:

	March 25, 2017[(i)] (12 weeks)	March 26, 2016 (12 weeks)
Dividends declared per share ($):		
Common Share	**$ 0.26**	$ 0.25
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125

(i) The first quarter dividends for 2017 of $0.26 per share declared on common shares have a payment date of April 1, 2017. The first quarter dividends for 2017 of $0.33125 per share declared on Second Preferred Shares, Series B have a payment date of March 31, 2017.

(millions of Canadian dollars)	**March 25, 2017 (12 weeks)**	March 26, 2016 (12 weeks)
Dividends declared:		
Common Share	**$ 104**	$ 102
Second Preferred Share, Series B	**3**	3
Total dividends declared	**$ 107**	$ 105

Subsequent to the end of the first quarter of 2017, the Board declared a quarterly dividend of $0.27 per common share, an increase of 3.8%, payable on July 1, 2017 to shareholders of record on June 15, 2017 and a dividend on the Second Preferred Shares, Series B of $0.33125 per share payable on June 30, 2017 to shareholders of record on June 15, 2017.

5.7 Off-Balance Sheet Arrangements

The Company uses off-balance sheet arrangements including letters of credit, guarantees and cash collateralization in connection with certain obligations. There were no significant changes to the Company's off-balance sheet arrangements during the first quarter of 2017. For a discussion of the Company's significant off-balance sheet arrangements see Section 7.7 "Off-Balance Sheet Arrangements" of the Company's 2016 Annual Report.

6. Financial Derivative Instruments

The Company uses derivative instruments to offset certain of its financial risks. The Company uses bond forwards and interest rate swaps, to manage its anticipated exposure to fluctuations in interest rates on future debt issuances. The Company did not enter into any significant bond forwards or interest rate swaps during the first quarter of 2017.

The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. For further details on the impact of these instruments in 2017 see Section 12 "Non-GAAP Financial Measures" of the MD&A.

7. Results by Quarter

Under an accounting convention common in the retail industry, the Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks. Fiscal years 2017 and 2016 were 52 weeks. The next 53 week year will occur in 2020. 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.

Summary of Consolidated Quarterly Results 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:

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2017	**2016**	2016	2015	2016	2015	2016	2015[5]
(millions of Canadian dollars except where otherwise indicated)	**(12 weeks)**	**(12 weeks)**	(12 weeks)	(12 weeks)	(16 weeks)	(16 weeks)	(12 weeks)	(12 weeks)
Revenue	**$10,401**	**$ 10,381**	$11,130	$ 10,865	$ 14,143	$ 13,946	$ 10,731	$ 10,535
Net earnings available to common shareholders of the Company	**230**	**193**	201	128	419	166	158	151
Adjusted net earnings available to common shareholders of the Company[2]	**364**	**338**	393	363	512	408	412	350
Net earnings per common share:								
Basic ($)	**$ 0.58**	**$ 0.47**	$ 0.50	$ 0.31	$ 1.04	$ 0.40	$ 0.39	$ 0.37
Diluted ($)	**$ 0.57**	**$ 0.47**	$ 0.50	$ 0.31	$ 1.03	$ 0.40	$ 0.39	$ 0.36
Adjusted diluted net earnings per common share [2] ($)	**$ 0.90**	**$ 0.82**	$ 0.97	$ 0.87	$ 1.26	$ 0.98	$ 1.01	$ 0.84
Average national food price (deflation) inflation (as measured by CPI)	**(3.9)%**	**4.3%**	(2.3)%	4.1%	0.2%	3.8%	1.8%	3.9%
Food retail same-store sales (decline) growth	**(1.2)%**	**2.0%**	1.1 %	2.4%	0.8%	1.3%	0.4%	2.1%
Drug retail same-store sales growth	**0.9 %**	**6.3%**	3.4 %	5.0%	2.8%	4.9%	4.0%	3.8%

Revenue Revenue for the last eight quarters was impacted by various factors including the following:

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- macro-economic conditions impacting food and drug retail prices;
- the changes in the price of fuel sold at the Company's gas bars;
- consolidation of franchises; and
- changes in net retail square footage. Over the past eight quarters, net retail square footage increased by 0.1 million square feet to 70.1 million square feet, primarily driven by new store openings partially offset by the Company's store closure plan announced in 2015 and completed in the first half of 2016.

Net Earnings Available to Common Shareholders of the Company and Diluted Net Earnings Per Common Share Net earnings available to common shareholders of the Company and diluted net earnings per common share for the last eight quarters were impacted by the following items:

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- acquisition-related net synergies;
- the impact of the Company's store closure plan;
- improvements in underlying operating performance of the Company; and
- the impact of certain adjusting items, as set out in Section 12 "Non-GAAP Financial Measures", including:
    - the impairment of Drug retail ancillary assets held for sale;
    - restructuring and other related charges;
    - the transition of stores to more cost effective and efficient labour agreements;
    - statutory corporate income tax changes;
    - asset impairments, net of recoveries; and
    - the change in fair value adjustment to Trust Unit Liability.

The consolidation of franchises does not significantly impact net earnings available to common shareholders of the Company as the related earnings are largely attributable to Non-Controlling Interests.

8. 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 There were no changes in the Company's internal control over financial reporting in the first quarter of 2017 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

9. Enterprise Risks and Risk Management

A detailed full set of risks inherent in the Company's business are included in the Company's AIF for the year ended December 31, 2016 and the Company's MD&A in the Company's 2016 Annual Report, which are hereby incorporated by reference. The Company's 2016 Annual Report and AIF are available online on www.sedar.com. Those risks and risk management strategies remain unchanged.

10. Accounting Standards

Accounting Standards Implemented in 2017

Statement of Cash Flows The Company implemented the amendments to IAS 7, "Statement of Cash Flows", in the first quarter of 2017 and has provided disclosures on changes in liabilities arising from certain financing activities, including both changes arising from cash and non-cash flows changes, in the notes to the unaudited interim period condensed consolidated financial statements.

Changes in Accounting Standards

Income Taxes In November 2016, the IFRS Interpretations Committee issued its agenda decision related to the expected manner of recovery of indefinite life intangible assets when measuring deferred income taxes in accordance with IAS 12, "Income Taxes", and clarified its interpretation that an indefinite life intangible asset does not have an unlimited life and its economic benefit flows to an entity in future periods through use and not just through future sale. Accordingly, it is appropriate to measure the associated deferred income tax liability at the income tax rate applicable to ordinary taxable income expected to apply in the years in which the temporary differences are expected to be recovered or settled. The Company's accounting policy reflected an accepted view that an indefinite life intangible will be recovered through its disposition and was using a capital gains tax rate to measure deferred income taxes associated with its indefinite life intangible assets. The Company implemented this guidance in the fourth quarter of 2016 on a retrospective basis as an accounting policy change in accordance with IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors". The impact of this change was as follows:

Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at March 26, 2016
Goodwill	$ 418
Deferred Income Tax Liabilities	458
Retained Earnings	(40)

There was no impact to net earnings in 2016 as a result of this change.

11. Outlook[3]

Loblaw remains focused on its strategic framework, delivering the best in food, best in health and beauty, operational excellence and growth. This framework is supported by our financial plan of maintaining a stable trading environment that targets positive same-store sales and stable gross margin, surfacing efficiencies to deliver operating leverage, and returning capital to shareholders.

In 2017, on a full-year comparative basis, despite the current deflationary environment, the Company expects to:

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

12. Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: Retail segment gross profit; Retail segment adjusted gross profit; Retail segment adjusted gross profit percentage; adjusted earnings before income taxes, net interest expense and other financing charges and depreciation and amortization ("adjusted EBITDA"); adjusted EBITDA margin; adjusted operating income; adjusted net interest expense and other financing charges; adjusted income taxes; adjusted income tax rate; adjusted net earnings available to common shareholders; adjusted diluted net earnings per common share; free cash flow; retail debt to rolling year retail adjusted EBITDA; rolling year adjusted return on equity; rolling year adjusted return on capital and with respect to Choice Properties: funds from operations. 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 underlying consolidated and segment 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. The Company excludes 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.

Retail Segment Gross Profit, Retail Segment Adjusted Gross Profit and Retail Segment Adjusted Gross Profit Percentage The following table reconciles revenue and cost of merchandise inventories sold to gross profit by segment and then to adjusted gross profit by segment. The Company believes that Retail segment gross profit and Retail segment adjusted gross profit are useful in assessing the Retail segment's underlying operating performance and in making decisions regarding the ongoing operations of the business.

Retail segment adjusted gross profit percentage is calculated as Retail segment adjusted gross profit divided by Retail segment revenue.

					2017 (12 weeks)					2016 (12 weeks)
For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars)	**Retail**	**Financial Services(4)**	**Choice Properties(4)**	**Consolidation & Eliminations**	**Total**	Retail	Financial Services(4)	Choice Properties(4)	Consolidation & Eliminations	Total
Revenue	**$ 10,166**	**$ 210**	**$ 203**	**$ (178)**	**$ 10,401**	$ 10,154	$ 207	$ 192	$ (172)	$ 10,381
Cost of Merchandise Inventories Sold	**7,322**	**18**	**—**	**—**	**7,340**	7,378	16	—	—	7,394
Gross Profit	**$ 2,844**	**$ 192**	**$ 203**	**$ (178)**	**$ 3,061**	$ 2,776	$ 191	$ 192	$ (172)	$ 2,987
Add impact of the following:										
Restructuring and other related costs	**—**	**—**	**—**	**—**	**—**	1	—	—	—	1
Adjusted Gross Profit	**$ 2,844**	**$ 192**	**$ 203**	**$ (178)**	**$ 3,061**	$ 2,777	$ 191	$ 192	$ (172)	$ 2,988

Restructuring and other related costs The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Restructuring activities related to these initiatives are ongoing.

