Loblaw Companies Limited

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12 WEEKS ENDING MARCH 23, 2019

2019 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 2019 unaudited interim period condensed consolidated financial statements and the accompanying notes included in this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 29, 2018 and the related annual MD&A included in the Company's 2018 Annual Report – Financial Review ("2018 Annual Report").

The Company's first quarter 2019 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 on page 140 of the Company's 2018 Annual Report.

The information in this MD&A is current to April 30, 2019, unless otherwise noted.

On December 30, 2018, the Company implemented IFRS 16, "Leases" ("IFRS 16"), replacing International Accounting Standard 17, "Leases" ("IAS 17") and related interpretations. The standard introduced a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. The Company implemented the standard using the modified retrospective approach. As a result, the Company's first quarter of 2019 results reflect lease accounting under IFRS 16. Under IFRS 16, the depreciation expense on right-of-use assets and interest expense on lease liabilities replaces rent expense, which was previously recognized on a straight-line basis in operating income under IAS 17 over the term of a lease. Prior year results have not been restated.

On November 1, 2018, the Company and its parent George Weston Limited ("Weston") completed a reorganization under which the Company distributed its approximate 61.6% effective interest in Choice Properties Real Estate Investment Trust ("Choice Properties") to Weston on a tax-free basis to the Company and its Canadian shareholders ("the reorganization" or "the spin-out"). The Company's interest in Choice Properties has been presented separately as Discontinued Operations in the Company's current and comparative results. As a result of the spin-out, buildings owned by Choice Properties and leased by the Company are accounted for as leases and no longer accounted for as owned property. The building components associated with these leases post spin-out are classified as leasehold improvements resulting in incremental depreciation expense.

See Section 3 Consolidated Results of Operations "Other Business Matters" of this MD&A for more information on the implementation of IFRS 16 and the spin-out related incremental depreciation.

1. Forward-Looking Statements

This Quarterly Report, including this MD&A, contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Quarterly Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, 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, in Section 3 "Consolidated Results of Operations", " Section 4.1 "Retail Segment" Other Retail Business Matters, Section 4.2 "Financial Services Segment", Section 5 "Liquidity and Capital Resources", Section 11 "Outlook" and Section 12 "Non-GAAP Financial Measures" 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", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's 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 2019 is based on certain assumptions including assumptions about healthcare reform impacts, anticipated cost savings and operating efficiencies from Process and Efficiency initiatives and anticipated benefits from strategic 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 2018 Annual Report, and the Company’s 2018 Annual Information Form (“AIF”) (for the year ended December 29, 2018). Such risks and uncertainties include:

- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- the inability of the Company’s IT infrastructure to support the requirements of the Company’s business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to realize benefits from investments in the Company’s new IT systems;
- failure to realize the anticipated benefits associated with the Company’s strategic priorities and major initiatives, including revenue growth, anticipated cost savings and operating efficiencies or organizational changes that may impact the relationships with franchisees and associates;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- failure to maintain an effective supply chain and consequently an appropriate assortment of available product at store level;
- failure to execute the Company’s e-commerce initiatives or to adapt its business model to the shifts in the retail landscape caused by digital advances;
- public health events including those related to food and drug safety;
- errors made through medication dispensing or errors related to patient services or consultation;
- adverse outcomes of legal and regulatory proceedings and related matters;
- changes to any of the laws, rules, regulations or policies applicable to the Company’s business;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements; and
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, political uncertainty, interest rates, currency exchange rates or derivative and commodity prices.

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 2018 AIF (for the year ended December 29, 2018). 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

The Company's interest in Choice Properties has been presented separately as Discontinued Operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from Continuing Operations and includes the impacts of spin-out related incremental depreciation, the implementation of IFRS 16 and the consolidation of franchises.

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 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)		2019 (12 weeks)		2018[4] (12 weeks)
Consolidated:				
Revenue growth		**3.1%**		(0.4)%
Operating Income	**$**	**451**	$	376
Adjusted EBITDA[2]		**1,040**		733
Adjusted EBITDA margin[2]		**9.8%**		7.1 %
Net earnings	**$**	**206**	$	375
Continuing Operations		**206**		210
Discontinued Operations		**—**		165
Net earnings attributable to shareholders of the Company from Continuing Operations		**201**		215
Net earnings available to common shareholders of the Company[i]		**198**		377
Continuing Operations		**198**		212
Discontinued Operations		**—**		165
Adjusted net earnings available to common shareholders of the Company[2]		**290**		361
Continuing Operations		**290**		312
Discontinued Operations		**—**		49
Diluted net earnings per common share ($)	**$**	**0.53**	$	0.98
Continuing Operations	**$**	**0.53**	$	0.55
Discontinued Operations	**$**	**—**	$	0.43
Adjusted diluted net earnings per common share[2] ($)	**$**	**0.78**	$	0.94
Continuing Operations	**$**	**0.78**	$	0.81
Discontinued Operations	**$**	**—**	$	0.13
Cash and cash equivalents and short term investments		**1,002**		1,719
Cash flows from operating activities[ii]		**960**		434
Free cash flow[2][ii]		**419**		57
Financial Measures:				
Retail debt to rolling year retail adjusted EBITDA[2]		**3.1x**		1.9x
Rolling year adjusted return on equity[2]		**13.5%**		12.9 %
Rolling year adjusted return on capital[2]		**7.7%**		9.7 %
Retail Segment:				
Food retail same-store sales growth		**2.0%**		1.9 %
Drug retail same-store sales growth		**2.2%**		3.7 %
Operating Income	**$**	**401**	$	300
Adjusted gross profit[2]		**3,097**		2,988
Adjusted gross profit %[2]		**29.6%**		29.4 %
Adjusted EBITDA[2]	**$**	**985**	$	672
Adjusted EBITDA margin[2]		**9.4%**		6.6 %
Financial Services Segment:				
Earnings before income taxes	**$**	**31**	$	61
Annualized yield on average quarterly gross credit card receivables		**13.8%**		13.4 %
Annualized credit loss rate on average quarterly gross credit card receivables		**3.3%**		3.5 %

(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.

(ii) Includes amounts from Continuing and Discontinued Operations.

3. Consolidated Results of Operations

The Company's interest in Choice Properties has been presented separately as Discontinued Operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from Continuing Operations and includes the impacts of spin-out related incremental depreciation, the implementation of IFRS 16 and the consolidation of franchises.

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)		2019 (12 weeks)		2018[4] (12 weeks)		$ Change	% Change
Revenue	**$**	**10,659**	$	10,335	$	324	3.1 %
Operating income		**451**		376		75	19.9 %
Adjusted EBITDA[2]		**1,040**		733		307	41.9 %
Adjusted EBITDA margin[2]		**9.8%**		7.1%			
Depreciation and amortization	**$**	**580**	$	341	$	239	70.1 %
Net interest expense and other financing charges		**173**		89		84	94.4 %
Adjusted net interest expense and other financing charges[2]		**173**		89		84	94.4 %
Income taxes		**72**		77		(5)	(6.5)%
Adjusted income taxes[2]		**108**		114		(6)	(5.3)%
Adjusted income tax rate[2]		**26.6%**		26.9%			
Net earnings attributable to shareholders of the Company from Continuing Operations	**$**	**201**	$	215	$	(14)	(6.5)%
Net earnings available to common shareholders of the Company[i]		**198**		377		(179)	(47.5)%
Continuing Operations		**198**		212		(14)	(6.6)%
Discontinued Operations		**—**		165		(165)	(100.0)%
Adjusted net earnings available to common shareholders of the Company[2]	**$**	**290**	$	361	$	(71)	(19.7)%
Continuing Operations		**290**		312		(22)	(7.1)%
Discontinued Operations		**—**		49		(49)	(100.0)%
Diluted net earnings per common share ($)	**$**	**0.53**	$	0.98	$	(0.45)	(45.9)%
Continuing Operations	**$**	**0.53**	$	0.55	$	(0.02)	(3.6)%
Discontinued Operations	**$**	**—**	$	0.43	$	(0.43)	(100.0)%
Adjusted diluted net earnings per common share[2] ($)	**$**	**0.78**	$	0.94	$	(0.16)	(17.0)%
Continuing Operations	**$**	**0.78**	$	0.81	$	(0.03)	(3.7)%
Discontinued Operations	**$**	**—**	$	0.13	$	(0.13)	(100.0)%
Diluted weighted average common shares outstanding (in millions)		**371.4**		384.5			

(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 from Continuing Operations and Diluted Net Earnings Per Common Share from Continuing Operations Net earnings available to common shareholders of the Company from Continuing Operations in the first quarter of 2019 were $198 million ($0.53 per common share), a decrease of $14 million ($0.02 per common share) compared to the first quarter of 2018. The decrease included the unfavourable impact of spin-out related incremental depreciation of approximately $16 million ($0.04 per common share) and the unfavourable impact of the implementation of IFRS 16 of approximately $6 million ($0.02 per common share). Normalized for these impacts, net earnings available to common shareholders of the Company from Continuing Operations increased by $8 million ($0.04 per common share) which included flat underlying operating performance and the favourable year-over-year net impact of adjusting items totaling $8 million, as described below:

- the underlying operating performance was flat (flat per common share) primarily due to the following:
    - the improvement in underlying operating performance in the Retail segment (excluding the impact of the consolidation of franchises), driven by an increase in adjusted gross profit[(2)], partially offset by an increase in selling, general and administrative expenses ("SG&A") and an increase in depreciation and amortization;

  offset by,
    - the decline in underlying operating performance of the Financial Services segment, driven by lower core banking income attributable to the discontinuation of the personal banking services under the President's Choice Financial® ("*PC Financial")* brand, partially offset by higher interest income attributable to the growth in the credit card portfolio.
- the favourable year-over-year net impact of adjusting items totaling $8 million ($0.01 per common share) was primarily due to the following:
    - the year-over-year favourable impact of a prior year inventory charge related to healthcare reform of $14 million ($0.04 per common share); and
    - the year-over-year favourable impact of prior year charges related to the Loblaw Card Program of $14 million ($0.04 per common share);

  partially offset by,
    - the year-over-year unfavourable impact of prior year income earned, net of certain costs incurred, from the wind-down of *PC Financial* personal banking services of $13 million ($0.03 per common share); and
    - the year-over-year unfavourable impact of restructuring and other related costs of $9 million ($0.02 per common share).
- diluted net earnings from Continuing Operations per common share also included the favourable impact of the repurchase of common shares over the last 12 months ($0.03 per common share).

Adjusted net earnings available to common shareholders of the Company[(2)] from Continuing Operations in the first quarter of 2019 were $290 million, a decrease of $22 million compared to the first quarter of 2018. Normalized for the year-over-year impact of spin-out related incremental depreciation and the implementation of IFRS 16, adjusted net earnings available to common shareholders of the Company[(2)] were flat at $312 million. Adjusted net earnings per common share[(2)] were $0.78, a decrease of $0.03, or 3.7%, compared to the first quarter of 2018. Normalized for the year-over-year impact of spin-out related incremental depreciation and the implementation of IFRS 16, adjusted diluted net earnings per common share[(2)] increased by approximately 3.7% or $0.03 per common share and was $0.84 per common share. The increase included the favourable impact of the repurchase of common shares.

Discontinued Operations Net earnings available to common shareholders of the Company from Discontinued Operations was nil in the first quarter of 2019, a decrease of $165 million ($0.43 per share) compared to the first quarter of 2018.

Revenue

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)		2019 (12 weeks)		2018[(4)] (12 weeks)		$ Change	% Change
Retail	$	**10,452**	$	10,155	$	297	2.9 %
Financial Services		**266**		230		36	15.7 %
Consolidation and Eliminations		**(59)**		(50)		(9)	(18.0)%
Revenue from Continuing Operations	$	**10,659**	$	10,335	$	324	3.1 %

Revenue was $10,659 million in the first quarter of 2019, an increase of $324 million, or 3.1%, compared to the first quarter of 2018, primarily due to an increase in the Retail segment sales of $297 million. Excluding the consolidation of franchises, Retail segment sales increased by $197 million, or 2.0%, due to positive same-store sales growth. The increase was also due to an increase in Financial Services segment sales of $36 million, driven by higher interest income and higher year-over-year sales attributable to *The Mobile Shop*.