Adjusted Operating Income, Adjusted EBITDA and Adjusted EBITDA Margin The following tables reconcile adjusted operating income and adjusted EBITDA to operating income, which is reconciled to GAAP net earnings measures reported in the unaudited interim period condensed consolidated statements of earnings for the periods ended March 25, 2017 and March 26, 2016. The Company believes that adjusted EBITDA is 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 EBITDA margin is calculated as adjusted EBITDA divided by revenue.

					2017 (12 weeks)					2016 (12 weeks)
(millions of Canadian dollars)	**Retail**	**Financial Services[(4)]**	**Choice Properties[(4)]**	**Consolidation & Eliminations**	**Consolidated**	Retail	Financial Services[(4)]	Choice Properties[(4)]	Consolidation & Eliminations	Consolidated
Net earnings attributable to shareholders of the Company					**$ 233**					$ 196
Add (deduct) impact of the following:										
Non-Controlling Interests					**(1)**					(9)
Net interest expense and other financing charges					**161**					157
Income taxes					**99**					92
Operating income	**$ 446**	**$ 39**	**$ 237**	**$ (230)**	**$ 492**	$ 393	$ 41	$ 136	$ (134)	$ 436
Add impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	**121**	**—**	**—**	**—**	**121**	124	—	—	—	124
Pension annuities and buy-outs	**7**	**—**	**—**	**—**	**7**	2	—	—	—	2
Fair value adjustment on fuel and foreign currency contracts	**6**	**—**	**—**	**—**	**6**	10	—	—	—	10
Prior year land transfer tax assessment	**—**	**—**	**—**	**—**	**—**	10	—	—	—	10
Asset impairments, net of recoveries	**—**	**—**	**—**	**—**	**—**	2	—	—	—	2
Restructuring and other related costs	**—**	**—**	**—**	**—**	**—**	1	—	—	—	1
Adjusting Items	**$ 134**	**$ —**	**$ —**	**$ —**	**$ 134**	$ 149	$ —	$ —	$ —	$ 149
Adjusted operating income	**$ 580**	**$ 39**	**$ 237**	**$ (230)**	**$ 626**	$ 542	$ 41	$ 136	$ (134)	$ 585
Depreciation and amortization	**352**	**3**	**—**	**5**	**360**	362	3	—	3	368
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(121)**	**—**	**—**	**—**	**(121)**	(124)	—	—	—	(124)
Adjusted EBITDA	**$ 811**	**$ 42**	**$ 237**	**$ (225)**	**$ 865**	$ 780	$ 44	$ 136	$ (131)	$ 829

In addition to the item described in the Retail segment adjusted gross profit(2) section above, adjusted EBITDA(2) was impacted by the following:

Amortization of intangible assets acquired with Shoppers Drug Mart The acquisition of Shoppers Drug Mart in 2014 included approximately $6,050 million of definite life intangible assets, which are being amortized over their estimated useful lives. Annual amortization associated with the acquired intangibles will be approximately $525 million until 2024, and will decrease thereafter.

Pension annuities and buy-outs The Company is undertaking annuity purchases and pension buy-outs in respect of former employees designed to reduce its defined benefit pension plan obligation and decrease future pension volatility and risks.

Fair value adjustment on fuel and foreign currency contracts The Company is exposed to commodity price and U.S. dollar exchange rate fluctuations. In accordance with the Company's commodity risk management policy, the Company enters into exchange traded futures contracts and forward contracts to minimize cost volatility relating to fuel prices and the U.S. dollar exchange rate. These derivatives are not acquired for trading or speculative purposes. Pursuant to the Company's derivative instruments accounting policy, changes in the fair value of these instruments, which include realized and unrealized gains and losses, are recorded in operating income. Despite the impact of accounting for these commodity and foreign currency derivatives on the Company's reported results, the derivatives have the economic impact of largely mitigating the associated risks arising from price and exchange rate fluctuations in the underlying commodities and U.S. dollar commitments.

Prior year land transfer tax assessment During the first quarter of 2016, the province of Ontario enacted retroactive amendments to the Land Transfer Tax Act. The amendments were applicable to land transfer activities between related parties that occurred on or after July 19, 1989. The amendments impacted certain land transfers between the Company and Choice Properties at the time of the initial public offering, resulting in a charge of $10 million in the first quarter of 2016 to SG&A in the Retail segment.

Asset 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.

Adjusted Net Interest Expense and Other Financing Charges The following table reconciles adjusted net interest expense and other financing charges to net interest expense and other financing charges in the unaudited interim period condensed consolidated statements of earnings for the periods ended March 25, 2017 and March 26, 2016. The Company believes that adjusted net interest expense and other financing charges is useful in assessing the Company's underlying financial performance and in making decisions regarding the financial operations of the business.

(millions of Canadian dollars)	**2017 (12 weeks)**	2016 (12 weeks)
Net interest expense and other financing charges	**$ 161**	$ 157
Add (deduct) impact of the following:		
Fair value adjustment to the Trust Unit Liability	**(36)**	(32)
Adjusted net interest expense and other financing charges	**$ 125**	$ 125

Fair value adjustment to the Trust Unit Liability The Company is exposed to market price fluctuations as a result of the Units held by unitholders other than the Company. These Units are presented as a liability on the Company's unaudited interim period condensed consolidated balance sheet as they are redeemable for cash at the option of the holder, subject to certain restrictions. This liability is recorded at fair value at each reporting date based on the market price of Units at the end of each period. An increase (decrease) in market price of Units results in a charge (reduction) to net interest expense and other financing charges.

Adjusted Income Taxes and Adjusted Income Tax Rate The Company believes adjusted income taxes is useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)		**2017 (12 weeks)**		2016 (12 weeks)
Adjusted operating income(i)	**$**	**626**	$	585
Adjusted net interest expense and other financing charges(i)		**125**		125
Adjusted earnings before taxes	**$**	**501**	$	460
Income taxes	**$**	**99**	$	92
Add (deduct) impact of the following:				
Tax impact of items included in adjusted earnings before taxes(ii)		**36**		39
Statutory corporate income tax rate change		**—**		(3)
Adjusted income taxes	**$**	**135**	$	128
Effective tax rate		**29.9%**		33.0%
Adjusted income tax rate		**26.9%**		27.8%

(i) See reconciliations of adjusted operating income and adjusted net interest expense and other financing charges in the tables above.

(ii) See the adjusted operating income, adjusted EBITDA and adjusted EBITDA margin table and the adjusted net interest expense and other financing charges table above for a complete list of items included in adjusted earnings before taxes.

Adjusted income tax rate is calculated as adjusted income taxes divided by the sum of adjusted operating income less adjusted net interest expense and other financing charges.

Statutory corporate income tax rate change The Company's deferred income tax assets and liabilities are impacted by changes to provincial and federal statutory corporate income tax rates resulting in a charge or benefit to earnings. The Company implements changes in the statutory corporate income tax rate in the same period the change is substantively enacted by the legislative body.

In the first quarter of 2016, the Government of New Brunswick announced a 2% increase in the provincial statutory corporate income tax rate from 12% to 14%. The Company recorded a charge of $3 million in the first quarter of 2016 related to the re-measurement of deferred tax liabilities.

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net Earnings Per Common Share The Company believes adjusted net earnings available to common shareholders and adjusted diluted 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 net earnings attributable to shareholders of the Company to net earnings available to common shareholders of the Company and then to adjusted net earnings available to common shareholders of the Company for the periods ended March 25, 2017 and March 26, 2016:

(millions of Canadian dollars except where otherwise indicated)		**2017 (12 weeks)**		2016 (12 weeks)
Net earnings attributable to shareholders of the Company	**$**	**233**	$	196
Prescribed dividends on preferred shares in share capital		**(3)**		(3)
Net earnings available to common shareholders of the Company	**$**	**230**	$	193
Net earnings attributable to shareholders of the Company	**$**	**233**	$	196
Adjusting items (refer to the following table)		**134**		145
Adjusted net earnings attributable to shareholders of the Company	**$**	**367**	$	341
Prescribed dividends on preferred shares in share capital		**(3)**		(3)
Adjusted net earnings available to common shareholders of the Company	**$**	**364**	$	338
Diluted weighted average common shares outstanding (millions)		**403.2**		412.6

The following table reconciles adjusted net earnings available to common shareholders of the Company and adjusted diluted net earnings per common share to GAAP net earnings available to common shareholders of the Company and diluted net earnings per common share as reported for the periods ended March 25, 2017 and March 26, 2016:

(millions of Canadian dollars/Canadian dollars)	**2017 (12 weeks)** Net Earnings Available to Common Shareholders of the Company	**2017 (12 weeks)** Diluted Net Earnings Per Common Share	2016 (12 weeks) Net Earnings Available to Common Shareholders of the Company	2016 (12 weeks) Diluted Net Earnings Per Common Share
As reported	**$ 230**	**$ 0.57**	$ 193	$ 0.47
Add impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**89**	**0.22**	91	0.22
Fair value adjustment to the Trust Unit Liability[(i)]	**36**	**0.09**	32	0.08
Pension annuities and buy-outs	**5**	**0.01**	2	—
Fair value adjustment on fuel and foreign currency contracts	**4**	**0.01**	7	0.02
Prior year land transfer tax assessment	**—**	**—**	7	0.02
Statutory corporate income tax rate change	**—**	**—**	3	0.01
Asset impairments, net of recoveries	**—**	**—**	2	—
Restructuring and other related costs	**—**	**—**	1	—
Adjusting items	**$ 134**	**$ 0.33**	$ 145	$ 0.35
Adjusted	**$ 364**	**$ 0.90**	$ 338	$ 0.82

(i) Gains or losses related to the fair value adjustment to the Trust Unit Liability are not subject to tax.