Operating Income Operating income was $451 million in the first quarter of 2019, an increase of $75 million compared to the first quarter of 2018. The increase in operating income included the favourable impact of IFRS 16 of approximately $75 million and the unfavourable impact of spin-out related incremental depreciation of approximately $22 million. Normalized for these impacts, operating income increased by $22 million due to improvements in underlying operating performance of $13 million and the favourable year-over-year net impact of adjusting items totaling $9 million, as described below:

- the improvement in underlying operating performance of $13 million was primarily due to the Retail segment, including the favourable contribution from the consolidation of franchises of $15 million, partially offset by the decline in underlying operating performance of the Financial Services segment; and
- the favourable year-over-year net impact of adjusting items totaling $9 million primarily due to the following:
    - the year-over-year favourable impact of a prior year inventory charge related to healthcare reform of $19 million; and
    - the year-over-year favourable impact of prior year charges related to the Loblaw Card Program of $19 million;

    partially offset by,
    - the year-over-year unfavourable impact of prior year income earned, net of certain costs incurred, from the wind-down of *PC Financial* personal banking services of $17 million; and
    - the year-over-year unfavourable impact of restructuring and other related costs of $12 million.

Adjusted EBITDA(2)

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)	**2019 (12 weeks)**	2018(4) (12 weeks)	$ Change	% Change
Retail	**$ 985**	$ 672	$ 313	46.6 %
Financial Services	**55**	61	(6)	(9.8)%
Adjusted EBITDA(2)	**$ 1,040**	$ 733	$ 307	41.9 %

Adjusted EBITDA(2) was $1,040 million in the first quarter of 2019, an increase of $307 million compared to the first quarter of 2018, and included the year-over-year favourable impact of IFRS 16 of approximately $282 million. Normalized for the impact of IFRS 16, adjusted EBITDA(2) in the first quarter of 2019 increased by $25 million, or 3.4%. The increase in adjusted EBITDA(2) of $25 million was primarily due to improvements in the Retail segment, partially offset by the Financial Services segment.

Depreciation and Amortization Depreciation and amortization was $580 million in the first quarter of 2019, an increase of $239 million compared to the first quarter of 2018. The increase included the unfavourable impact of IFRS 16 of approximately $207 million and the unfavourable impact of spin-out related incremental depreciation of approximately $22 million. Normalized for these impacts, the increase in depreciation and amortization was $10 million, primarily driven by the consolidation of franchises and an increase in IT assets. Included in depreciation and amortization in the first quarter of 2019 was the amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") of $119 million (2018 – $121 million).

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $173 million in the first quarter of 2019, an increase of $84 million compared to the first quarter of 2018. The increase included the unfavourable impact of IFRS 16 of approximately $82 million. Normalized for this impact, the increase in net interest expense and other financing charges was $2 million, primarily driven by higher interest expense in the Financial Services segment, partially offset by the repayment of term loans.

Income Taxes

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)	**2019 (12 weeks)**	2018[4] (12 weeks)	$ Change	% Change
Income taxes	**$ 72**	$ 77	$ (5)	(6.5)%
Add (deduct) impact of the following:				
Tax impact of items included in adjusted earnings before taxes	**36**	37	(1)	(2.7)%
Adjusted income taxes[2]	**$ 108**	$ 114	$ (6)	(5.3)%
Effective tax rate	**25.9%**	26.8%		
Adjusted income tax rate[2]	**26.6%**	26.9%		

The effective tax rate in the first quarter of 2019 was 25.9% compared to 26.8% in the first quarter of 2018. The adjusted income tax rate[2] in the first quarter of 2019 was 26.6% compared to 26.9% in the first quarter of 2018. The decrease in the tax rates was primarily attributable to a decrease in certain non-deductible items.

Other Business Matters

IFRS 16 Implementation In 2016, the International Accounting Standards Board ("IASB") issued IFRS 16, replacing IAS 17 and related interpretations. The standard introduces a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. The Company implemented the standard on December 30, 2018 using the modified retrospective approach. As a result, the Company's first quarter of 2019 results reflected lease accounting under IFRS 16. Prior year results have not been restated. See Section 10, "Accounting Standards", of this MD&A for more information on the implementation of IFRS 16.

The implementation of IFRS 16 significantly increased the assets and liabilities on the Company's Condensed Consolidated Balance Sheet and changed the timing and presentation of lease-related expenses in the Company's Retail segment results. The Company recorded a right-of-use asset of $7.6 billion and a lease liability of $9.2 billion under the new standard. Under IFRS 16, the depreciation expense on right-of-use assets and interest expense on lease liabilities replaced rent expense, which was previously recognized on a straight-line basis in operating income under IAS 17 over the term of a lease.

The following table provides the year-over-year impacts of the implementation of IFRS 16 on the consolidated results of the Company in the first quarter of 2019:

(millions of Canadian dollars unless where otherwise indicated)	**$ Change (12 weeks)**
Operating Income	**$ 75**
Adjusted EBITDA[2]	**282**
Net interest expense and other financing charges	**(82)**
Depreciation and Amortization	**(207)**
Net earnings available to common shareholders of the Company	**(6)**
Diluted net earnings per common share ($)	**$ (0.02)**

Spin-out of Choice Properties On November 1, 2018, the Company and its parent Weston completed a reorganization under which the Company distributed its approximate 61.6% effective interest in Choice Properties to Weston on a tax-free basis to the Company and its Canadian shareholders. The Company no longer retains its interest in Choice Properties and ceased to consolidate its equity interest in Choice Properties in its consolidated financial statements as at October 31, 2018. The reorganization has been reflected separately as Discontinued Operations in the current and comparative results. Unless otherwise noted, all comparisons of operating results exclude the results of Choice Properties.

Impact on Retail Segment Results As a result of the spin-out, buildings owned by Choice Properties and leased by the Company are accounted for as leases and no longer accounted for as owned property. The building components associated with these leases post spin-out are classified as leasehold improvements and depreciated over the lesser of the lease term and useful life up to 25 years. The remaining average lease term on the leases related to these leasehold improvements is approximately 10 years. The impact of this change is expected to be an increase in annual depreciation and amortization of approximately $85 million compared to 2018. The Company's 2019 first quarter financial results included incremental depreciation and amortization of $22 million ($0.04 per common share).

Process and Efficiency The Company continues to execute on a multi-year plan, initiated in 2018, that focuses on improving processes and generating efficiencies across its administrative, store, and distribution network infrastructure. Many initiatives are underway to reduce the complexity and cost of business operations, ensuring a low cost operating structure that allows for continued investments in the Company's strategic growth areas. Management anticipates investing capital as well as recording restructuring and other charges related to these initiatives in 2019 and beyond. The Company recorded approximately $12 million of restructuring and other related charges primarily related to Process and Efficiency initiatives in the first quarter of 2019.

4. Reportable Operating Segments Results of Operations

The Company has two 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, apparel and other general merchandise and supports the *PC Optimum* Program. 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 Retail segment is Choice Properties' largest tenant and all transactions, including but not limited to rental payments, with Choice Properties are included in segment results; and
- The Financial Services segment provides credit card services, the *PC Optimum* Program, insurance brokerage services, deposit taking services and telecommunication services. As a result of the wind-down of *PC Financial* personal banking services, the Financial Services segment no longer offers personal banking services.

4.1 Retail Segment

Unless otherwise indicated, the following financial information represents the Retail segment's results from Continuing Operations and includes the impacts of spin-out related incremental depreciation, the implementation of IFRS 16 and the consolidation of franchises.

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)	**2019 (12 weeks)**	2018[4] (12 weeks)	$ Change	% Change
Sales	**$ 10,452**	$ 10,155	$ 297	2.9%
Operating income	**401**	300	101	33.7%
Adjusted gross profit[2]	**3,097**	2,988	109	3.6%
Adjusted gross profit %[2]	**29.6%**	29.4%		
Adjusted EBITDA[2]	**$ 985**	$ 672	$ 313	46.6%
Adjusted EBITDA margin[2]	**9.4%**	6.6%		
Depreciation and amortization	**$ 575**	$ 339	$ 236	69.6%

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)		**2019 (12 weeks)**			2018[4] (12 weeks)	
		Sales	**Same-store sales**		Sales	Same-store sales
Food retail	**$**	**7,515**	**2.0%**	$	7,271	1.9%
Drug retail		**2,937**	**2.2%**		2,884	3.7%
Pharmacy		**1,412**	**1.2%**		1,393	3.5%
Front Store		**1,525**	**3.1%**		1,491	3.8%

Sales Retail segment sales in the first quarter of 2019 were $10,452 million, an increase of $297 million, or 2.9%, compared to the first quarter of 2018. Excluding the consolidation of franchises, Retail segment sales increased by $197 million, or 2.0%, primarily driven by the following factors:

- Food retail same-store sales growth was 2.0% (2018 – 1.9%) for the quarter. The timing of Easter had a nominal impact on Food retail same-store sales growth in the first quarters of 2019 and 2018.
    - Sales growth in food was moderate;
    - Sales in pharmacy declined significantly and included the negative impact of incremental healthcare reform;
    - The Company's Food retail average quarterly internal food price index was slightly lower than (2018 – was marginally lower than) the average quarterly national food price inflation of 3.3% (2018 – inflation of 1.2%), 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; and
    - Food retail traffic was relatively flat and basket size increased in the quarter.
- Drug retail same-store sales growth was 2.2% (2018 – 3.7%). The timing of Easter had a nominal impact on Drug retail same-store sales growth in the first quarters of 2019 and 2018.
    - Pharmacy same-store sales growth was 1.2% (2018 – 3.5%) and included the negative impact of incremental healthcare reform. The number of prescriptions dispensed increased by 2.8% (2018 – 4.3%). On a same-store basis, the number of prescriptions dispensed increased by 2.6% (2018 – 4.0%) and the average prescription value decreased by 2.1% (2018 – decreased by 0.3%).
    - Front store same-store sales growth was 3.1% (2018 – 3.8%).

In the last 12 months, 18 food and drug stores were opened and 13 food and drug stores were closed, resulting in a net increase in Retail square footage of 0.2 million square feet, or 0.3%.

The redemption of Loblaw Cards resulted in the delivery of approximately $2 million of free products to customers in the first quarter of 2019, which was provided for in the fourth quarter of 2017. The redemptions did not benefit sales or the Company's financial performance and Management does not believe it had a significant impact on Food retail same-store sales.

Operating Income Operating income in the first quarter of 2019 was $401 million, an increase of $101 million compared to the first quarter of 2018. The increase in operating income included the favourable impact of IFRS 16 of approximately $75 million and the unfavourable impact of spin-out related incremental depreciation of approximately $22 million. Normalized for these impacts, operating income increased by $48 million. The increase in operating income was driven by the improvements in underlying operating performance of $22 million and the favourable year-over-year net impact of adjusting items totaling $26 million:

- the improvements in underlying operating performance of $22 million were driven by an increase in adjusted gross profit[2], partially offset by an increase in SG&A and an increase in depreciation and amortization. The improvements in underlying operating performance included the favourable year-over-year contribution from consolidation of franchises in the quarter; and
- the favourable year-over-year net impact of adjusting items totaling $26 million, primarily due to the following:
    - the year-over-year favourable impact of a prior year inventory charge related to healthcare reform of $19 million; and
    - the year-over-year favourable impact of prior year charges related to the Loblaw Card Program of $19 million;

    partially offset by,

    - the year-over-year unfavourable impact of restructuring and other related costs of $12 million.

Adjusted Gross Profit(2) Adjusted gross profit(2) in the first quarter of 2019 was $3,097 million, an increase of $109 million compared to the first quarter of 2018. Adjusted gross profit percentage(2) of 29.6% increased by 20 basis points compared to the first quarter of 2018. Adjusted gross profit percentage(2), excluding the consolidation of franchises, was 27.7%, a decrease of 30 basis points compared to the first quarter of 2018. Margins were negatively impacted by healthcare reform while Food retail margins remained relatively flat.

Adjusted EBITDA(2) Adjusted EBITDA(2) in the first quarter of 2019 was $985 million, an increase of $313 million compared to the first quarter of 2018 and included the year-over-year favourable impact of IFRS 16 of approximately $282 million. Normalized for the impact of IFRS 16, adjusted EBITDA(2) in the first quarter of 2019 increased by $31 million and included the favourable impact of the consolidation of franchises of $20 million. The increase in adjusted EBITDA(2) of $31 million was driven by an increase in adjusted gross profit(2) as described above, partially offset by an increase in SG&A of $13 million. Normalized for the impact of IFRS 16 and the consolidation of franchises, SG&A increased $13 million, and SG&A as a percentage of sales was 21.0%, an improvement of 30 basis points compared to the first quarter of 2018 driven by:

- Process and Efficiency initiatives;
- lower marketing costs as a result of the launch of the *PC Optimum* Program in the prior year; and
- the favourable year-over-year impact of foreign exchange.

Adjusted EBITDA(2) included gains of $5 million (2018 – nil) related to the sale and leaseback of properties to Choice Properties in the first quarter of 2019.