Free Cash Flow The following table reconciles free cash flow used in assessing the Company's financial condition to GAAP measures for the periods ended March 25, 2017 and March 26, 2016. The Company believes that free cash flow is the appropriate measure in assessing the Company's cash available for additional financing and investing activities.

(millions of Canadian dollars)	**2017 (12 weeks)**	2016 (12 weeks)
Cash flows from operating activities	**$ 379**	$ 813
Less:		
Capital investments	**154**	157
Interest paid	**148**	144
Free cash flow	**$ 77**	$ 512

Retail Debt to Rolling Year Retail Adjusted EBITDA, Rolling Year Adjusted Return on Equity and Rolling Year Adjusted Return on Capital The Company uses the following metrics to measure its liquidity and profitability. The definitions of these ratios are presented below.

- ***Retail Debt to Rolling Year Retail Adjusted EBITDA*** Retail segment total debt divided by Retail segment adjusted EBITDA for the last four quarters.
- ***Rolling Year Adjusted Return on Equity*** Adjusted net earnings available to common shareholders of the Company for the last four quarters divided by average total equity attributable to common shareholders of the Company.
- ***Rolling Year Adjusted Return on Capital*** Tax-effected adjusted operating income for the last four quarters divided by average capital where capital is defined as total debt, plus equity attributable to shareholders of the Company, less cash and cash equivalents, and short term investments.

Choice Properties' Funds from Operations In the first quarter of 2017, Choice Properties discontinued the use of Adjusted Funds from Operations. Choice Properties continues the use of Funds from Operations as its non-GAAP earnings metric. Choice calculates Funds from Operations in accordance with the Real Property Association of Canada's White Paper on Funds from Operations and Adjusted Funds from Operations for IFRS issued in February 2017.

Choice Properties considers Funds from Operations to be a useful measure of operating performance as it adjusts for items included in net income (or net loss) that do not arise from operating activities or do not necessarily provide an accurate depiction of the Trust's performance. The following table reconciles Choice Properties' Funds from Operations to GAAP Net income (loss) for the periods ended March 25, 2017 and March 26, 2016:

(millions of Canadian dollars)	**2017 (12 weeks)**	2016 (12 weeks)
Net income (loss)	**$ 24**	$ (132)
Add (deduct) impact of the following:		
Fair value adjustments on Class B Limited Partnership units	**118**	181
Fair value adjustments on investment properties	**(93)**	14
Fair value adjustments on unit-based compensation	**1**	1
Fair value adjustments of investment property held in equity accounted joint venture	**1**	(14)
Distributions on Class B Limited Partnership units	**57**	53
Internal expenses for leasing	**1**	—
Funds from Operations	**$ 109**	$ 103

13. 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 OSFI as the primary regulator for the Company's subsidiary, PC Bank.

May 2, 2017
Toronto, Canada

MD&A Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 127 of the Company's 2016 Annual Report.

(2) See Section 12 "Non-GAAP Financial Measures", which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

(3) To be read in conjunction with Section 1 "Forward-Looking Statements".

(4) For segment presentation purposes, the results are for the period ended March 31, consistent with Financial Services' and Choice Properties' fiscal calendars. Adjustments to the Company's fiscal calendar are included in Consolidation and Eliminations. See Section 12 "Non-GAAP Financial Measures" and Note 20 "Segment Information" in the Company's 2017 unaudited interim period condensed consolidated financial statements.

(5) Certain figures have been restated as a result of the IFRS Interpretations Committee's agenda decision on IAS 12, "Income Taxes". See Note 2 "Significant Accounting Policies" in the Company's 2017 unaudited interim period condensed consolidated financial statements and 2016 audited annual consolidated financial statements.

Financial Results

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**March 25, 2017 (12 weeks)**	March 26, 2016 (12 weeks)
Revenue	**$ 10,401**	$ 10,381
Cost of Merchandise Inventories Sold	**7,340**	7,394
Selling, General and Administrative Expenses	**2,569**	2,551
Operating Income	**$ 492**	$ 436
Net interest expense and other financing charges (note 4)	**161**	157
Earnings Before Income Taxes	**$ 331**	$ 279
Income taxes (note 5)	**99**	92
Net Earnings	**$ 232**	$ 187
Attributable to:		
Shareholders of the Company	**$ 233**	$ 196
Non-Controlling Interests	**(1)**	(9)
Net Earnings	**$ 232**	$ 187
Net Earnings per Common Share ($) (note 6)		
Basic	**$ 0.58**	$ 0.47
Diluted	**$ 0.57**	$ 0.47
Weighted Average Common Shares Outstanding (millions) (note 6)		
Basic	**399.5**	409.0
Diluted	**403.2**	412.6

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

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	**March 25, 2017 (12 weeks)**	March 26, 2016 (12 weeks)
Net Earnings	**$ 232**	$ 187
Other comprehensive income (loss), net of taxes		
Items that are or may be subsequently reclassified to profit or loss:		
Foreign currency translation adjustment gain	**$ —**	$ 4
Unrealized loss on cash flow hedges (note 18)	**—**	(2)
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial losses (note 17)	**(23)**	(82)
Other comprehensive loss	**$ (23)**	$ (80)
Total Comprehensive Income	**$ 209**	$ 107
Attributable to:		
Shareholders of the Company	**$ 210**	$ 116
Non-Controlling Interests	**(1)**	(9)
Total Comprehensive Income	**$ 209**	$ 107

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

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	**Total Share Capital**	**Retained Earnings**	**Contributed Surplus**	Foreign Currency Translation Adjustment	Cash Flow Hedges	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total Equity**
Balance at December 31, 2016	$ 7,692	$ 221	**$ 7,913**	**$ 4,944**	**$ 112**	$ 33	$ —	**$ 33**	**$ 26**	**$ 13,028**
Net earnings	$ —	$ —	**$ —**	**$ 233**	**$ —**	$ —	$ —	**$ —**	**$ (1)**	**$ 232**
Other comprehensive loss	—	—	**—**	**(23)**	**—**	—	—	**—**	**—**	**(23)**
Total Comprehensive Income (Loss)	$ —	$ —	**$ —**	**$ 210**	**$ —**	$ —	$ —	**$ —**	**$ (1)**	**$ 209**
Common shares purchased and cancelled (note 15)	(52)	—	**(52)**	**(140)**	**—**	—	—	**—**	**—**	**(192)**
Net effect of equity-based compensation (notes 15 and 16)	10	—	**10**	**—**	**12**	—	—	**—**	**—**	**22**
Shares purchased and held in trust (note 15)	(13)	—	**(13)**	**(35)**	**—**	—	—	**—**	**—**	**(48)**
Shares released from trust (notes 15 and 16)	—	—	**—**	**—**	**—**	—	—	**—**	**—**	**—**
Dividends declared per common share – $0.26 (note 15)	—	—	**—**	**(104)**	**—**	—	—	**—**	**—**	**(104)**
Dividends declared per preferred share – $0.33125 (note 15)	—	—	**—**	**(3)**	**—**	—	—	**—**	**—**	**(3)**
Net contribution from non-controlling interests	—	—	**—**	**—**	**—**	—	—	**—**	**(4)**	**(4)**
	$ (55)	$ —	**$ (55)**	**$ (72)**	**$ 12**	$ —	$ —	**$ —**	**$ (5)**	**$ (120)**
Balance at March 25, 2017	$ 7,637	$ 221	**$ 7,858**	**$ 4,872**	**$ 124**	$ 33	$ —	**$ 33**	**$ 21**	**$ 12,908**

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	**Total Share Capital**	**Retained Earnings**(i)	**Contributed Surplus**	Foreign Currency Translation Adjustment	Cash Flow Hedges	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total Equity**(i)
Balance at January 2, 2016	$ 7,851	$ 221	**$ 8,072**	**$ 4,914**	**$ 102**	$ 22	$ 1	**$ 23**	**$ 13**	**$ 13,124**
Net earnings	$ —	$ —	**$ —**	**$ 196**	**$ —**	$ —	$ —	**$ —**	**$ (9)**	**$ 187**
Other comprehensive income (loss)	—	—	**—**	**(82)**	**—**	4	(2)	**2**	**—**	**(80)**
Total Comprehensive Income (Loss)	$ —	$ —	**$ —**	**$ 114**	**$ —**	$ 4	$ (2)	**$ 2**	**$ (9)**	**$ 107**
Common shares purchased and cancelled (note 15)	(65)	—	**(65)**	**(166)**	**—**	—	—	**—**	**—**	**(231)**
Net effect of equity-based compensation (notes 15 and 16)	32	—	**32**	**(17)**	**(24)**	—	—	**—**	**—**	**(9)**
Shares purchased and held in trust (note 15)	(24)	—	**(24)**	**(66)**	**—**	—	—	**—**	**—**	**(90)**
Shares released from trust (notes 15 and 16)	12	—	**12**	**33**	**—**	—	—	**—**	**—**	**45**
Dividends declared per common share – $0.25 (note 15)	—	—	**—**	**(102)**	**—**	—	—	**—**	**—**	**(102)**
Dividends declared per preferred share – $0.33125 (note 15)	—	—	**—**	**(3)**	**—**	—	—	**—**	**—**	**(3)**
Net contribution from non-controlling interests	—	—	**—**	**—**	**—**	—	—	**—**	**2**	**2**
	$ (45)	$ —	**$ (45)**	**$ (207)**	**$ (24)**	$ 4	$ (2)	**$ 2**	**$ (7)**	**$ (281)**
Balance at March 26, 2016	$ 7,806	$ 221	**$ 8,027**	**$ 4,707**	**$ 78**	$ 26	$ (1)	**$ 25**	**$ 6**	**$ 12,843**

(i) Certain comparative figures have been restated (note 2).