Depreciation and Amortization Depreciation and amortization in the first quarter of 2019 was $575 million, an increase of $236 million compared to the first quarter of 2018. The increase included the unfavourable impact of IFRS 16 of approximately $207 million and the unfavourable impact of spin-out related incremental depreciation of approximately $22 million. Normalized for these impacts, the increase in depreciation and amortization was $7 million, primarily driven by the consolidation of franchises and an increase in IT assets. Included in depreciation and amortization in the first quarter of 2019 was the amortization of intangibles assets related to the acquisition of Shoppers Drug Mart of $119 million (2018 – $121 million).

Other Retail Business Matters

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 2019, 414 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 23, 2019 and March 24, 2018 (millions of Canadian dollars unless where otherwise indicated)	**2019** **(12 weeks)**	2018 (12 weeks)
Number of Consolidated Franchise stores, beginning of period	**400**	310
Add: Net number of Consolidated Franchise stores in the period	**14**	21
Number of Consolidated Franchise stores, end of period	**414**	331
Sales	**$ 299**	$ 199
Adjusted gross profit(2)	**287**	202
Adjusted EBITDA(2)	**27**	7
Depreciation and amortization	**17**	12
Operating income	**10**	(5)
Net income attributable to non-controlling interests	**5**	(5)

Operating income included in the table above does not significantly impact net earnings available to common shareholders of the Company as the related income is largely attributable to non-controlling interests.

The Company expects that the estimated annual impact in 2019 of new and current consolidated franchises will be revenue of approximately $1,300 million, adjusted EBITDA(2) of approximately $130 million, depreciation and amortization of approximately $80 million and net earnings attributable to non-controlling interests of approximately $40 million.

4.2 Financial Services Segment

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)	2019 (12 weeks)	2018 (12 weeks)	$ Change	% Change
Revenue	$ 266	$ 230	$ 36	15.7 %
Earnings before income taxes	31	61	(30)	(49.2)%

(millions of Canadian dollars except where otherwise indicated)	As at March 23, 2019	As at March 24, 2018[4]	$ Change	% Change
Average quarterly net credit card receivables	$ 3,188	$ 2,952	$ 236	8.0%
Credit card receivables	3,047	2,803	244	8.7%
Allowance for credit card receivables	175	150	25	16.7%
Annualized yield on average quarterly gross credit card receivables	13.8%	13.4%		
Annualized credit loss rate on average quarterly gross credit card receivables	3.3%	3.5%		

Revenue Revenue was $266 million in the first quarter of 2019, an increase of $36 million compared to the first quarter of 2018, primarily driven by:

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

partially offset by,

- lower core banking income attributable to President's Choice Bank's ("PC Bank's") agreement to end its business relationship with a major Canadian chartered bank, which represented the personal banking services offered under the *PC Financial* brand. Normal operating income from the same personal banking services ended in April 2018.

Earnings before income taxes Earnings before income taxes was $31 million in the first quarter of 2019, a decrease of $30 million compared to the first quarter of 2018, primarily driven by:

- recognition of income in the first quarter of 2018 of $17 million, net of certain costs incurred, relating to PC Bank's agreement to end its business relationship with a major Canadian chartered bank, which represented the personal banking services offered under the *PC Financial* brand;
- lower core banking income, as described above;
- higher interest expense and credit losses driven by the growth in the credit card portfolio;
- higher operating costs including investments in digital strategy; and
- certain one-time gains in the first quarter of 2018 including the sale of charged-off credit card receivables;

partially offset by,

- revenue growth, as described above; and
- lower customer acquisition costs.

Credit Card Receivables As at March 23, 2019, credit card receivables were $3,047 million, an increase of $244 million compared to March 24, 2018. This increase was primarily driven by growth in the average customer balance and active customer base as a result of continued investments in customer acquisition, marketing and product initiatives in turn increasing the allowance for credit card receivables to $175 million, an increase of $25 million compared to March 24, 2018.

Other Financial Services Business Matters

Wind-down of PC Financial personal banking services In the third quarter of 2017, PC Bank entered into an agreement to end its business relationship with a major Canadian chartered bank, which represented the personal banking services offered under the *PC Financial* brand. As a result of this agreement, PC Bank received a payment of approximately $44 million, net of certain costs incurred, $20 million of which was recognized in the first half of 2018 and $24 million which was recognized in 2017.

PC Bank continues to operate the *PC* Mastercard® Program and customers will earn *PC Optimum* points. PC Bank remains committed to providing payment products to its customers and continues to strengthen its credit card services and loyalty programs.

5. Liquidity and Capital Resources

The Company's interest in Choice Properties has been presented separately as Discontinued Operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from Continuing Operations.

5.1 Cash Flows

The following Major Cash Flow Components are presented on a Total Company basis, inclusive of Continuing and Discontinued Operations.

Major Cash Flow Components

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)	**2019 (12 weeks)**	2018[4] (12 weeks)	$ Change	% Change
Cash and cash equivalents, beginning of period	**$ 1,065**	$ 1,798	$ (733)	(40.8)%
Cash flows from (used in):				
Operating activities	**$ 960**	$ 434	$ 526	121.2 %
Investing activities	**678**	(1,450)	2,128	146.8 %
Financing activities	**(1,775)**	480	(2,255)	(469.8)%
Effect of foreign currency exchange rate changes on cash and cash equivalents	**1**	(2)	3	150.0 %
Change in cash and cash equivalents	**$ (136)**	$ (538)	$ 402	74.7 %
Cash and cash equivalents, end of period	**$ 929**	$ 1,260	$ (331)	(26.3)%

Cash Flows from Operating Activities Cash flows from operating activities were $960 million in the first quarter of 2019, an increase of $526 million compared to the first quarter of 2018. Normalized for the impact of IFRS 16, the increase in cash flows from operating activities was primarily due to favourable changes in non-cash working capital and credit card receivables.

Cash Flows from Investing Activities Cash flows from investing activities were $678 million in the first quarter of 2019, an increase of $2,128 million compared to the first quarter of 2018. The increase in cash flows from investing activities was primarily due to the change in security deposits driven by Choice Properties' acquisition of Canadian Real Estate Investment Trust ("CREIT") in the prior year and the repayment of the Company's $800 million debenture in the first quarter of 2019.

Capital Investments and Store Activity

As at or for the periods ended March 23, 2019 and March 24, 2018	**2019 (12 weeks)**	2018 (12 weeks)	% Change
Capital investments (millions of Canadian dollars)	**$ 174**	$ 222	(21.6)%
Corporate square footage (in millions)	**35.6**	35.6	— %
Franchise square footage (in millions)	**16.3**	16.2	0.6 %
Associate-owned drug store square footage (in millions)	**18.5**	18.4	0.5 %
Total retail square footage (in millions)	**70.4**	70.2	0.3 %
Number of corporate stores	**550**	551	(0.2)%
Number of franchise stores	**535**	533	0.4 %
Number of Associate-owned drug stores	**1,339**	1,335	0.3 %
Total number of stores	**2,424**	2,419	0.2 %
Percentage of corporate real estate owned	**8%**	72%	
Percentage of franchise real estate owned	**5%**	49%	
Percentage of Associate-owned drug store real estate owned	**1%**	1%	
Average store size (square feet)			
Corporate	**64,700**	64,600	0.2 %
Franchise	**30,500**	30,400	0.3 %
Associate-owned drug store	**13,800**	13,800	— %

Cash Flows used in Financing Activities Cash flows used in financing activities were $1,775 million in the first quarter of 2019, an increase of $2,255 million compared to the first quarter of 2018. The increase in cash flows used in financing activities was driven by higher net issuances of long term debt in the prior year, primarily related to Choice Properties' acquisition of CREIT and the reclassification of rent payments from operating activities to financing activities related to the implementation of IFRS 16, partially offset by lower repurchases of common shares.

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

Free Cash Flow[(2)] The definition of free cash flow[(2)] was changed in the first quarter of 2019 to normalize for the impact of the implementation of IFRS 16, which had no impact on cash flow. The following free cash flow[(2)] is presented on a Continuing Operations basis.

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)	**2019 (12 weeks)**	2018[(4)] (12 weeks)	$ Change	% Change
Cash flows from operating activities	**$ 960**	$ 434	$ 526	121.2 %
Less: Cash flows from operating activities from Discontinued Operations[(i)]	**—**	49	(49)	(100.0)%
Cash flows from operating activities from Continuing Operations[(i)]	**$ 960**	$ 385	$ 575	149.4 %
Less:				
Capital investments	**174**	163	11	6.7 %
Interest paid	**98**	92	6	6.5 %
Lease payments, net[(ii)]	**269**	—	269	100.0 %
Free cash flow[(2)] from Continuing Operations	**$ 419**	$ 130	$ 289	222.3 %

(i) Cash flows from operating activities from Continuing Operations include distributions received in 2018 and the payment related to the conversion of Class C LP Units in 2018 from Discontinued Operations. Cash flows from Discontinued Operations include the outflow of these items.

(ii) Includes cash rent paid on lease liabilities, net of lease payments received from finance leases.

Free cash flow[(2)] from Continuing Operations was $419 million in the first quarter of 2019, an increase of $289 million compared to the first quarter of 2018. The increase in free cash flow[(2)] was primarily driven by higher cash flows from operating activities, 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.

PC Bank expects to obtain long term financing for the growth of its credit card portfolio through the issuance of *Eagle Credit Card Trust®* (“*Eagle”)* notes and Guaranteed Investment Certificates.

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 from Continuing Operations, as monitored by management, by reportable operating segment:

			As at March 23, 2019			As at March 24, 2018			As at December 29, 2018
(millions of Canadian dollars)	**Retail**	**Financial Services**	**Total**	Retail	Financial Services	Total	Retail	Financial Services	Total
Bank indebtedness	**$ 130**	**$ —**	**$ 130**	$ 270	$ —	$ 270	$ 56	$ —	$ 56
Short term debt	**—**	**615**	**615**	—	440	440	—	915	915
Long term debt due within one year	**530**	**257**	**787**	1,187	605	1,792	1,373	274	1,647
Long term debt(i)	**4,262**	**1,614**	**5,876**	4,808	1,135	5,943	4,762	1,617	6,379
Certain other liabilities	**49**	**—**	**49**	42	—	42	48	—	48
Total debt excluding lease liabilities	**$ 4,971**	**$ 2,486**	**$ 7,457**	$ 6,307	$ 2,180	$ 8,487	$ 6,239	$ 2,806	$ 9,045
Lease liabilities due within one year	**$ 1,259**	**$ —**	**$ 1,259**	$ —	$ —	$ —	$ —	$ —	$ —
Lease liabilities	**7,825**	**—**	**7,825**	—	—	—	—	—	—
Total debt including total lease liabilities	**$ 14,055**	**$ 2,486**	**$ 16,541**	$ 6,307	$ 2,180	$ 8,487	$ 6,239	$ 2,806	$ 9,045

(i) Finance lease obligations of $556 million and $535 million were included in long term debt as at March 24, 2018 and December 29, 2018, respectively, prior to the implementation of IFRS 16.

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 23, 2019(i)	As at March 24, 2018	As at December 29, 2018
Retail debt to rolling year retail adjusted EBITDA(2)	**3.1x**	1.9x	1.9x

(i) Includes the annualized impact of IFRS 16. Rolling year retail adjusted EBITDA(2) is expected to be approximately $1.2 billion higher on an annualized basis due to the change in presentation of the Company’s rent expense.

The Retail debt to rolling year retail adjusted EBITDA(2) ratio as at March 23, 2019 increased compared to March 24, 2018 and December 29, 2018 primarily due to an increase in Retail debt driven by the increase in lease liabilities as a result of the implementation of IFRS 16. This increase was partially offset by the improvement in adjusted EBITDA(2) also as a result of the implementation of IFRS 16.

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

Covenants and Regulatory Requirements The Company is required to comply with certain financial covenants for various debt instruments. As at March 23, 2019 and throughout the first quarter, the Company was in compliance with their respective covenants. As at March 23, 2019 and throughout the first quarter, PC Bank has met all applicable regulatory requirements.

5.3 Components of Total Debt

Debentures In the fourth quarter of 2018, the Company issued debentures totaling $800 million. The proceeds from the issuance of these debentures were used to redeem, at par, the $800 million debenture in the first quarter of 2019. This debenture bore interest at 3.75% and had an original maturity date of March 12, 2019.

There were no debentures issued or repaid in the first quarter of 2018.

Committed Credit Facilities The Company has a $1.0 billion committed credit facility with a maturity date of June 10, 2021. These facilities contain certain financial covenants. As at March 23, 2019, there were no amounts drawn (March 24, 2018 and December 29, 2018 – nil) under the committed credit facility.

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* 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 23, 2019**	As at March 24, 2018	As at December 29, 2018
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust*®	**$ 750**	$ 900	$ 750
Securitized to Other Independent Securitization Trusts	**615**	440	915
Total securitized to independent securitization trusts	**$ 1,365**	$ 1,340	$ 1,665

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 23, 2019 and throughout the first quarter of 2019.

Independent Funding Trusts As at March 23, 2019, the independent funding trust had drawn $530 million (March 24, 2018 – $545 million; December 29, 2018 – $536 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 23, 2019, the Company has agreed to provide a credit enhancement of $64 million (March 24, 2018 and December 29, 2018 – $64 million) for the benefit of the independent funding trusts representing not less than 10% (2018 – not less than 10%) of the principal amount of loans outstanding.

The Company intends to renew the revolving committed credit facility upon its maturity date of June 10, 2019.

5.4 Financial Condition

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

	As at March 23, 2019(ii)	As at March 24, 2018	As at December 29, 2018
Rolling year adjusted return on equity(2)	**13.5%**	12.9%	12.6%
Rolling year adjusted return on capital(2)(i)	**7.7%**	9.7%	9.8%

(i) Includes the annualized impact of IFRS 16. Tax-effected adjusted operating income(2) is expected to be approximately $0.2 billion higher on an annualized basis due to the change in presentation of the Company's rent expense.

(ii) Opening equity and opening capital include the implementation impacts of IFRS 16 when calculating the average of equity and average of capital, respectively.

Rolling year adjusted return on equity(2) as at March 23, 2019 increased compared to March 24, 2018 and December 29, 2018 primarily due to the decrease in retained earnings as a result of the implementation of IFRS 16 and common share repurchases.

Rolling year adjusted return on capital(2) as at March 23, 2019 decreased compared to March 24, 2018 and December 29, 2018 primarily due to an increase in total debt driven by the increase in lease liabilities as a result of the implementation of IFRS 16. This increase was partially offset by the improvement in tax-effected adjusted operating income(2) also as a result of IFRS 16.

5.5 Credit Ratings

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	Stable	BBB	Stable
Medium term notes	BBB	Stable	BBB	n/a
Other notes and debentures	BBB	Stable	BBB	n/a
Second Preferred Shares, Series B	Pfd-3	Stable	P-3 (high)	n/a

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 were as follows:

	March 23, 2019 (12 weeks)		March 24, 2018 (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	**371,790,967**	**$ 7,177**	386,293,941	$ 7,460
Issued for settlement of stock options	**696,831**	**33**	861,022	41
Purchased and cancelled	**(3,395,757)**	**(7)**	(8,107,027)	(157)
Issued and outstanding, end of period	**369,092,041**	**$ 7,203**	379,047,936	$ 7,344
Shares held in trust, beginning of period	**(734,727)**	**$ (15)**	(780,938)	$ (15)
Purchased for future settlement of RSUs and PSUs	**(300,000)**	**(5)**	—	—
Released for settlement of RSUs and PSUs	**458,139**	**9**	465,253	9
Shares held in trust, end of period	**(576,588)**	**$ (11)**	(315,685)	$ (6)
Issued and outstanding, net of shares held in trust, end of period	**368,515,453**	**$ 7,192**	378,732,251	$ 7,338
Weighted average outstanding, net of shares held in trust	**369,026,714**		382,023,940	

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

	March 23, 2019[(i)] (12 weeks)	March 24, 2018 (12 weeks)
Dividends declared per share ($):		
Common Share	**$ 0.295**	$ 0.270
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125

(i) The first quarter dividends for 2019 of $0.295 per share declared on common shares have a payment date of April 1, 2019. The first quarter dividends for 2019 of $0.33125 per share declared on Second Preferred Shares, Series B have a payment date of March 31, 2019.

(millions of Canadian dollars)		March 23, 2019 (12 weeks)		March 24, 2018 (12 weeks)
Dividends declared:				
Common Share	$	110	$	103
Second Preferred Share, Series B		3		3
Total dividends declared	$	113	$	106

Subsequent to the end of first quarter of 2019, the Company's Board of Directors declared a quarterly dividend of $0.315 per common share, payable on July 1, 2019 to shareholders of record on June 15, 2019 and a dividend on the Second Preferred Shares, Series B of $0.33125 per share payable on June 30, 2019 to shareholders of record on June 15, 2019. At the time such dividends are declared, the Company identifies on its website, loblaw.ca, the designation of eligible and ineligible dividends in accordance with the administrative position of the Canada Revenue Agency.

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 23, 2019 (12 weeks)		March 24, 2018 (12 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)		3,395,757		8,107,027
Cash consideration paid[(i)]	$	215	$	544
Premium charged to Retained Earnings		23		387
Reduction in Common Share Capital		7		157
Common shares repurchased under the NCIB and held in trust (number of shares)		300,000		—
Cash consideration paid	$	20	$	—
Premium charged to Retained Earnings		15		—
Reduction in Common Share Capital		5		—

(i) Includes $185 million paid for common shares related to the automatic share purchase plan, as described below.

In the first quarter of 2019, the Company completed the automatic share purchase plan ("ASPP"), which was entered into in the fourth quarter of 2018, with a broker in order to facilitate the repurchase of the Company's common shares under its current NCIB. Under the Company's ASPP, the Company's broker purchased 2,927,733 common shares for approximately $185 million at times when the Company was not active in the market due to insider trading rules and its own internal trading blackout periods.

Subsequent to the end of the first quarter of 2019, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 18,455,884 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares. As of March 23, 2019, the Company has purchased 11,872,939 common shares under its previous NCIB for cancellation.

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 2019. For a discussion of the Company's significant off-balance sheet arrangements see Section 7.7 "Off-Balance Sheet Arrangements" of the Company's 2018 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 2019.

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 during the first quarter of 2019 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 2018 and 2017 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.

The Company's interest in Choice Properties has been presented separately as Discontinued Operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from Continuing Operations and includes the impacts of spin-out related incremental depreciation, the implementation of IFRS 16 and the consolidation of franchises.

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	
(millions of Canadian dollars except where otherwise indicated)	**2019 (12 weeks)**	**2018(4) (12 weeks)**	2018 (12 weeks)	2017(4) (12 weeks)	2018 (16 weeks)	2017(4) (16 weeks)	2018 (12 weeks)	2017(4) (12 weeks)
Revenue	**$ 10,659**	**$ 10,335**	$ 11,218	$ 10,992	$ 14,319	$ 14,163	$ 10,821	$ 11,053
Adjusted EBITDA(2)	**1,040**	**733**	895	882	1,060	1,051	840	853
Net earnings available to common shareholders of the Company	**198**	**377**	221	31	106	883	50	360
Continuing Operations	**198**	**212**	228	(24)	(26)	767	293	312
Discontinued Operations	**—**	**165**	(7)	55	132	116	(243)	48
Adjusted net earnings available to common shareholders of the Company(2)	**$ 290**	**$ 361**	$ 402	$ 436	$ 562	$ 549	$ 421	$ 446
Continuing Operations	**290**	**312**	388	398	466	470	373	399
Discontinued Operations	**—**	**49**	14	38	96	79	48	47
Net earnings per common share:								
Basic ($)	**$ 0.54**	**$ 0.99**	$ 0.59	$ 0.08	$ 0.28	$ 2.25	$ 0.13	$ 0.92
Continuing Operations	**$ 0.54**	**$ 0.55**	$ 0.61	$ (0.06)	$ (0.07)	$ 1.95	$ 0.77	$ 0.80
Discontinued Operations	**$ —**	**$ 0.44**	$ (0.02)	$ 0.14	$ 0.35	$ 0.30	$ (0.64)	$ 0.12
Diluted ($)	**$ 0.53**	**$ 0.98**	$ 0.59	$ 0.08	$ 0.28	$ 2.24	$ 0.13	$ 0.90
Continuing Operations	**$ 0.53**	**$ 0.55**	$ 0.61	$ (0.06)	$ (0.07)	$ 1.94	$ 0.77	$ 0.78
Discontinued Operations	**$ —**	**$ 0.43**	$ (0.02)	$ 0.14	$ 0.35	$ 0.30	$ (0.64)	$ 0.12
Adjusted diluted net earnings per common share(2) ($)	**$ 0.78**	**$ 0.94**	$ 1.07	$ 1.12	$ 1.49	$ 1.39	$ 1.11	$ 1.11
Continuing Operations	**$ 0.78**	**$ 0.81**	$ 1.03	$ 1.02	$ 1.24	$ 1.19	$ 0.98	$ 1.00
Discontinued Operations	**$ —**	**$ 0.13**	$ 0.04	$ 0.10	$ 0.25	$ 0.20	$ 0.13	$ 0.11
Average national food price inflation (deflation) (as measured by CPI)	**3.3%**	**1.2%**	1.7%	1.0%	0.3%	0.3%	0.1%	(1.4)%
Food retail same-store sales growth	**2.0%**	**1.9%**	0.8%	0.5%	0.9%	1.4%	0.8%	1.2 %
Drug retail same-store sales growth	**2.2%**	**3.7%**	1.9%	3.6%	2.5%	3.3%	1.7%	3.7 %

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;
- the disposition of gas bar operations in the third quarter of 2017;
- consolidation of franchises; and
- changes in net retail square footage. Over the past eight quarters, net retail square footage increased by 0.3 million square feet to 70.4 million square feet.

Net Earnings Available to Common Shareholders of the Company from Continuing Operations and Diluted Net Earnings Per Common Share from Continuing Operations Net earnings available to common shareholders of the Company from continuing operations and diluted net earnings per common share from continuing operations 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;
- the disposition of gas bar operations in the third quarter of 2017;
- minimum wage increases and incremental healthcare reform;
- cost savings and operating efficiencies from Process and Efficiency initiatives and benefits from strategic initiatives;
- changes in the underlying operating performance of the Company;
- the favourable impact of the repurchase of common shares for cancellation; and
- the impact of certain adjusting items, as set out in Section 12 "Non-GAAP Financial Measures", including:
    - the gain on disposition of gas bar operations;
    - the charge related to Glenhuron Bank Limited;
    - the *PC Optimum* Program;
    - the Loblaw Card Program;
    - restructuring and other related charges;
    - the wind-down of *PC Financial* personal banking services;
    - the impact of healthcare reform on inventory balances;
    - the remeasurement of deferred tax balances;
    - asset impairments, net of recoveries; and
    - the gain on sale of properties.

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 consolidated financial statements for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. 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 2019 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 29, 2018 and the Company's MD&A in the Company's 2018 Annual Report, which are hereby incorporated by reference. The Company's 2018 Annual Report and AIF are available online on www.sedar.com. Those risks and risk management strategies remain unchanged.

10. Accounting Standards

Accounting Standard Implemented in 2019

IFRS 16 In 2016, the IASB issued IFRS 16, replacing IAS 17 and related interpretations. The standard introduces a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessees recognize a right-of-use asset representing its control of and right to use the underlying asset and a lease liability representing its obligation to make future lease payments. Lessor accounting remains similar to IAS 17.

IFRS 16 became effective for annual periods beginning on or after January 1, 2019. For leases where the Company is the lessee, it had the option of adopting a fully retrospective approach or a modified retrospective approach on transition to IFRS 16. The Company adopted the standard on December 30, 2018 using the modified retrospective approach. The Company applied the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening retained earnings as at December 30, 2018, and no restatement of the comparative period. Under the modified retrospective approach, the Company chose to measure all right-of-use assets retrospectively as if the standard had been applied since lease commencement dates.

Substantially all of the Company's operating leases are real estate leases for retail stores, distribution centers and corporate offices. Other leased assets include passenger vehicles, trucks and IT equipment. The Company recognized right-of-use assets and lease liabilities for its operating leases except for certain classes of underlying assets in which the lease terms are 12 months or less. The depreciation expense on right-of-use assets and interest expense on lease liabilities replaced rent expense, which was previously recognized on a straight-line basis under IAS 17 over the term of a lease. There are no significant impacts to the Company's existing finance leases under IAS 17 as a lessee.

The Company also has owned and leased properties which are leased and subleased to third parties, respectively. The subleases are mainly related to non-consolidated franchisees, ancillary tenants and gas bar land. As an intermediate lessor, the Company reassessed the classification of its subleases by reference to the right-of-use assets arising from the head lease and recognized a corresponding finance lease receivable when the reassessment concluded that the subleases were finance leases.

IFRS 16 permits the use of recognition exemptions and practical expedients. The Company applied the following recognition exemptions and practical expedients:

- grandfathered the definition of leases for existing contracts at the date of initial application;
- excluded certain short-term leases from IFRS 16 lease accounting;
- used portfolio application for leases with similar characteristics, such as vehicle and equipment leases;
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics at the date of initial application;
- excluded initial direct costs from the measurement of right-of-use assets at the date of initial application; and
- used hindsight in determining lease term at the date of initial application.