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

Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	As at March 25, 2017	As at March 26, 2016(i)	As at December 31, 2016
Assets			
Current Assets			
Cash and cash equivalents (note 7)	**$ 1,038**	$ 1,243	$ 1,314
Short term investments (note 7)	**354**	70	241
Accounts receivable	**1,042**	1,164	1,122
Credit card receivables (note 8)	**2,689**	2,594	2,926
Inventories (note 9)	**4,179**	4,208	4,371
Prepaid expenses and other assets	**236**	240	190
Assets held for sale (note 10)	**123**	52	40
Total Current Assets	**$ 9,661**	$ 9,571	$ 10,204
Fixed Assets	**10,418**	10,336	10,559
Investment Properties	**233**	225	218
Intangible Assets	**8,619**	9,059	8,745
Goodwill	**3,895**	3,784	3,895
Deferred Income Tax Assets	**131**	131	130
Franchise Loans Receivable (note 18)	**194**	314	233
Other Assets (note 11)	**434**	365	452
Total Assets	**$ 33,585**	$ 33,785	$ 34,436
Liabilities			
Current Liabilities			
Bank indebtedness	**$ 254**	$ 291	$ 115
Trade payables and other liabilities	**4,505**	4,793	5,091
Provisions	**97**	110	99
Income taxes payable	**131**	91	329
Short term debt (note 12)	**465**	350	665
Long term debt due within one year (note 13)	**203**	684	400
Associate interest	**232**	213	243
Liabilities held for sale (note 10)	**49**	—	—
Total Current Liabilities	**$ 5,936**	$ 6,532	$ 6,942
Provisions	**119**	124	120
Long Term Debt (note 13)	**10,738**	10,395	10,470
Trust Unit Liability (note 18)	**1,001**	858	959
Deferred Income Tax Liabilities	**2,142**	2,242	2,190
Other Liabilities (note 14)	**741**	791	727
Total Liabilities	**$ 20,677**	$ 20,942	$ 21,408
Equity			
Share Capital	**$ 7,858**	$ 8,027	$ 7,913
Retained Earnings	**4,872**	4,707	4,944
Contributed Surplus (note 16)	**124**	78	112
Accumulated Other Comprehensive Income	**33**	25	33
Total Equity Attributable to Shareholders of the Company	**$ 12,887**	$ 12,837	$ 13,002
Non-Controlling Interests	**21**	6	26
Total Equity	**$ 12,908**	$ 12,843	$ 13,028
Total Liabilities and Equity	**$ 33,585**	$ 33,785	$ 34,436

(i) Certain comparative figures have been restated (note 2).

Contingent Liabilities (note 19).

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

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	**March 25, 2017 (12 weeks)**	March 26, 2016 (12 weeks)
Operating Activities		
Net earnings	**$ 232**	$ 187
Add (Deduct):		
Income taxes (note 5)	**99**	92
Net interest expense and other financing charges (note 4)	**161**	157
Depreciation and amortization	**360**	368
Asset impairments, net of recoveries	**5**	2
Loss on disposal of assets	**—**	3
	$ 857	$ 809
Change in non-cash working capital	**(396)**	(137)
Change in credit card receivables (note 8)	**237**	196
Income taxes paid	**(337)**	(102)
Interest received	**3**	2
Other	**15**	45
Cash Flows from Operating Activities	**$ 379**	$ 813
Investing Activities		
Fixed asset purchases	**$ (102)**	$ (92)
Intangible asset additions	**(52)**	(65)
Cash assumed on initial consolidation of franchises (note 3)	**10**	15
Change in short term investments (note 7)	**(113)**	(6)
Proceeds from disposal of assets	**—**	16
Other	**6**	(2)
Cash Flows used in Investing Activities	**$ (251)**	$ (134)
Financing Activities		
Change in bank indebtedness	**$ 139**	$ 148
Change in short term debt (note 12)	**(200)**	(200)
Long Term Debt (note 13)		
Issued	**285**	390
Retired	**(228)**	(342)
Interest paid	**(148)**	(144)
Dividends paid on preferred shares	**(3)**	—
Common Share Capital		
Issued (note 16)	**9**	27
Purchased and held in trust (note 15)	**(48)**	(90)
Purchased and cancelled (note 15)	**(192)**	(231)
Other	**(18)**	(7)
Cash Flows used in Financing Activities	**$ (404)**	$ (449)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ —**	$ (5)
Change in cash and cash equivalents	**$ (276)**	$ 225
Cash and cash equivalents, beginning of period	**1,314**	1,018
Cash and Cash Equivalents, End of Period	**$ 1,038**	$ 1,243

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

Note 1. Nature and Description of the Reporting Entity

Loblaw Companies Limited is a Canadian public company incorporated in 1956 and is Canada's food and pharmacy leader, the nation's largest retailer and the majority unitholder of Choice Properties Real Estate Investment Trust ("Choice Properties"). Loblaw Companies Limited provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, credit card services, insurance brokerage services, personal banking services, gift cards and telecommunication 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 controlling shareholder is George Weston Limited ("Weston") which owns approximately 47% of the Company's outstanding common shares. The Company's ultimate parent is Wittington Investments, Limited. The remaining common shares are widely held.

The Company has three reportable operating segments: Retail, Financial Services and Choice Properties (see note 20). As at March 25, 2017, Loblaw held an effective interest in Choice Properties of 83%.

The Company's business is affected by seasonality and timing of holidays, relative to the Company's interim periods. Accordingly, quarterly performance is not necessarily indicative of annual performance. Historically, the Company has earned more revenue in the fourth quarter relative to the preceding quarters in the Company's fiscal year.

Note 2. Significant Accounting Policies

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company's 2016 audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements. These unaudited interim period condensed consolidated financial statements are presented in Canadian dollars.

Statement of Compliance

These unaudited interim period condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and International Accounting Standard 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board. These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2016 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 May 2, 2017.

Accounting Standards Implemented in 2017

Statement of Cash Flows The Company implemented the amendments to IAS 7, "Statement of Cash Flows", in the first quarter of 2017 and has provided disclosures on changes in liabilities arising from certain financing activities, including both changes arising from cash and non-cash flows changes (see note 13). Comparative information has not been presented.

Changes in Accounting Standards

Income Taxes In November 2016, the IFRS Interpretations Committee issued its agenda decision related to the expected manner of recovery of indefinite life intangible assets when measuring deferred income taxes in accordance with IAS 12, "Income Taxes", and clarified its interpretation that an indefinite life intangible asset does not have an unlimited life and its economic benefit flows to an entity in future periods through use and not just through future sale. Accordingly, it is appropriate to measure the associated deferred income tax liability at the income tax rate applicable to ordinary taxable income expected to apply in the years in which the temporary differences are expected to be recovered or settled. The Company's accounting policy reflected an accepted view that an indefinite life intangible will be recovered through its disposition and was using a capital gains tax rate to measure deferred income taxes associated with its indefinite life intangible assets. The Company implemented this guidance in the fourth quarter of 2016 on a retrospective basis as an accounting policy change in accordance with IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors". The impact of this change was as follows:

Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at March 26, 2016
Goodwill	$ 418
Deferred Income Tax Liabilities	458
Retained Earnings	(40)

There was no impact to net earnings in 2016 as a result of this change.

Note 3. Business Acquisitions

Consolidation of Franchises The Company accounts for the consolidation of existing franchises as business acquisitions and consolidates its franchises as of the date the franchisee enters into a new, simplified franchise agreement with the Company. The assets acquired and liabilities assumed through the consolidation are valued at the acquisition date using fair values, which approximate the franchise carrying values at the date of acquisition. The results of operations of the acquired franchises are included in the Company's results of operations from the date of acquisition.

The following table summarizes the amounts recognized for the assets acquired, the liabilities assumed and the non-controlling interests recognized at the acquisition dates during the periods:

(millions of Canadian dollars)	**March 25, 2017 (12 weeks)**	March 26, 2016 (12 weeks)
Net Assets Acquired:		
Cash and cash equivalents	**$ 10**	$ 15
Inventories	**20**	21
Fixed assets	**22**	11
Trade payables and other liabilities(i)	**(14)**	(22)
Other liabilities(i)	**(35)**	(16)
Non-controlling interests	**(3)**	(9)
Total Net Assets Acquired	**$ —**	$ —

(i) On consolidation, Trade payables and other liabilities and Other Liabilities eliminate against existing Accounts receivable, Franchise Loans Receivable and franchise investments held by the Company.

Note 4. Net Interest Expense and Other Financing Charges

The components of net interest and other financing charges were as follows:

(millions of Canadian dollars)	**March 25, 2017 (12 weeks)**	March 26, 2016 (12 weeks)
Interest expense and other financing charges:		
Long term debt	**$ 104**	$ 107
Borrowings related to credit card receivables	**8**	7
Trust Unit distributions	**13**	12
Post-employment and other long term employee benefits (note 17)	**2**	4
Independent funding trusts	**4**	3
Bank indebtedness	**1**	1
Capitalized interest	**(2)**	(1)
	$ 130	$ 133
Interest income:		
Accretion income	**(3)**	(3)
Short term interest income	**(2)**	(2)
Derivative financial instruments(i)	**—**	(3)
	$ (5)	$ (8)
Fair value adjustment to the Trust Unit Liability (note 18)	**$ 36**	$ 32
Net interest expense and other financing charges	**$ 161**	$ 157

(i) Represents a realized fair value gain of $3 million related to Choice Properties bond forward agreements settled in the first quarter of 2016 (see note 18).

Note 5. Income Taxes

Income tax expense for the first quarter of 2017 was $99 million (2016 – $92 million) and the effective income tax rate was 29.9% (2016 – 33.0%). The decrease in the effective tax rate compared to the first quarter of 2016 was primarily attributable to a decrease in certain non-deductible items and a decrease in deferred tax expense resulting from the impact of a prior year charge related to the re-measurement of deferred tax liabilities related to the increase in the New Brunswick statutory corporate income tax rate from 12% to 14% enacted in the first quarter of 2016.

Note 6. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**March 25, 2017 (12 weeks)**	March 26, 2016 (12 weeks)
Net earnings attributable to shareholders of the Company	**$ 233**	$ 196
Dividends on Preferred Shares in Equity (note 15)	**(3)**	(3)
Net earnings available to common shareholders	**$ 230**	$ 193
Weighted average common shares outstanding (in millions) (note 15)	**399.5**	409.0
Dilutive effect of equity-based compensation (in millions)	**3.3**	3.2
Dilutive effect of certain other liabilities (in millions)	**0.4**	0.4
Diluted weighted average common shares outstanding (in millions)	**403.2**	412.6
Basic net earnings per common share ($)	**$ 0.58**	$ 0.47
Diluted net earnings per common share ($)	**$ 0.57**	$ 0.47

In the first quarter of 2017, 2,709,254 (2016 – 2,668,529) 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 and Short Term Investments

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

Cash and Cash Equivalents

(millions of Canadian dollars)	As at March 25, 2017	As at March 26, 2016	As at December 31, 2016
Cash	**$ 378**	$ 585	$ 553
Cash equivalents:			
Government treasury bills	**156**	222	199
Bankers' acceptances	**362**	214	386
Corporate commercial paper	**142**	222	176
Total cash and cash equivalents	**$ 1,038**	$ 1,243	$ 1,314

Short Term Investments

(millions of Canadian dollars)	As at March 25, 2017	As at March 26, 2016	As at December 31, 2016
Government treasury bills	**$ 91**	$ 61	$ 24
Bankers' acceptances	**184**	6	175
Corporate commercial paper	**77**	1	40
Other	**2**	2	2
Total short term investments	**$ 354**	$ 70	$ 241

Note 8. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	As at March 25, 2017	As at March 26, 2016	As at December 31, 2016
Gross credit card receivables	**$ 2,738**	$ 2,647	$ 2,978
Allowance for credit card receivables	**(49)**	(53)	(52)
Credit card receivables	**$ 2,689**	$ 2,594	$ 2,926
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust®*	**$ 650**	$ 650	$ 650
Securitized to Other Independent Securitization Trusts	**465**	350	665
Total securitized to independent securitization trusts	**$ 1,115**	$ 1,000	$ 1,315

The Company, through President's Choice Bank ("PC Bank"), participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors the co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle Credit Card Trust® ("Eagle")* and Other Independent Securitization Trusts, in accordance with its financing requirements.

The associated liability of *Eagle* is recorded in long term debt (see note 13). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt (see note 12).

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at March 25, 2017 and throughout the quarter.

Note 9. Inventories

For inventories recorded as at March 25, 2017, the Company recorded an inventory provision of $23 million (March 26, 2016 – $32 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of merchandise inventories sold. There were no reversals of previously recorded write-downs of inventories during the first quarters of 2017 and 2016.

Note 10. Assets Held for Sale

The Company classifies certain assets, primarily land and buildings, that it intends to dispose of in the next 12 months, as assets held for sale.

Subsequent to the end of the first quarter, the Company entered into an agreement to sell its gas bar operations for approximately $540 million. Closing of the transaction is subject to Competition Bureau approval and other customary closing conditions and is expected to occur in the third quarter of 2017. The Company has included $78 million of fixed assets and $11 million of inventory, related to the gas bar operations, as assets held for sale. In addition, the Company has classified $49 million of related accounts payable and accrued liabilities that will be assumed by the purchaser as liabilities held for sale. No impairment or other charges were recognized on the net assets of the gas bar operations.

Note 11. Other Assets

The components of other assets were as follows:

(millions of Canadian dollars)	**As at March 25, 2017**	As at March 26, 2016	As at December 31, 2016
Sundry investments and other receivables	**$ 78**	$ 112	$ 79
Accrued benefit plan asset	**170**	103	192
Interests in joint ventures	**6**	9	5
Other	**180**	141	176
Other assets	**$ 434**	$ 365	$ 452

Note 12. Short Term Debt

The outstanding short term debt balance of $465 million (March 26, 2016 – $350 million; December 31, 2016 – $665 million) relates to credit card receivables securitized to the Other Independent Securitization Trusts with recourse (see note 8).

As at March 25, 2017, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was $53 million (March 26, 2016 – $38 million; December 31, 2016 – $71 million), which represented 11% (March 26, 2016 and December 31, 2016 – 11%, respectively) of the securitized credit card receivables amount.

Note 13. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	**As at March 25, 2017**	As at March 26, 2016	As at December 31, 2016
Debentures and Medium Term Notes	**$ 7,371**	$ 8,083	$ 7,573
Unsecured Term Loan Facilities	**298**	298	298
Long Term Debt Secured by Mortgage	**77**	82	78
Guaranteed Investment Certificates	**923**	798	928
Independent Securitization Trust (note 8)	**650**	650	650
Independent Funding Trusts	**560**	547	587
Finance Lease Obligations	**601**	630	607
Committed Credit Facilities	**483**	16	172
Transaction costs and other	**(22)**	(25)	(23)
Total Long Term Debt	**$ 10,941**	$ 11,079	$ 10,870
Long Term Debt due within one year	**203**	684	400
Long Term Debt	**$ 10,738**	$ 10,395	$ 10,470

The Company and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at March 25, 2017 and throughout the first quarter, the Company and Choice Properties were in compliance with their respective covenants.

Debentures and Medium Term Notes The following table summarizes the debentures and Medium Term Notes ("MTNs") issued in the first quarters of 2017 and 2016:

			March 25, 2017 (12 weeks)	March 26, 2016 (12 weeks)
(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	**Principal Amount**	Principal Amount
Choice Properties senior unsecured debentures				
– Series G	3.20%	March 7, 2023	**$ —**	$ 250
– Series H	5.27%	March 7, 2046	**—**	100
Total Debentures and Medium Term Notes issued			**$ —**	$ 350

The following table summarizes the debentures and MTNs repaid in the first quarters of 2017 and 2016:

			March 25, 2017 (12 weeks)	March 26, 2016 (12 weeks)
(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	**Principal Amount**	Principal Amount
Choice Properties senior unsecured debentures – Series 6	3.00%	April 20, 2017[(i)]	**$ 200**	$ —
Choice Properties senior unsecured debentures – Series 5	3.00%	April 20, 2016[(ii)]	**—**	300
Total Debentures and Medium Term Notes repaid			**$ 200**	$ 300

(i) Choice Properties Series 6 unsecured debentures were redeemed on January 23, 2017.

(ii) Choice Properties Series 5 unsecured debentures were redeemed on March 7, 2016.

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions, during the first quarters of 2017 and 2016:

(millions of Canadian dollars)	**March 25, 2017 (12 weeks)**	March 26, 2016 (12 weeks)
Balance, beginning of period	**$ 928**	$ 809
GICs issued	**1**	6
GICs matured	**(6)**	(17)
Balance, end of period	**$ 923**	$ 798

Independent Securitization Trust The notes issued by *Eagle* are MTNs, which are collateralized by PC Bank's credit card receivables (see note 8). As at March 25, 2017, the aggregate gross potential liability under letters of credit for the benefit of *Eagle* was $36 million (March 26, 2016 and December 31, 2016 – $36 million, respectively), which represented 9% (March 26, 2016 and December 31, 2016 – 9%, respectively) of the outstanding *Eagle* notes issued prior to 2015.

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 in the amount of $64 million (March 26, 2016 – $58 million; December 31, 2016 – $64 million), representing not less than 10% (March 26, 2016 and December 31, 2016 – 10%, respectively) of the principal amount of loans outstanding.

Committed Credit Facilities The components of the committed lines of credit as of March 25, 2017, March 26, 2016 and December 31, 2016 were as follows:

		As at March 25, 2017		As at March 26, 2016		As at December 31, 2016	
(millions of Canadian dollars)	Maturity Date	**Available Credit**	**Drawn**	Available Credit	Drawn	Available Credit	Drawn
Loblaw's Committed Credit Facility	June 10, 2021	**$ 1,000**	**$ —**	$ 1,000	$ —	$ 1,000	$ —
Choice Properties Committed Syndicated Credit Facility	July 5, 2021	**500**	**233**	500	16	500	172
Choice Properties' Committed Bi-lateral Credit Facility	December 21, 2018	**250**	**250**	—	$ —	250	$ —
Total Committed Lines of Credit		**$ 1,750**	**$ 483**	$ 1,500	$ 16	$ 1,750	$ 172

Long Term Debt Due Within One Year The following table summarizes long term debt due within one year:

(millions of Canadian dollars)	**As at March 25, 2017**	As at March 26, 2016	As at December 31, 2016
Debentures and MTNs	**$ —**	$ 525	$ —
Choice Properties Notes	**—**	—	200
Long Term Debt Secured by Mortgage	**4**	4	5
GICs	**147**	100	142
Finance Lease Obligations	**52**	55	53
Long term debt due within one year	**$ 203**	$ 684	$ 400

Reconciliation of Long term debt

The following table reconciles the changes in cash flows from financing activities for long term debt for the first quarter of 2017.