The Company did not exercise the practical expedient wherein a lessee may rely on its assessment of whether leases are onerous applying IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application as an alternative to performing an impairment review. On the date of initial application, the Company applied the requirements of IAS 36, "Impairment of Assets" and recorded an impairment of $94 million on right-of-use assets in opening retained earnings, which represents an incremental $46 million to the previous onerous lease provision.

The impact of adopting IFRS 16 on the Company's balance sheet as at December 30, 2018 was as follows:

Condensed Consolidated Balance Sheet (millions of Canadian Dollars) / Increase (Decrease)		As at December 30, 2018
Current Assets		
Prepaid Expenses and Other Assets	$	(104)
Total Current Assets	$	(104)
Fixed Assets(i)		(435)
Right-of-Use Assets(i)		7,602
Intangible Assets		(82)
Deferred Income Tax Assets		34
Other Assets		128
Total Assets	$	7,143
Current Liabilities		
Trade Payables and Other Liabilities	$	(11)
Provisions		(4)
Long Term Debt Due Within One Year(i)		(37)
Lease Liabilities Due Within One Year(i)(ii)		1,192
Total Current Liabilities	$	1,140
Provisions		(51)
Long Term Debt(i)		(498)
Lease Liabilities(i)(ii)		7,985
Deferred Income Tax Liabilities		(256)
Other Liabilities		(379)
Retained Earnings		(798)
Total Liabilities and Equity	$	7,143

(i) Leases previously classified as finance lease arrangements under IAS 17 were presented within fixed assets, long term debt due within one year and long term debt. Effective December 30, 2018, these balances are included in right-of-use assets and lease liabilities.

(ii) Leases that are short-term or where the lease payments are variable and do not depend on an index or rate are not included in the calculation of lease liabilities. These lease expenses are recognized in SG&A on the most systematic basis.

The Company used its incremental borrowing rates as at December 30, 2018 to measure lease liabilities. The weighted average incremental borrowing rate is 4.36%. The weighted average lease term remaining as at December 30, 2018 is approximately 10 years.

The following reconciliation is between lease liabilities recognized on December 30, 2018 and operating lease commitments disclosed under IAS 17 as at December 29, 2018 discounted using the weighted average incremental borrowing rate as at the date of initial application:

(millions of Canadian Dollars)	As at December 30, 2018
Operating lease commitment as at December 29, 2018 as disclosed in the Company's notes to the consolidated financial statements	$ 9,987
Discounted using the weighted average incremental borrowing rate as at December 30, 2018	$ 8,048
Finance lease obligations recognized as at December 29, 2018	535
Extension and termination options reasonably certain to be exercised	594
Lease liabilities recognized as at December 30, 2018	$ 9,177
Lease liabilities due within one year	$ 1,192
Lease liabilities	7,985
Total Lease Liabilities	$ 9,177

Critical Accounting Estimates and Judgments for Leases

Judgments Made in Relation to Accounting Policies Applied Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, store performances and past business practice. The periods covered by renewal options are only included in the lease term if Management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact Management's assessment of lease term, and any changes in Management's estimate of lease terms may have a material impact on the Company's balance sheet and statement of earnings.

Key Sources of Estimation In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

11. Outlook[(3)]

Loblaw is focused on its strategic framework, delivering best in food and health and beauty, using data driven insights underpinned by process and efficiency excellence. This framework is supported by the Company's financial plan of maintaining a stable trading environment that targets positive same-store sales and stable gross margin, creating efficiencies to deliver operating leverage, investing for the future and returning capital to shareholders.

The Company will remain focused on delivering Process and Efficiency improvements to offset increasing costs and to fund continued incremental investments in its strategic growth areas of Everyday Digital Retail, Connected Healthcare and Payments & Rewards.

In 2019, on a full-year comparative basis, excluding the impact of the spin-out of Choice Properties, we expect to:

- deliver positive same-store sales and stable gross margin in the Retail segment in a highly competitive market;
- deliver positive adjusted net earnings growth;
- invest approximately $1.1 billion in capital expenditures, net of proceeds from property disposals; 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 retail adjusted EBITDA; adjusted return on equity; and adjusted return on capital. 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.

The Company's interest in Choice Properties has been presented separately as Discontinued Operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from Continuing Operations.

Retail Segment Gross Profit, Retail Segment Adjusted Gross Profit and Retail Segment Adjusted Gross Profit Percentage The following tables reconcile adjusted gross profit by segment to gross profit by segment, which is reconciled to revenue and cost of merchandise inventories sold measures as reported in the condensed consolidated statements of earnings for the periods ended as indicated. 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.

				2019 (12 weeks)				2018[(4)] (12 weeks)
For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$ 10,452**	**$ 266**	**$ (59)**	**$ 10,659**	$ 10,155	$ 230	$ (50)	$ 10,335
Cost of Merchandise Inventories Sold	**7,355**	**32**	**—**	**7,387**	7,186	22	—	7,208
Gross Profit	**$ 3,097**	**$ 234**	**$ (59)**	**$ 3,272**	$ 2,969	$ 208	$ (50)	$ 3,127
Add (deduct) impact of the following:								
Impact of health care reform on inventory balances	**—**	**—**	**—**	**—**	19	—	—	19
Adjusted Gross Profit	**$ 3,097**	**$ 234**	**$ (59)**	**$ 3,272**	$ 2,988	$ 208	$ (50)	$ 3,146

Impact of healthcare reform on inventory balances In the first quarter of 2018, the Company recorded an inventory provision for the write-down of inventories below cost to net realizable value, related to its generic drug inventory, as a result of healthcare reform announced in the first quarter of 2018, effective April 1, 2018.

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 net earnings attributable to shareholders of the Company as reported in the condensed consolidated statements of earnings for the periods ended as indicated. 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.

			2019 (12 weeks)			2018[(4)] (12 weeks)
For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Consolidated**	Retail	Financial Services	Consolidated
Net earnings attributable to shareholders of the Company			**$ 201**			$ 215
Add (deduct) impact of the following:						
Non-Controlling Interests			**5**			(5)
Net interest expense and other financing charges			**173**			89
Income taxes			**72**			77
Operating income	**$ 401**	**$ 50**	**$ 451**	$ 300	$ 76	$ 376
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 119**	**$ —**	**$ 119**	$ 121	$ —	$ 121
Restructuring and other related costs	**12**	**—**	**12**	—	—	—
Pension annuities and buy-outs	**10**	**—**	**10**	—	—	—
Impact of health care reform on inventory balances	**—**	**—**	**—**	19	—	19
Loblaw Card Program	**—**	**—**	**—**	19	—	19
Wind-down of *PC Financial* personal banking services	**—**	**—**	**—**	—	(17)	(17)
Fair value adjustment on fuel and foreign currency contracts	**(2)**	**—**	**(2)**	(5)	—	(5)
Fair value adjustment on investment properties	**(3)**	**—**	**(3)**	—	—	—
Gain on sale of non-operating properties	**(8)**	**—**	**(8)**	—	—	—
Adjusting Items	**$ 128**	**$ —**	**$ 128**	$ 154	$ (17)	$ 137
Adjusted operating income	**$ 529**	**$ 50**	**$ 579**	$ 454	$ 59	$ 513
Depreciation and amortization	**575**	**5**	**580**	339	2	341
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(119)**	**—**	**(119)**	(121)	—	(121)
Adjusted EBITDA	**$ 985**	**$ 55**	**$ 1,040**	$ 672	$ 61	$ 733

In addition to the items described in the Retail segment adjusted gross profit section above, adjusted EBITDA 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.

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.

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.

Loblaw Card Program In the fourth quarter of 2017, the Company and Weston acknowledged their involvement in an industry wide price-fixing arrangement involving certain packaged bread products. In connection with the arrangement, the Company offered customers a $25 Loblaw Card, which can be used to purchase items sold in Loblaw grocery stores across Canada. The Company recorded a charge of $107 million associated with the Loblaw Card Program in the fourth quarter of 2017. In the first quarter of 2018, the Company recorded an additional charge of $19 million.

Wind-down of PC Financial personal banking services In the third quarter of 2017, PC Bank entered into an agreement to end its business relationship with a major Canadian chartered bank, which represented the personal banking services offered under the *PC Financial* brand. As a result of this agreement, PC Bank received a payment of approximately $44 million, net of certain costs incurred, $20 million of which was recognized in the first half of 2018 and $24 million which was recognized in 2017.

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.

Fair value adjustment to investment properties The Company elected to change the measurement of investment properties from cost model to fair value model. Prior to the second quarter of 2018, the Company recognized investment properties at cost less accumulated depreciation and any accumulated impairment losses. Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Fair value is determined based on available market evidence. If market evidence is not readily available in less active markets, the Company uses alternative valuation methods such as discounted cash flow projections or recent transaction prices. Gains and losses on fair value are recognized in operating income in the period in which they are incurred. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

Gain on sale of non-operating properties In the first quarter of 2019, the Company disposed of vacant land to a third party and recorded a gain of $8 million related to the sale.

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 as reported in the condensed consolidated statements of earnings for the periods ended as indicated. 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.

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars)	**2019** **(12 weeks)**	2018[4] (12 weeks)
Net interest expense and other financing charges	**$ 173**	$ 89
Adjusted net interest expense and other financing charges	**$ 173**	$ 89

Adjusted Income Taxes and Adjusted Income Tax Rate The following table reconciles adjusted income taxes to income taxes as reported in the condensed consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted income taxes is useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

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.

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)		2019 (12 weeks)		2018[(4)] (12 weeks)
Adjusted operating income[(i)]	$	579	$	513
Adjusted net interest expense and other financing charges[(i)]		173		89
Adjusted earnings before taxes	$	406	$	424
Income taxes	$	72	$	77
Add (deduct) impact of the following:				
Tax impact of items included in adjusted earnings before taxes[(ii)]		36		37
Adjusted income taxes	$	108	$	114
Effective tax rate		25.9%		26.8%
Adjusted income tax rate		26.6%		26.9%

(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 Net Earnings Available to Common Shareholders and Adjusted Diluted Net Earnings Per Common Share The following table reconciles adjusted net earnings available to common shareholders of the Company and adjusted net earnings attributable to shareholders of the Company to net earnings attributable to shareholders of the Company and then to net earnings available to common shareholders of the Company for the periods ended as indicated. The Company believes that 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.

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)		2019 (12 weeks)		2018[(4)] (12 weeks)
Net earnings attributable to shareholders of the Company	$	201	$	380
Net earnings from Discontinued Operations		—		165
Net earnings attributable to shareholders of the Company from Continuing Operations	$	201	$	215
Prescribed dividends on preferred shares in share capital		(3)		(3)
Net earnings available to common shareholders of the Company from Continuing Operations	$	198	$	212
Net earnings attributable to shareholders of the Company from Continuing Operations	$	201	$	215
Adjusting items (refer to the following table)		92		100
Adjusted net earnings attributable to shareholders of the Company from Continuing Operations	$	293	$	315
Prescribed dividends on preferred shares in share capital		(3)		(3)
Adjusted net earnings available to common shareholders of the Company from Continuing Operations	$	290	$	312
Diluted weighted average common shares outstanding (millions)		371.4		384.5

The following table reconciles adjusted net earnings available to common shareholders of the Company and adjusted diluted net earnings per common share to net earnings available to common shareholders of the Company and diluted net earnings per common share for the periods ended as indicated.

	2019 (12 weeks)		2018[4] (12 weeks)	
For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars/Canadian dollars)	**Net Earnings Available to Common Shareholders of the Company**	**Diluted Net Earnings Per Common Share**	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share
Continuing Operations	**$ 198**	**$ 0.53**	$ 212	$ 0.55
Discontinued Operations	**—**	**—**	165	0.43
As reported	**$ 198**	**$ 0.53**	$ 377	$ 0.98
Continuing Operations	**$ 198**	**$ 0.53**	$ 212	$ 0.55
Add (deduct) impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 86**	**$ 0.24**	$ 89	$ 0.22
Restructuring and other related costs	**9**	**0.02**	—	—
Pension annuities and buy-outs	**7**	**0.02**	—	—
Loblaw Card Program	**—**	**—**	14	0.04
Wind-down of *PC Financial* personal banking services	**—**	**—**	(13)	(0.03)
Impact of health care reform on inventory balances	**—**	**—**	14	0.04
Fair value adjustment on fuel and foreign currency contracts	**(1)**	**—**	(4)	(0.01)
Fair value adjustment on investment properties	**(2)**	**(0.01)**	—	—
Gain on sale of non-operating properties	**(7)**	**(0.02)**	—	—
Adjusting items from Continuing Operations	**$ 92**	**$ 0.25**	$ 100	$ 0.26
Adjusted Continuing Operations	**$ 290**	**$ 0.78**	$ 312	$ 0.81
Discontinued Operations	**$ —**	**$ —**	$ 165	$ 0.43
Add (deduct) impact of the following:				
Fair value adjustment on Trust Unit Liability[(i)]	**$ —**	**$ —**	$ (124)	$ (0.32)
CREIT acquisition and other related costs	**—**	**—**	9	0.02
Restructuring and other related costs	**—**	**—**	(1)	—
Adjusting items from Discontinued Operations	**$ —**	**$ —**	$ (116)	$ (0.30)
Adjusted Discontinued Operations	**$ —**	**$ —**	$ 49	$ 0.13
Adjusted Total Company	**$ 290**	**$ 0.78**	$ 361	$ 0.94

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

In addition to the items described in the Retail segment adjusted gross profit[(2)] and adjusted EBITDA[(2)] section above, adjusted net earnings available to common shareholders of the Company was impacted by the following:

Fair value adjustment to the Trust Unit Liability Prior to the spin-out of Choice Properties, the Company was exposed to market price fluctuations as a result of the Units held by unitholders other than the Company and on the basis the Company consolidated Choice Properties. These Units were presented as a liability on the Company's consolidated balance sheets as they were redeemable for cash at the option of the holder, subject to certain restrictions. The liability was 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 the market price of Units resulted in a charge (reduction) to net interest expense and other financing charges.