(millions of Canadian dollars)		March 25, 2017 (12 weeks)
Total Long Term Debt, beginning of period	$	10,870
Long Term Debt issuances(i)		285
Long Term Debt repayments(ii)		(228)
Total cash flow from Long Term Debt Financing Activities	$	57
Finance Lease additions		7
Other non-cash changes		7
Total non-cash Long Term Debt activity	$	14
Total Long Term Debt, end of period	$	10,941

(i) Includes net issuances from Choice Properties' credit facilities and the Independent Funding Trust, which are revolving debt instruments.

(ii) Includes $21 million of repayments on Finance Lease Obligations.

Note 14. Other Liabilities

The components of other liabilities were as follows:

(millions of Canadian dollars)		As at March 25, 2017		As at March 26, 2016		As at December 31, 2016
Net defined benefit plan obligation	$	346	$	351	$	327
Other long term employee benefit obligation		105		116		108
Deferred lease obligation		124		105		119
Fair value of acquired leases		74		87		77
Equity-based compensation liability (note 16)		4		7		4
Other		88		125		92
Other liabilities	$	741	$	791	$	727

Note 15. 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 periods was as follows:

	March 25, 2017 (12 weeks)			March 26, 2016 (12 weeks)		
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares**		**Common Share Capital**	Number of Common Shares		Common Share Capital
Issued and outstanding, beginning of period	**400,829,870**	**$**	**7,713**	409,985,226	$	7,861
Issued for settlement of stock options	**224,875**		**10**	731,214		32
Purchased and cancelled	**(2,703,493)**		**(52)**	(3,392,000)		(65)
Issued and outstanding, end of period	**398,351,252**	**$**	**7,671**	407,324,440	$	7,828
Shares held in trust, beginning of period	**(1,105,620)**	**$**	**(21)**	(643,452)	$	(10)
Purchased for future settlement of RSUs and PSUs	**(686,000)**		**(13)**	(1,250,000)		(24)
Released for settlement of RSUs and PSUs (note 16)	**6,489**		**—**	706,134		12
Shares held in trust, end of period	**(1,785,131)**	**$**	**(34)**	(1,187,318)	$	(22)
Issued and outstanding, net of shares held in trust, end of period	**396,566,121**	**$**	**7,637**	406,137,122	$	7,806
Weighted average outstanding, net of shares held in trust	**399,454,993**			409,012,769		

Normal Course Issuer Bid Activity under the Company's Normal Course Issuer Bid ("NCIB") during the periods was as follows:

(millions of Canadian dollars except where otherwise indicated)		**March 25, 2017 (12 weeks)**		March 26, 2016 (12 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)		**2,703,493**		3,392,000
Cash consideration paid	**$**	**192**	$	231
Premium charged to Retained Earnings		**140**		166
Reduction in Common Share Capital		**52**		65
Common shares repurchased under the NCIB and held in trust (number of shares)		**686,000**		1,250,000
Cash consideration paid	**$**	**48**	$	90
Premium charged to Retained Earnings		**35**		66
Reduction in Common Share Capital		**13**		24

Subsequent to the end of the first quarter of 2017, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 21,016,472 of the Company's common shares, representing approximately 10% of the public float. In accordance with the rules and by-laws of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares.

Dividends The following table summarizes the Company's cash dividends declared for the periods as indicated:

		March 25, 2017[(i)] (12 weeks)		March 26, 2016 (12 weeks)
Dividends declared per share ($):				
Common Share	**$**	**0.26**	$	0.25
Second Preferred Share, Series B	**$**	**0.33125**	$	0.33125

(i) The first quarter dividends for 2017 of $0.26 per share declared on common shares have a payment date of April 1, 2017. The first quarter dividends for 2017 of $0.33125 per share declared on Second Preferred Shares, Series B have a payment date of March 31, 2017.

(millions of Canadian dollars)		**March 25, 2017 (12 weeks)**		March 26, 2016 (12 weeks)
Dividends declared:				
Common Share	**$**	**104**	$	102
Second Preferred Share, Series B		**3**		3
Total dividends declared	**$**	**107**	$	105

Subsequent to the end of the first quarter of 2017, the Board declared a quarterly dividend of $0.27 per common share, an increase of 3.8%, payable on July 1, 2017 to shareholders of record on June 15, 2017 and a dividend on the Second Preferred Shares, Series B of $0.33125 per share payable on June 30, 2017 to shareholders of record on June 15, 2017.

Note 16. Equity-Based Compensation

The Company's equity-based compensation expense, which includes Loblaw Stock Option, Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), Director Deferred Share Unit, Executive Deferred Share Unit plans, and the unit-based compensation plans of Choice Properties, was $16 million for the first quarter of 2017 (2016 – $16 million). The expense was recognized in operating income.

The carrying amount of the Company's equity-based compensation arrangements are recorded on the consolidated balance sheets as follows:

(millions of Canadian dollars)	**As at March 25, 2017**	As at March 26, 2016	As at December 31, 2016
Trade payables and other liabilities	**$ 12**	$ 4	$ 10
Other liabilities	**4**	7	4
Contributed surplus	**124**	78	112

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

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

(Number of Options)	**March 25, 2017 (12 weeks)**	March 26, 2016 (12 weeks)
Outstanding options, beginning of period	**7,322,358**	7,411,405
Granted	**1,445,332**	1,270,919
Exercised	**(224,875)**	(731,214)
Forfeited/cancelled	**(6,961)**	(64,635)
Outstanding options, end of period	**8,535,854**	7,886,475

During the first quarter of 2017, the Company granted stock options with a weighted average exercise price of $70.13 (2016 – $68.94). In addition, the Company issued common shares on the exercise of stock options with a weighted average market share price during the first quarter of 2017 of $70.64 (2016 – $69.49) and received cash consideration of $9 million (2016 – $27 million).

The fair value of stock options granted during the first quarter of 2017 was $14 million (2016 – $13 million). The assumptions used to measure the fair value of options granted during 2017 and 2016 under the Black-Scholes valuation model at date of grant were as follows:

	March 25, 2017 (12 weeks)	March 26, 2016 (12 weeks)
Expected dividend yield	**1.5%**	1.4%
Expected share price volatility	**17.0% – 18.2%**	18.5% – 18.9%
Risk-free interest rate	**1.0% – 1.3%**	0.6% – 0.9%
Expected life of options	**3.8 – 6.3 years**	3.9 – 6.3 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at March 25, 2017 was 10.0% (March 26, 2016 – 10.0%).

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

(Number of Awards)	**March 25, 2017 (12 weeks)**	March 26, 2016 (12 weeks)
RSUs, beginning of period	**858,106**	887,792
Granted	**247,175**	234,476
Settled	**(3,834)**	(238,432)
Forfeited	**(5,458)**	(2,977)
RSUs, end of period	**1,095,989**	880,859

The fair value of RSUs granted during the first quarter of 2017 was $17 million (2016 – $16 million).

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

(Number of Awards)	**March 25, 2017 (12 weeks)**	March 26, 2016 (12 weeks)
PSUs, beginning of period	**965,863**	1,100,356
Granted	**206,504**	370,262
Settled	**(2,655)**	(468,202)
Forfeited	**(3,841)**	(755)
PSUs, end of period	**1,165,871**	1,001,661

The fair value of PSUs granted during the first quarter of 2017 was $14 million (2016 – $14 million).

Settlement of Awards from Shares Held in Trust The Company settled RSUs and PSUs totaling 6,489 during the first quarter of 2017 (2016 – 706,634), all of which (2016 – 706,134) were settled through the trusts established for settlement of each of the RSU and PSU plans (see note 15).

The settlements in the first quarter of 2017 resulted in a nominal net increase (2016 – $16 million) to retained earnings and a nominal increase (2016 – $12 million) to common share capital.

Note 17. Post-Employment and Other Long Term Employee Benefits

The costs and actuarial losses related to the Company's post-employment and other long term employee benefits during the periods were as follows:

(millions of Canadian dollars)	**March 25, 2017 (12 weeks)**	March 26, 2016 (12 weeks)
Post-employment benefit costs recognized in operating income	**$ 46**	$ 43
Other long term employee benefits costs recognized in operating income	**4**	5
Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 4)	**2**	4
Actuarial losses before income taxes recognized in other comprehensive income	**(32)**	(112)

The actuarial losses recognized in the first quarter of 2017 were primarily driven by decreases in discount rates, partially offset by higher than expected returns on assets. The actuarial losses recognized in the first quarter of 2016 were primarily driven by decreases in discount rates and lower than expected returns on assets.

In the first quarter of 2017, the Company completed an annuity purchase and paid $110 million from the impacted plans' assets to settle $103 million of pension obligations and recorded settlement charges of $7 million in selling, general and administrative expenses ("SG&A").

Note 18. Financial Instruments

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. The carrying values of the Company's financial instruments approximate their fair values except for long term debt.