CREIT acquisition and other related costs The Company recorded acquisition and other related costs in connection with Choice Properties' acquisition of CREIT in discontinued operations in the first quarter of 2018.

Free Cash Flow The following table reconciles free cash flow to cash flows from operating activities as reported in the condensed consolidated statements of cash flows for the periods ended as indicated. The Company believes that free cash flow is the appropriate measure in assessing the Company's cash available for additional financing and investing activities.

The definition of free cash flow[2] was changed in the first quarter of 2019 to normalize for the impact of the implementation of IFRS 16, which had no impact on cash flow.

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars)		2019 (12 weeks)		2018[4] (12 weeks)
Cash flows from operating activities from Continuing Operations[i]	$	960	$	385
Cash flows from operating activities from Discontinued Operations[i]		—		49
Cash flows from operating activities Total Company	$	960	$	434
Cash flows from operating activities from Continuing Operations[i]	$	960	$	385
Less:				
Capital investments		174		163
Interest paid		98		92
Lease payments, net[ii]		269		—
Free cash flow from Continuing Operations	$	419	$	130
Cash flows from operating activities from Discontinued Operations[i]	$	—	$	49
Less:				
Capital investments		—		59
Interest paid		—		63
Free cash flow from Discontinued Operations	$	—	$	(73)
Free cash flow from Total Company	$	419	$	57

(i) Cash flows from operating activities from Continuing Operations include distributions received in 2018 and the payment related to the conversion of Class C LP Units in 2018 from Discontinued Operations. Cash flows from Discontinued Operations include the outflow of these items.

(ii) Includes cash rent paid on lease liabilities, net of lease payments received from finance leases.

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 leverage 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.

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.

April 30, 2019
Toronto, Canada

MD&A Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 140 of the Company's 2018 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) Comparative figures have been restated.See note 4 in the Company's 2019 first quarter unaudited interim period condensed consolidated financial statements. Certain figures have been restated to conform with current year presentation.

Financial Results

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)		**March 23, 2019 (12 weeks)**		March 24, 2018[(i)] (12 weeks)
Revenue	**$**	**10,659**	$	10,335
Cost of Merchandise Inventories Sold		**7,387**		7,208
Selling, General and Administrative Expenses		**2,821**		2,751
Operating Income	**$**	**451**	$	376
Net interest expense and other financing charges (note 5)		**173**		89
Earnings Before Income Taxes	**$**	**278**	$	287
Income taxes (note 6)		**72**		77
Net Earnings from Continuing Operations	**$**	**206**	$	210
Net Earnings from Discontinued Operations (note 4)		**—**		165
Net Earnings	**$**	**206**	$	375
Attributable to:				
Shareholders of the Company (note 7)	**$**	**201**	$	380
Non-Controlling Interests		**5**		(5)
Net Earnings	**$**	**206**	$	375
Net Earnings per Common Share - Basic ($) (note 7)				
Continuing Operations	**$**	**0.54**	$	0.55
Discontinued Operations	**$**	**—**	$	0.44
Net Earnings per Common Share - Diluted ($) (note 7)				
Continuing Operations	**$**	**0.53**	$	0.55
Discontinued Operations	**$**	**—**	$	0.43
Weighted Average Common Shares Outstanding (millions) (note 7)				
Basic		**369.0**		382.0
Diluted		**371.4**		384.5

(i) Comparative figures have been restated (note 4). Certain comparative figures have been restated to conform with current year presentation.

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)		**March 23, 2019 (12 weeks)**		March 24, 2018[i] (12 weeks)
Net Earnings from Continuing Operations	**$**	**206**	$	210
Other comprehensive loss, net of taxes				
Items that are or may be subsequently reclassified to profit or loss:				
Foreign currency translation adjustment loss	**$**	**—**	$	(1)
Unrealized loss on cash flow hedges (note 18)		**(5)**		—
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial losses (note 17)		**(71)**		(17)
Other comprehensive income (loss) from Continuing Operations	**$**	**(76)**	$	(18)
Comprehensive Income from Continuing Operations	**$**	**130**	$	192
Comprehensive Income from Discontinued Operations		**—**		165
Total Comprehensive Income	**$**	**130**	$	357
Attributable to:				
Shareholders of the Company	**$**	**125**	$	362
Non-Controlling Interests		**5**		(5)
Total Comprehensive Income	**$**	**130**	$	357

(i) Comparative figures have been restated (note 4).

See accompanying notes to the 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	Adjustment to fair value on transfer of investment properties	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total Equity**
Balance as at December 29, 2018	$7,162	$ 221	**$7,383**	**$4,580**	**$ 107**	$ 34	$ (1)	$ 16	**$ 49**	**$ 59**	**$12,178**
Impact of adopting IFRS 16 (note 2)	—	—	**—**	**(798)**	**—**	—	—	—	**—**		**(798)**
Restated balance as at December 30, 2018	$7,162	$ 221	**$7,383**	**$3,782**	**$ 107**	$ 34	$ (1)	$ 16	**$ 49**	**$ 59**	**$11,380**
Net earnings	$ —	$ —	**$ —**	**$ 201**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 5**	**$ 206**
Other comprehensive loss	—	—	**—**	**(71)**	**—**	—	(5)	—	**(5)**	**—**	**(76)**
Total Comprehensive Income (Loss)	$ —	$ —	**$ —**	**$ 130**	**$ —**	$ —	$ (5)	$ —	**$ (5)**	**$ 5**	**$ 130**
Common shares purchased and cancelled (note 15)	(7)	—	**(7)**	**(23)**	**—**	—	—	—	**—**	**—**	**(30)**
Net effect of equity-based compensation (notes 15 and 16)	33	—	**33**	**—**	**(19)**	—	—	—	**—**	**—**	**14**
Shares purchased and held in trust (note 15)	(5)	—	**(5)**	**(15)**	**—**	—	—	—	**—**	**—**	**(20)**
Shares released from trust (notes 15 and 16)	9	—	**9**	**16**	**—**	—	—	—	**—**	**—**	**25**
Dividends declared per common share – $0.295 (note 15)	—	—	**—**	**(110)**	**—**	—	—	—	**—**	**—**	**(110)**
Dividends declared per preferred share – $0.33125 (note 15)	—	—	**—**	**(3)**	**—**	—	—	—	**—**	**—**	**(3)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	—	**—**	**(12)**	**(12)**
	$ 30	$ —	**$ 30**	**$ (5)**	**$ (19)**	$ —	$ (5)	$ —	**$ (5)**	**$ (7)**	**$ (6)**
Balance as at March 23, 2019	$7,192	$ 221	**$7,413**	**$3,777**	**$ 88**	$ 34	$ (6)	$ 16	**$ 44**	**$ 52**	**$11,374**

(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 as at December 30, 2017 (note 2)	$ 7,445	$ 221	**$ 7,666**	**$ 5,280**	**$ 110**	$ 36	$ 2	**$ 38**	**$ 40**	**$13,134**
Impact of adopting IFRS 9 (note 2)	—	—	**—**	**(72)**	**—**	—	—	**—**	**—**	**(72)**
Restated balance as at December 31, 2017	$ 7,445	$ 221	**$ 7,666**	**$ 5,208**	**$ 110**	$ 36	$ 2	**$ 38**	**$ 40**	**$13,062**
Net earnings	$ —	$ —	**$ —**	**$ 380**	**$ —**	$ —	$ —	**$ —**	**$ (5)**	**$ 375**
Other comprehensive loss	—	—	**—**	**(17)**	**—**	(1)	—	**(1)**	**—**	**(18)**
Total Comprehensive Income (Loss)	$ —	$ —	**$ —**	**$ 363**	**$ —**	$ (1)	$ —	**$ (1)**	**$ (5)**	**$ 357**
Common shares purchased and cancelled (note 15)	(157)	—	**(157)**	**(387)**	**—**	—	—	**—**	**—**	**(544)**
Net effect of equity-based compensation (notes 15 and 16)	41	—	**41**	**—**	**(20)**	—	—	**—**	**—**	**21**
Shares released from trust (notes 15 and 16)	9	—	**9**	**19**	**—**	—	—	**—**	**—**	**28**
Dividends declared per common share – $0.270 (note 15)	—	—	**—**	**(103)**	**—**	—	—	**—**	**—**	**(103)**
Dividends declared per preferred share – $0.33125 (note 15)	—	—	**—**	**(3)**	**—**	—	—	**—**	**—**	**(3)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	**—**	**(7)**	**(7)**
	$ (107)	$ —	**$ (107)**	**$ (111)**	**$ (20)**	$ (1)	$ —	**$ (1)**	**$ (12)**	**$ (251)**
Balance as at March 24, 2018	$ 7,338	$ 221	**$ 7,559**	**$ 5,097**	**$ 90**	$ 35	$ 2	**$ 37**	**$ 28**	**$12,811**

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	As at March 23, 2019	As at March 24, 2018[i]	As at December 29, 2018
Assets			
Current Assets			
Cash and cash equivalents (note 8)	**$ 929**	$ 1,260	$ 1,065
Short term investments (note 8)	**73**	459	94
Security deposits (note 8)	**—**	1,295	800
Accounts receivable	**986**	1,116	1,198
Credit card receivables (note 9)	**3,047**	2,803	3,329
Inventories (note 10)	**4,572**	4,425	4,803
Prepaid expenses and other assets	**204**	242	304
Assets held for sale (note 11)	**57**	41	44
Total Current Assets	**$ 9,868**	$ 11,641	$ 11,637
Fixed Assets	**5,390**	10,623	5,931
Right-of-Use Assets (note 2)	**7,463**	—	—
Equity Accounted Joint Ventures	**—**	24	—
Investment Properties	**213**	288	234
Intangible Assets	**7,622**	8,159	7,798
Goodwill	**3,944**	3,924	3,942
Deferred Income Tax Assets	**164**	97	144
Franchise Loans Receivable (note 18)	**65**	151	78
Other Assets (note 12)	**495**	363	389
Total Assets	**$ 35,224**	$ 35,270	$ 30,153
Liabilities			
Current Liabilities			
Bank indebtedness	**$ 130**	$ 270	$ 56
Trade payables and other liabilities	**4,480**	4,710	5,302
Loyalty liability	**222**	294	228
Provisions	**165**	278	165
Income taxes payable	**23**	12	131
Short term debt (note 9)	**615**	440	915
Long term debt due within one year (note 13)	**787**	3,092	1,647
Lease liabilities due within one year (note 2)	**1,259**	—	—
Associate interest	**246**	250	260
Total Current Liabilities	**$ 7,927**	$ 9,346	$ 8,704
Provisions (note 2)	**96**	155	152
Long Term Debt (note 13)	**5,876**	9,411	6,379
Lease Liabilities (note 2)	**7,825**	—	—
Trust Unit Liability	**—**	849	—
Deferred Income Tax Liabilities	**1,642**	1,991	1,947
Other Liabilities (note 14)	**484**	707	793
Total Liabilities	**$ 23,850**	$ 22,459	$ 17,975
Equity			
Share Capital (note 15)	**$ 7,413**	$ 7,559	$ 7,383
Retained Earnings	**3,777**	5,097	4,580
Contributed Surplus (note 16)	**88**	90	107
Accumulated Other Comprehensive Income	**44**	37	49
Total Equity Attributable to Shareholders of the Company	**$ 11,322**	$ 12,783	$ 12,119
Non-Controlling Interests	**52**	28	59
Total Equity	**$ 11,374**	$ 12,811	$ 12,178
Total Liabilities and Equity	**$ 35,224**	$ 35,270	$ 30,153

(i) Certain comparative figures have been restated (note 2). Certain figures have been restated to conform with current year presentation.
Contingent Liabilities (note 19).
See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	**March 23, 2019 (12 weeks)**	March 24, 2018[(i)] (12 weeks)
Operating Activities		
Net earnings	**$ 206**	$ 375
Add (Deduct):		
Income taxes (note 6)	**72**	92
Net interest expense and other financing charges (note 5)	**173**	13
Adjustment to fair value of investment properties	**(3)**	—
Depreciation and amortization	**580**	369
Asset impairments, net of recoveries	**2**	1
Change in provisions	**(5)**	(19)
	$ 1,025	$ 831
Change in non-cash working capital	**(175)**	(470)
Change in credit card receivables (note 9)	**282**	199
Income taxes paid	**(185)**	(138)
Interest received	**3**	7
Interest received from finance leases (note 2)	**1**	—
Other	**9**	5
Cash Flows from Operating Activities	**$ 960**	$ 434
Investing Activities		
Fixed asset purchases	**$ (88)**	$ (141)
Intangible asset additions	**(86)**	(81)
Cash assumed on initial consolidation of franchises (note 3)	**7**	8
Change in short term investments (note 8)	**21**	87
Change in security deposits (note 8)	**800**	(1,295)
Proceeds from disposal of assets	**59**	—
Lease payments received from finance leases (note 2)	**3**	—
Other	**(38)**	(28)
Cash Flows from (used in) Investing Activities	**$ 678**	$ (1,450)
Financing Activities		
Change in bank indebtedness	**$ 74**	$ 160
Change in short term debt (note 9)	**(300)**	(200)
Long Term Debt (note 13)		
Issued	**3**	2,017
Retired	**(829)**	(690)
Interest paid	**(98)**	(155)
Cash rent paid on lease liabilities - Interest (note 2)	**(90)**	—
Cash rent paid on lease liabilities - Principal (note 2)	**(183)**	—
Dividends paid on common and preferred shares	**(113)**	(108)
Common Share Capital		
Issued (note 16)	**29**	34
Purchased and held in trust (note 15)	**(20)**	—
Purchased and cancelled (note 15)	**(215)**	(544)
Other	**(33)**	(34)
Cash Flows (used in) from Financing Activities	**$ (1,775)**	$ 480
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 1**	$ (2)
Change in cash and cash equivalents	**$ (136)**	$ (538)
Cash and cash equivalents, beginning of period	**1,065**	1,798
Cash and Cash Equivalents, End of Period	**$ 929**	$ 1,260

(i) Certain comparative figures have been restated to conform with current year presentation.

See accompanying notes to the condensed consolidated financial statements.

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)

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. Loblaw Companies Limited provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, financial services, and wireless mobile products and services. Its registered office is located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S7. Loblaw Companies Limited and its subsidiaries are together referred to, in these unaudited interim period condensed consolidated financial statements, as the “Company” or “Loblaw”.

The Company’s controlling shareholder is George Weston Limited (“Weston”), which owns approximately 50.9% of the Company’s outstanding common shares. The Company’s ultimate parent is Wittington Investments, Limited (“Wittington”). The remaining common shares are widely held.

On November 1, 2018, the Company and Weston completed a reorganization under which Weston received the Company’s approximate 61.6% effective interest in Choice Properties Real Estate Investment Trust (“Choice Properties”) (“the reorganization” or “the spin-out”), as described in Note 4, “Discontinued Operations”. The Company no longer retains its interest in Choice Properties and ceased to consolidate its equity interest in Choice Properties from the consolidated financial statements. Prior to November 1, 2018, Loblaw Companies Limited was the majority unitholder of Choice Properties.

The Company has two reportable operating segments: Retail and Financial Services (see note 20).

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 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 2018 audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements, with the exception of the accounting standard implemented in 2019. Changes to significant accounting policies are described below. 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 (“IAS”) 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 2018 audited annual consolidated financial statements and accompanying notes.

These unaudited interim period condensed consolidated financial statements were approved for issuance by the Company’s Board of Directors (“Board”) on April 30, 2019.

Accounting Standard Implemented in 2019

IFRS 16 In 2016, the International Accounting Standards Board issued IFRS 16, “Leases” (“IFRS 16”), replacing IAS 17, “Leases” (“IAS 17”) and related interpretations. The standard introduces a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessees recognize a right-of-use asset representing its control of and right to use the underlying asset and a lease liability representing its obligation to make future lease payments. Lessor accounting remains similar to IAS 17.

IFRS 16 became effective for annual periods beginning on or after January 1, 2019. For leases where the Company is the lessee, it had the option of adopting a fully retrospective approach or a modified retrospective approach on transition to IFRS 16. The Company adopted the standard on December 30, 2018 using the modified retrospective approach. The Company applied the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening retained earnings as at December 30, 2018, and no restatement of the comparative period. Under the modified retrospective approach, the Company chose to measure all right-of-use assets retrospectively as if the standard had been applied since lease commencement dates.

Substantially all of the Company's operating leases are real estate leases for retail stores, distribution centers and corporate offices. Other leased assets include passenger vehicles, trucks and IT equipment. The Company recognized right-of-use assets and lease liabilities for its operating leases except for certain classes of underlying assets in which the lease terms are 12 months or less. The depreciation expense on right-of-use assets and interest expense on lease liabilities replaced rent expense, which was previously recognized on a straight-line basis under IAS 17 over the term of a lease. There are no significant impacts to the Company’s existing finance leases under IAS 17 as a lessee.

The Company also has owned and leased properties which are leased and subleased to third parties, respectively. The subleases are mainly related to non-consolidated franchisees, ancillary tenants and gas bar land. As an intermediate lessor, the Company reassessed the classification of its subleases by reference to the right-of-use assets arising from the head lease and recognized a corresponding finance lease receivable when the reassessment concluded that the subleases were finance leases.

IFRS 16 permits the use of recognition exemptions and practical expedients. The Company applied the following recognition exemptions and practical expedients:

- grandfathered the definition of leases for existing contracts at the date of initial application;
- excluded certain short-term leases from IFRS 16 lease accounting;
- used portfolio application for leases with similar characteristics, such as vehicle and equipment leases;
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics at the date of initial application;
- excluded initial direct costs from the measurement of right-of-use assets at the date of initial application; and
- used hindsight in determining lease term at the date of initial application.

The Company did not exercise the practical expedient wherein a lessee may rely on its assessment of whether leases are onerous applying IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” immediately before the date of initial application as an alternative to performing an impairment review. On the date of initial application, the Company applied the requirements of IAS 36, "Impairment of Assets" and recorded an impairment of $94 million on right-of-use assets in opening retained earnings, which represents an incremental $46 million to the previous onerous lease provision.

The impact of adopting IFRS 16 on the Company's balance sheet as at December 30, 2018 was as follows:

Condensed Consolidated Balance Sheet (millions of Canadian Dollars) / Increase (Decrease)	As at December 30, 2018
Current Assets	
Prepaid Expenses and Other Assets	$ (104)
Total Current Assets	$ (104)
Fixed Assets(i)	(435)
Right-of-Use Assets(i)	7,602
Intangible Assets	(82)
Deferred Income Tax Assets	34
Other Assets	128
Total Assets	$ 7,143
Current Liabilities	
Trade Payables and Other Liabilities	$ (11)
Provisions	(4)
Long Term Debt Due Within One Year(i)	(37)
Lease Liabilities Due Within One Year(i)(ii)	1,192
Total Current Liabilities	$ 1,140
Provisions	(51)
Long Term Debt(i)	(498)
Lease Liabilities(i)(ii)	7,985
Deferred Income Tax Liabilities	(256)
Other Liabilities	(379)
Retained Earnings	(798)
Total Liabilities and Equity	$ 7,143

(i) Leases previously classified as finance lease arrangements under IAS 17 were presented within fixed assets, long term debt due within one year and long term debt. Effective December 30, 2018, these balances are included in right-of-use assets and lease liabilities.

(ii) Leases that are short-term or where the lease payments are variable and do not depend on an index or rate are not included in the calculation of lease liabilities. These lease expenses are recognized in SG&A on the most systematic basis.

The Company used its incremental borrowing rates as at December 30, 2018 to measure lease liabilities. The weighted average incremental borrowing rate is 4.36%. The weighted average lease term remaining as at December 30, 2018 is approximately 10 years.

The following reconciliation is between lease liabilities recognized on December 30, 2018 and operating lease commitments disclosed under IAS 17 as at December 29, 2018 discounted using the weighted average incremental borrowing rate as at the date of initial application:

(millions of Canadian Dollars)	As at December 30, 2018
Operating lease commitment as at December 29, 2018 as disclosed in the Company's notes to the consolidated financial statements	$ 9,987
Discounted using the weighted average incremental borrowing rate as at December 30, 2018	$ 8,048
Finance lease obligations recognized as at December 29, 2018	535
Extension and termination options reasonably certain to be exercised	594
Lease liabilities recognized as at December 30, 2018	$ 9,177
Lease liabilities due within one year	$ 1,192
Lease liabilities	7,985
Total Lease Liabilities	$ 9,177

In the first quarter of 2019, the movement in right-of-use assets and lease liabilities was as follows:

Right-of-Use Assets The following is the continuity of the cost and accumulated depreciation of right-of-use assets as at and for the period ended March 23, 2019:

	As at March 23, 2019		
(millions of Canadian dollars)	Property	Other	Total
Cost			
Balance, beginning of period	$ 7,536	$ 66	$ 7,602
Lease additions	81	—	81
Balance, end of period	$ 7,617	$ 66	$ 7,683
Accumulated depreciation			
Balance, beginning of period	$ —	$ —	$ —
Depreciation	214	6	220
Balance, end of period	$ 214	$ 6	$ 220
Carrying amount as at: March 23, 2019	$ 7,403	$ 60	$ 7,463

Lease Liabilities The following is the continuity of lease liabilities as at and for the period ended March 23, 2019:

(millions of Canadian dollars)	As at March 23, 2019
Balance, beginning of period	$ 9,177
Lease additions	90
Lease payments	(273)
Interest expense on lease liabilities	90
Balance, end of period	$ 9,084
Lease liabilities due within one year	$ 1,259
Lease liabilities	7,825
Total Lease Liabilities	$ 9,084

Changes to Significant Accounting Policies for Leases The Company did not restate prior year comparative information under the modified retrospective approach. Therefore, the comparative information continues to be reported under IAS 17 and related interpretations.

Policy applicable from December 30, 2018

As a Lessee The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the lessor makes the leased asset available for use by the Company. Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in selling, general and administrative expenses ("SG&A") on the most systematic basis.

The measurement of lease liabilities includes the fixed and in-substance fixed payments and variable lease payments that depend on an index or a rate, and less any lease incentives receivable. If applicable, lease liabilities will also include purchase option exercise price if the Company is reasonably certain to exercise that option, termination penalties if the lease term also reflects the termination option and amounts expected to be payable under a residual value guarantee. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in lease term, a change in the assessment of an option to purchase the leased asset, a change in expected residual value guarantee, or a change in future lease payments due to a change in index or rate tied to the payment.

The right-of-use assets are measured at the initial amount of the lease liabilities plus any initial direct costs, lease payments made at or before the commencement date net of lease incentives received, and decommissioning costs. Subsequent to initial measurement, the Company applies the cost model to the right-of-use assets with the exception of the fair value model application to right-of-use assets that meet the definition of investment property in IAS 40, "Investment Property". Right-of-use assets are measured at cost less accumulated depreciation, accumulated impairment losses governed by IAS 36, and any remeasurements of lease liabilities. The assets are depreciated on a straight-line basis over the earlier of the end of the assets' useful lives or the end of the lease terms.

Discount rates used in the present value calculation are the interest rates implicit in the leases, or if the rates cannot be readily determined, the Company's incremental borrowing rates. Lease terms applied are the contractual non-cancellable periods of the leases plus periods covered by an option to renew the leases if the Company is reasonably certain to exercise that option and the periods covered by an option to terminate the leases if the Company is reasonably certain not to exercise that option.

When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable supplier prices for a similar asset and/or service.

For sale and leaseback transactions, the Company applies the requirements of IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") to determine whether the transfer of the asset should be accounted for as a sale. If the transfer of the asset is a sale, the Company will measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company.

As a Lessor Significant accounting policies for the Company as a lessor remain substantially the same. As a lessor, the allocation of revenue to each components of the contract is accounted for under IFRS 15.

At the date the Company makes the underlying leased asset available for use to the lessee, the Company classifies each lease as either an operating lease or a finance lease. A lease is a finance lease if it transfers substantially all the risks and rewards of the underlying asset to the lessee; otherwise, the lease is an operating lease. Rental income from operating leases is recognized on a straight-line basis over the lease term. Rental income from finance leases is recognized on a systematic basis that reflects the Company's rate of return on the net investment in the leased asset.