				As at March 25, 2017				As at March 26, 2016				As at December 31, 2016
(millions of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:												
Cash and cash equivalents	**$ 534**	**$ 504**	**$ —**	**$ 1,038**	$ 807	$ 436	$ —	$ 1,243	$ 752	$ 562	$ —	$ 1,314
Short term investments	**91**	**263**	**—**	**354**	61	9	—	70	24	217	—	241
Franchise loans receivable	**—**	**—**	**194**	**194**	—	—	314	314	—	—	233	233
Certain other assets(i)	**23**	**3**	**33**	**59**	24	2	49	75	23	2	42	67
Derivatives included in prepaid expenses and other assets	**2**	**10**	**—**	**12**	—	11	4	15	7	11	—	18
Financial liabilities:												
Long term debt	**—**	**12,009**	**—**	**12,009**	—	12,178	—	12,178	—	11,864	—	11,864
Trust unit liability	**1,001**	**—**	**—**	**1,001**	858	—	—	858	959	—	—	959
Certain other liabilities(i)	**—**	**—**	**21**	**21**	—	—	19	19	—	—	22	22
Derivatives included in trade payables and other liabilities	**—**	**1**	**1**	**2**	5	—	—	5	—	—	2	2

(i) Certain other assets and certain other liabilities are included in the consolidated balance sheet in Other Assets and Other Liabilities, respectively.

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

During the first quarter of 2017, the Company recognized a nominal loss (2016 – loss of $5 million) in operating income on financial instruments designated as fair value through profit or loss. In addition, during the first quarter of 2017, a net loss of $42 million (2016 – net loss of $32 million) was recorded in earnings before income taxes related to financial instruments required to be classified as fair value through profit or loss.

Franchise Loans Receivable and Franchise Investments The value of Loblaw franchise loans receivable of $194 million (March 26, 2016 – $314 million; December 31, 2016 – $233 million) was recorded in the consolidated balance sheet. In 2017, the Company did not record any gain or loss (2016 – nominal loss) in operating income related to these loans receivable.

The value of Loblaw franchise investments of $30 million (March 26, 2016 – $44 million; December 31, 2016 – $39 million) was recorded in other assets. During the first quarter of 2017, the Company recorded a loss of $1 million (2016 – nominal loss) in operating income related to these investments.

Embedded Derivatives The Company's level 3 financial instruments classified as fair value through profit or loss consist of embedded derivatives on purchase orders placed in neither Canadian dollars, nor the functional currency of the vendor. These derivatives are valued using a market approach 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 one of the inputs could result in a significantly higher (lower) fair value measurement.

During the first quarter of 2017, a $1 million gain (2016 – gain of $11 million) was recorded in operating income related to these derivatives. In addition, a corresponding liability of $1 million was included in trade payables and other liabilities as at March 25, 2017 (March 26, 2016 – $4 million in prepaid expenses and other assets; December 31, 2016 – $2 million in trade payables and other liabilities). As at March 25, 2017, a 1% increase (decrease) in foreign currency exchange rates would result in a $1 million gain (loss) in fair value.

Trust Unit Liability During the first quarter of 2017, the Company recorded a fair value loss of $36 million (2016 – loss of $32 million) in net interest expense and other financing charges related to Choice Properties' Trust Units ("Units") (note 4).

As at March 25, 2017, 71,469,168 Units were held by unitholders other than the Company (March 26, 2016 – 69,849,360; December 31, 2016 – 71,068,828). During the first quarter of 2017, Choice Properties issued 400,340 units (2016 – 395,543), to eligible unitholders under its distribution reinvestment plan at an average price of $13.46 (March 26, 2016 – $11.26).

Securities Investments As at March 25, 2017, the fair value of available for sale investments of $23 million (March 26, 2016 – $24 million; December 31, 2016 – $23 million) was included in other assets. During the first quarter of 2017, PC Bank recorded a nominal unrealized fair value gain (2016 – nominal gain) in other comprehensive income related to these investments. These investments are considered part of the liquid securities required to be held by PC Bank to meet its Liquidity Coverage Ratio ("LCR") standard.

Other Derivatives The Company uses bond forwards and interest rate swaps, to manage its anticipated exposure to fluctuations in interest rates on future debt issuances. The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. The following is a summary of the fair values recognized in the consolidated balance sheet and the net realized and unrealized gains (losses) before income taxes related to the Company's other derivatives:

			March 25, 2017 (12 weeks)
(millions of Canadian dollars)	**Net Asset/ (Liability) Fair value**	**Gain/(loss) recorded in OCI**	**Gain/(loss) recorded in operating income**
Derivatives designated as cash flow hedges(i)			
Foreign Exchange Forwards	**$ 1**	**$ —**	**$ —**
Total derivatives designated as cash flow hedges	**$ 1**	**$ —**	**$ —**
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	**$ 8**	**$ —**	**$ (2)**
Other Non-Financial Derivatives	**2**	**—**	**(5)**
Total derivatives not designated in a formal hedging relationship	**$ 10**	**$ —**	**$ (7)**
Total derivatives	**$ 11**	**$ —**	**$ (7)**

(i) Includes interest rate swap agreements with a notional value of $200 million. During the first quarter of 2017, a nominal unrealized fair value loss was recorded in OCI relating to these agreements.

			March 26, 2016 (12 weeks)
(millions of Canadian dollars)	Net Asset/ (Liability) Fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges(ii)			
Foreign Exchange Forwards	$ —	$ (2)	$ 1
Total derivatives designated as cash flow hedges	$ —	$ (2)	$ 1
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	$ 11	$ —	$ (12)
Bond Forwards	—	—	3
Other Non-Financial Derivatives	(5)	—	(1)
Total derivatives not designated in a formal hedging relationship	$ 6	$ —	$ (10)
Total derivatives	$ 6	$ (2)	$ (9)

(ii) Includes bond forward agreements with a notional value of $95 million, which were settled within 2016, and interest rate swap agreements with a notional value of $200 million. During the first quarter of 2016, a nominal unrealized fair value gain was recorded in OCI relating to these agreements.

Note 19. Contingent Liabilities

In the ordinary course of business, the Company is involved in and potentially subject to, legal actions and proceedings. In addition, the Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments.

It is not currently possible to predict the outcome of the Company's legal actions and proceedings with certainty. However, based on current knowledge and in consultation with legal counsel, management considers the Company's exposure to such claims and litigation, tax assessments and reassessments (to the extent not covered by the Company's insurance policies or otherwise provided for), not to be material to the unaudited interim period condensed consolidated financial statements.

There are a number of uncertainties involved in such matters, individually or in aggregate, and as such, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect on the Company's reputation, operations or financial condition or performance in future periods. The Company does not currently have any significant accruals or provisions for its litigation matters. Management regularly assesses its position on the adequacy of such accruals or provisions and will make any necessary adjustments.

The following is a description of the Company's significant legal proceedings, which the Company believes are without merit and is vigorously defending:

On August 26, 2015, the Company was served with a proposed class action, which was commenced in the Ontario Superior Court of Justice against the Company and certain subsidiaries, Weston and others in connection with the collapse of the Rana Plaza complex in Dhaka, Bangladesh in 2013. The claim seeks approximately $2 billion in damages.

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

The Company has been reassessed by the Canada Revenue Agency ("CRA") and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron Bank Limited, a wholly owned Barbadian subsidiary, should be treated, and taxed, as income in Canada. The reassessments, which were received in 2015 and 2016, are for the 2000 to 2011 taxation years and total $351 million including interest and penalties as at the time of reassessment. The Company believes it is likely that the CRA will issue reassessments for the 2012 and 2013 taxation years on the same or similar basis. The Company has filed a Notice of Appeal with the Tax Court of Canada for the 2000 to 2010 taxation years and a Notice of Objection for the 2011 taxation year.

Indemnification Provisions The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements, lease agreements in connection with business or asset acquisitions or dispositions, and other types of commercial agreements. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representations and warranties or in respect of 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. In addition, the terms of these indemnification provisions vary in amount and certain indemnification provisions do not provide for a maximum potential indemnification amount. Indemnity amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. As a result, the Company is unable to reasonably estimate its total maximum potential liability in respect of indemnification provisions. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Note 20. Segment Information

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

- The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, and includes in-store pharmacies and other health and beauty products, gas bars and apparel and other general merchandise. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base;
- The Financial Services segment provides credit card services, loyalty programs, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services and telecommunication services; and
- The Choice Properties segment owns, manages and develops retail and commercial properties across Canada. The Choice Properties segment information presented below reflects the accounting policies of Choice Properties, which may differ from those of the consolidated Company. Differences in policies are eliminated in Consolidation and Eliminations.

The Company's chief operating decision maker evaluates segment performance on the basis of adjusted EBITDA[(2)] and adjusted operating income[(2)], as reported to internal management, on a periodic basis.

Information for each reportable operating segment is included below:

	March 25, 2017 (12 weeks)					March 26, 2016 (12 weeks)				
(millions of Canadian dollars)	**Retail**	**Financial Services[(3)]**	**Choice Properties[(3)]**	**Consolidation & Eliminations[(i)]**	**Total**	Retail	Financial Services[(3)]	Choice Properties[(3)]	Consolidation & Eliminations[(i)]	Total
Revenue[(ii)]	**$ 10,166**	**$ 210**	**$ 203**	**$ (178)**	**$ 10,401**	$ 10,154	$ 207	$ 192	$ (172)	$ 10,381
Operating Income	$ 446	$ 39	$ 237	$ (230)	$ 492	$ 393	$ 41	$ 136	$ (134)	$ 436
Net interest expense and other financing charges	72	14	213	(138)	161	78	13	268	(202)	157
Earnings before Income Taxes	**$ 374**	**$ 25**	**$ 24**	**$ (92)**	**$ 331**	$ 315	$ 28	$ (132)	$ 68	$ 279
Operating Income	**$ 446**	**$ 39**	**$ 237**	**$ (230)**	**$ 492**	$ 393	$ 41	$ 136	$ (134)	$ 436
Depreciation and Amortization	352	3	—	5	360	362	3	—	3	368
Adjusting items[(iii)]	134	—	—	—	134	149	—	—	—	149
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(121)	—	—	—	(121)	(124)	—	—	—	(124)
Adjusted EBITDA[(iii)]	$ 811	$ 42	$ 237	$ (225)	$ 865	$ 780	$ 44	$ 136	$ (131)	$ 829
Depreciation and Amortization[(iv)]	231	3	—	5	239	238	3	—	3	244
Adjusted Operating Income	**$ 580**	**$ 39**	**$ 237**	**$ (230)**	**$ 626**	$ 542	$ 41	$ 136	$ (134)	$ 585

(i) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $133 million (2016 – $128 million) of rental revenue and $45 million (2016 – $44 million) of cost recovery recognized by Choice Properties, generated from the Retail segment.
- Adjusted operating income includes the elimination of the $133 million (2016 – $128 million) impact of rental revenue described above; the elimination of a $93 million gain (2016 – $14 million loss) recognized by Choice Properties related to the fair value adjustments on investment properties, which are classified as Fixed Assets, Assets Held For Sale or Investment Properties by the Company and measured at cost; the elimination of $1 million loss (2016 – $14 million gain) recognized by Choice Properties related to the fair value adjustments on investment properties in the joint venture; the recognition of $5 million (2016 – $3 million) of depreciation expense for certain investment properties recorded by Choice Properties; and the elimination of intercompany charges of $3 million in 2016.
- Net interest expense and other financing charges includes the elimination of $69 million (2016 – $65 million) of interest expense included in Choice Properties related to debt owing to the Company and a $118 million fair value loss (2016 – loss of $181 million) recognized by Choice Properties on Class B Limited Partnership units held by the Company. Net interest and other financing charges also includes Unit distributions to external unitholders of $13 million (2016 – $12 million), which excludes distributions paid to the Company and a $36 million fair value loss (2016 – loss of $32 million) on the Company's Trust Unit Liability.

(ii) Included in Financial Services revenue is $97 million (2016 – $96 million) of interest income.

(iii) Certain items are excluded from operating income to derive at adjusted EBITDA[(2)]. Adjusted EBITDA[(2)] is used internally by management when analyzing segment underlying performance.

(iv) Depreciation and amortization for the calculation of adjusted EBITDA[(2)] excludes $121 million (2016 – $124 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

(millions of Canadian dollars)		As at March 25, 2017		As at March 26, 2016(i)		As at December 31, 2016
Total Assets						
Retail	**$**	**29,364**	$	29,980	$	30,055
Financial Services(3)		**3,338**		3,081		3,531
Choice Properties(3)		**9,380**		8,730		9,435
Consolidation and Eliminations(ii)		**(8,497)**		(8,006)		(8,585)
Total	**$**	**33,585**	$	33,785	$	34,436

(i) Certain comparative figures have been restated (note 2).

(ii) 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)		March 25, 2017 (12 weeks)		March 26, 2016 (12 weeks)
Additions to Fixed Assets and Intangible Assets				
Retail	**$**	**122**	$	133
Financial Services(3)		**2**		4
Choice Properties(3)		**30**		20
Total	**$**	**154**	$	157

Financial Summary[1]

As at or for the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	2017 (12 weeks)	2016[4] (12 weeks)
Consolidated Results of Operations		
Revenue	**$ 10,401**	$ 10,381
Revenue growth	**0.2 %**	3.3%
Operating Income	**$ 492**	$ 436
Adjusted EBITDA[2]	**865**	829
Adjusted EBITDA margin[2]	**8.3 %**	8.0%
Net interest expense and other financing charges	**$ 161**	$ 157
Adjusted net interest expense and other financing charges[2]	**125**	125
Net earnings	**232**	187
Net earnings attributable to shareholders of the Company	**233**	196
Net earnings available to common shareholders of the Company	**230**	193
Adjusted net earnings available to common shareholders of the Company[2]	**364**	338
Retail debt to rolling year retail adjusted EBITDA[2]	**1.7x**	2.0x
Rolling year adjusted return on equity[2]	**13.3 %**	11.5%
Rolling year adjusted return on capital[2]	**9.0 %**	7.8%
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents, short term investments and security deposits	**$ 1,395**	$ 1,315
Cash flows from operating activities	**379**	813
Capital investments	**154**	157
Free cash flow[2]	**77**	512
Consolidated Per Common Share ($)		
Diluted net earnings	**$ 0.57**	$ 0.47
Adjusted diluted net earnings[2]	**0.90**	0.82
Retail Results of Operations		
Sales	**$ 10,166**	$ 10,154
Operating Income	**446**	393
Adjusted gross profit[2]	**2,844**	2,777
Adjusted EBITDA[2]	**811**	780
Adjusted EBITDA margin[2]	**8.0 %**	7.7%
Depreciation and amortization	**$ 352**	$ 362
Retail Operating Statistics		
Food retail same-store sales (decline) growth	**(1.2)%**	2.0%
Drug retail same-store sales growth	**0.9 %**	6.3%
Total retail square footage (in millions)	**70.1**	69.8
Number of corporate stores	**564**	585
Number of franchise stores	**532**	522
Number of Associate-owned drug stores	**1,324**	1,314
Financial Services Results of Operations[3]		
Revenue	**$ 210**	$ 207
Earnings before income taxes	**25**	28
Financial Services Operating Measures and Statistics[3]		
Average quarterly net credit card receivables	**$ 2,808**	$ 2,692
Credit card receivables	**2,689**	2,594
Allowance for credit card receivables	**49**	53
Annualized yield on average quarterly gross credit card receivables	**13.8 %**	14.0%
Annualized credit loss rate on average quarterly gross credit card receivables	**4.1 %**	4.5%
Choice Properties Results of Operations[3]		
Revenue	**$ 203**	$ 192
Net interest expense and other financing charges	**213**	268
Net Income (loss)	**24**	(132)
Funds from operations[2]	**109**	103

Financial Results and Financial Summary Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 127 of the Company's 2016 Annual Report.

(2) See Section 12 "Non-GAAP Financial Measures" of the Company's Management's Discussion and Analysis for the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

(3) For segment presentation purposes, the results are for the periods ended March 31, consistent with Financial Services' and Choice Properties' fiscal calendars. Adjustments to the Company's fiscal calendar are included in Consolidation and Eliminations. See Section 12 "Non-GAAP Financial Measures" of the Company's Management's Discussion and Analysis and Note 20 "Segment Information".

(4) Certain figures have been restated as a result of the IFRS Interpretations Committee's agenda decision on IAS 12, "Income Taxes". See Note 2 "Significant Accounting Policies" in the Company's 2017 unaudited interim period condensed consolidated financial statements.

Corporate Profile

The Company is Canada's food and pharmacy leader, the nation's largest retailer, and the majority unitholder of Choice Properties Real Estate Investment Trust. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, credit card services, insurance brokerage services, personal banking services, gift cards and telecommunication services. With more than 2,400 corporate, franchised and Associate-owned locations, Loblaw, its franchisees, and Associate-owners employ approximately 192,000 full and part-time employees, making it one of Canada's largest private sector employers.

Loblaw's purpose – *Live Life Well* – puts first the needs and well-being of Canadians who make one billion transactions annually in the Company's stores. Loblaw is positioned to meet and exceed those needs in many ways: convenient locations; more than 1,000 grocery stores that span the value spectrum from discount to specialty; full-service pharmacies at more than 1,300 Shoppers Drug Mart and Pharmaprix locations and more than 500 Loblaw banner store locations; *PC Financial* no-fee banking; affordable *Joe Fresh* fashion and family apparel; and three of Canada's top consumer brands – *President's Choice*®, *noname*® and *Life Brand*®. Through the *PC Plus*™ and *Shoppers Optimum*® loyalty programs, more than one in every three Canadians are rewarded for shopping with the Company.

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

Registrar and Transfer Agent

Computershare Investor Services Inc. 100 University Avenue Toronto, Canada M5J 2Y1	Toll free: 1-800-564-6253 (Canada and U.S) Fax: (416) 263-9394 Toll free fax: 1-888-453-0330 International direct dial: (514) 982-7555

To change your address or eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

Investor Relations

Investor inquiries, contact: Sophia Bisoukis Vice President, Investor Relations (905) 861-2436 investor@loblaw.ca	Media inquiries, contact: Kevin Groh Vice President, Corporate Affairs and Communication (905) 861-2437 pr@loblaw.ca

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 "Investors" section of the Company's website at loblaw.ca.

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on May 3, 2017 at 10:00 a.m. (ET).

To access via tele-conference, please dial (647) 427-7450 or (888) 231-8191. The playback will be made available approximately two hours after the event at (416) 849-0833 or (855) 859-2056, access code: 1695648. To access via audio webcast, please go to the "Investors" section of loblaw.ca. Pre-registration will be available.

Full details about the conference call and webcast are available on the Loblaw Companies Limited website at loblaw.ca.

Annual Meeting of Shareholders

The 2017 Annual Meeting of Shareholders of Loblaw Companies Limited will take place on May 4, 2017 at 11:00 a.m. (ET) at the Mattamy Athletic Centre, 50 Carlton Street, Toronto, Ontario, Canada M5B 1J2.

To access via tele-conference, please dial (647) 427-7450 or (888) 231-8191. The playback will be made available approximately two hours after the event at (416) 849-0833 or (855) 859-2056, access code: 2288199. To access via audio webcast, please go to the "Investors" section of loblaw.ca. Pre-registration will be available.

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