When the Company is an intermediate lessor, it will assess the sublease classification by reference to the right-of-use asset.

Critical Accounting Estimates and Judgments for Leases

Judgments Made in Relation to Accounting Policies Applied Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, store performances and past business practice. The periods covered by renewal options are only included in the lease term if Management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact Management's assessment of lease term, and any changes in Management's estimate of lease terms may have a material impact on the Company's balance sheet and statement of earnings.

Key Sources of Estimation In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

Accounting Standard and Change to Significant Accounting Policy in 2018

IFRS 9 The Company implemented the requirements of IFRS 9, "Financial Instruments" ("IFRS 9") on December 31, 2017 retrospectively with the cumulative effects of initial adoption recorded in opening retained earnings with no restatement of comparative periods. The Company revised certain inputs of the expected credit loss model in the second quarter of 2018 and applied the refinements retrospectively with no impact to earnings. The impact to the Company's comparative opening balance sheet is as follows:

Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at December 31, 2017
Credit card receivables	$ (98)
Deferred income tax assets	26
Income taxes payable	4
Deferred income tax liabilities	(4)
Retained earnings	(72)

The refinements have been reflected in the comparative balance sheet and statement of changes in equity as at March 24, 2018.

Investment Properties The Company elected to change the measurement of investment properties from the cost model to the fair value model retrospectively with restatement in the second quarter of 2018. The impacts to the Company's comparative consolidated balance sheets are as follows:

Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at March 24, 2018	As at December 30, 2017
Investment properties	$ 41	$ 41
Deferred income tax liabilities	5	5
Retained earnings	36	36

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:

(millions of Canadian dollars)	**March 23, 2019 (12 weeks)**	March 24, 2018 (12 weeks)
Net Assets Acquired:		
Cash and cash equivalents	**$ 7**	$ 8
Inventories	**13**	17
Fixed assets	**12**	26
Trade payables and other liabilities[(i)]	**(11)**	(8)
Other liabilities[(i)]	**(15)**	(39)
Non-controlling interests	**(6)**	(4)
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. Discontinued Operations

On November 1, 2018, the Company and its parent Weston completed a reorganization under which the Company distributed its approximate 61.6% effective interest in Choice Properties to Weston on a tax-free basis to the Company and its Canadian shareholders.

Following the reorganization, the Company no longer retained its interest in Choice Properties and ceased to consolidate its equity interest in Choice Properties in its consolidated financial statements. As a result, for the period ended March 24, 2018, the Choice Properties segment, net of eliminations, has been presented as Discontinued Operations. The classification as Discontinued Operations occurred at October 31, 2018, which is the date of the reorganization. Accordingly, the comparative condensed consolidated statement of earnings and condensed comprehensive income were re-presented separately between Continuing and Discontinued Operations. Unless otherwise specified, all other notes to the condensed consolidated financial statements in the comparative periods include amounts from both Continuing and Discontinued Operations.

The results of Discontinued Operations presented in the condensed consolidated statements of earnings is as follows:

(millions of Canadian dollars)	March 24, 2018 (12 weeks)
Revenue[(i)]	$ 215
Selling, General and Administrative Expenses[(i)]	111
Operating Income	$ 104
Net interest expense and other financing charges[(ii)]	(76)
Earnings before Income Taxes	$ 180
Income taxes	15
Earnings from Discontinued Operations	$ 165

(i) Revenue includes $133 million of rental revenue and $50 million of cost recovery recognized by Choice Properties generated from the Company. Costs recoveries related to Common Area Maintenance and properties are presented as an expense in SG&A.

(ii) Net interest expense and other financing charges primarily includes interest expense on long term debt of $37 million, distributions to external unit holders of $13 million and a gain of $124 million related to the fair value adjustment to the Trust Unit Liability.

The Company's Q1 2018 balance sheet included total assets and total liabilities of approximately $6.2 billion and $5.7 billion, respectively related to Choice Properties. Included in total assets were $4,671 million of fixed assets and included in liabilities was $4,767 million of long term debt and $849 million related to the Trust Unit Liability.

The net change in cash flows related to Discontinued Operations is as follows:

(millions of Canadian dollars)	March 24, 2018 (12 weeks)
Cash flows from operations	$ 137
Cash flows used in investing	(1,358)
Cash flows from financing	1,304
Cash flows from discontinued operations	$ 83

Related Party Transactions with Choice Properties In the first quarter of 2019, the Company disposed of two properties to Choice Properties for an aggregate sale price of $36 million and recognized a gain of $5 million (2018 – nil). These properties were leased back by the Company.

In the first quarter of 2019, the Company paid to Choice Properties base rent of $138 million (2018 – $133 million) and operating expenses of $53 million (2018 – $50 million), and received site intensification payments of $2 million (2018 – $1 million) from Choice Properties.

Significant long term debt transactions of Choice Properties are described below:

Debentures The following table summarizes the debentures of Choice Properties issued or assumed in the first quarter of 2018.

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	March 24, 2018 (12 weeks)
Choice Properties senior unsecured debentures			
– Series I	3.01%	March 21, 2022	$ 300
– Series J	3.55%	January 10, 2025	350
– Series K	3.56%	September 9, 2024	550
– Series L	4.18%	March 8, 2028	750
Total Debentures issued			$ 1,950

The following table summarizes the debentures repaid in 2018:

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	March 24, 2018 (12 weeks)
Choice Properties senior unsecured debentures – Series A	3.55%	July 5, 2018(i)	$ 400

(i) Choice Properties Series A unsecured debentures were redeemed on February 12, 2018.

Committed Credit Facilities The components of Choice Properties committed lines of credit were as follows:

		As at March 24, 2018	
(millions of Canadian dollars)	Maturity Date	Available Credit	Drawn
Choice Properties Committed Syndicated Credit Facility	July 5, 2022(i)	$ 500	$ 374

(i) Choice Properties Committed Syndicated Credit Facility was extended for an additional year from July 5, 2021 to July 5, 2022.

Note 5. Net Interest Expense and Other Financing Charges

The components of net interest expense and other financing charges from Continuing Operations were as follows:

(millions of Canadian dollars)	**March 23, 2019 (12 weeks)**	March 24, 2018 (12 weeks)
Interest expense and other financing charges:		
Lease liabilities	**$ 90**	$ —
Long term debt	**72**	78
Borrowings related to credit card receivables	**7**	9
Post-employment and other long term employee benefits (note 17)	**2**	2
Independent funding trusts	**5**	4
Bank indebtedness	**1**	1
	$ 177	$ 94
Interest income:		
Accretion income	**$ (1)**	$ (1)
Short term interest income	**(3)**	(4)
	$ (4)	$ (5)
Net interest expense and other financing charges from Continuing Operations	**$ 173**	$ 89

Note 6. Income Taxes

Income tax expense from Continuing Operations in the first quarter of 2019 was $72 million (2018 – $77 million) and the effective income tax rate was 25.9% (2018 – 26.8%). The decrease in the effective tax rate was primarily attributable to the impact of certain non-recurring adjustments in 2018 that resulted from voting control of the Company being acquired by a related group, which included Weston and Wittington.

Note 7. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**March 23, 2019 (12 weeks)**	March 24, 2018 (12 weeks)
Net earnings attributable to shareholders of the Company	**$ 201**	$ 380
Discontinued Operations (note 4)	**—**	(165)
Net earnings from Continuing Operations attributable to shareholders of the Company	**$ 201**	$ 215
Dividends on Preferred Shares in Equity (note 15)	**(3)**	(3)
Net earnings from Continuing Operations available to common shareholders	**$ 198**	$ 212
Weighted average common shares outstanding (in millions) (note 15)	**369.0**	382.0
Dilutive effect of equity-based compensation (in millions)	**1.7**	1.9
Dilutive effect of certain other liabilities (in millions)	**0.7**	0.6
Diluted weighted average common shares outstanding (in millions)	**371.4**	384.5
Net earnings per common share - Basic ($)		
Continuing Operations	**$ 0.54**	$ 0.55
Discontinued Operations	**$ —**	$ 0.44
Net earnings per common share - Diluted ($)		
Continuing Operations	**$ 0.53**	$ 0.55
Discontinued Operations	**$ —**	$ 0.43

In the first quarter of 2019, 1,491,795 (2018 – 4,111,776) potentially dilutive instruments were excluded from the computation of diluted net earnings per common share from continuing operations as they were anti-dilutive.

Note 8. Cash and Cash Equivalents, Short Term Investments and Security Deposits

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

Cash and Cash Equivalents

(millions of Canadian dollars)	**As at March 23, 2019**	As at March 24, 2018	As at December 29, 2018
Cash	**$ 336**	$ 413	$ 539
Cash equivalents:			
Government treasury bills	**205**	189	323
Bankers' acceptances	**323**	382	117
Corporate commercial paper	**65**	276	86
Total cash and cash equivalents	**$ 929**	$ 1,260	$ 1,065

Short Term Investments

(millions of Canadian dollars)	**As at March 23, 2019**	As at March 24, 2018	As at December 29, 2018
Government treasury bills	**$ 39**	$ 65	$ 26
Bankers' acceptances	**25**	242	50
Corporate commercial paper	**9**	152	17
Other	**—**	—	1
Total short term investments	**$ 73**	$ 459	$ 94

Security Deposits As at March 23, 2019, the Company recorded nil (March 24, 2018 – $1,295 million and December 29, 2018 – $800 million) in security deposits. In the comparative periods, security deposits related to funds held in escrow by the Company as part of the financing for the acquisition of Canadian Real Estate Investment Trust and funds held by the Company for repayment of the $800 million debenture respectively.

Note 9. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)		**As at March 23, 2019**		As at March 24, 2018[i]		As at December 29, 2018
Gross credit card receivables	**$**	**3,222**	$	2,953	$	3,496
Allowance for credit card receivables		**(175)**		(150)		(167)
Credit card receivables	**$**	**3,047**	$	2,803	$	3,329
Securitized to independent securitization trusts:						
Securitized to *Eagle Credit Card Trust®* (note 13)	**$**	**750**	$	900	$	750
Securitized to Other Independent Securitization Trusts		**615**		440		915
Total securitized to independent securitization trusts	**$**	**1,365**	$	1,340	$	1,665

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

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.

During the first quarter of 2019, PC Bank recorded a $300 million net reduction of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts as a result of lower funding requirements.

As at March 23, 2019, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was $55 million (March 24, 2018 – $44 million; December 29, 2018 – $89 million), which represented 9% (March 24, 2018 and December 29, 2018 – 10%) of the securitized credit card receivables amount.

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 23, 2019 and throughout the quarter.

Note 10. Inventories

For inventories recorded as at March 23, 2019, the Company recorded an inventory provision of $31 million (March 24, 2018 – $53 million; December 29, 2018 – $37 million), for the write-down of inventories below cost to net realizable value. As at March 24, 2018, the inventory provision included $19 million related to the impact of healthcare reform. 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 quarter of 2019 and 2018.

Note 11. 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. These assets were previously used in the Company's retail business segment. In the first quarter of 2019, the Company recorded a net gain of $8 million (2018 – nil) from the sale of an asset held for sale. No impairment charges were recognized on these properties during the first quarter of 2019 (2018 – nominal).

Note 12. Other Assets

The components of other assets were as follows:

(millions of Canadian dollars)		As at March 23, 2019		As at March 24, 2018		As at December 29, 2018
Sundry investments and other receivables	**$**	**41**	$	46	$	31
Accrued benefit plan asset		**173**		124		225
Finance lease receivable		**124**		—		—
Other		**157**		193		133
Other Assets	**$**	**495**	$	363	$	389

Note 13. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)		As at March 23, 2019		As at March 24, 2018		As at December 29, 2018
Debentures	**$**	**4,276**	$	8,935	$	5,077
Unsecured Term Loan Facilities		**—**		298		—
Long Term Debt Secured by Mortgage		**—**		83		—
Guaranteed Investment Certificates		**1,121**		840		1,141
Independent Securitization Trust (note 9)		**750**		900		750
Independent Funding Trusts		**530**		545		536
Finance Lease Obligations(i)		**—**		556		535
Committed Credit Facilities		**—**		374		—
Transaction costs and other		**(14)**		(28)		(13)
Total Long Term Debt	**$**	**6,663**	$	12,503	$	8,026
Long Term Debt due within one year		**787**		3,092		1,647
Long Term Debt	**$**	**5,876**	$	9,411	$	6,379

(i) As a result of the implementation of IFRS 16, finance lease obligations are included in lease liabilities (note 2).

The Company is required to comply with certain financial covenants for various debt instruments. As at March 23, 2019 and throughout the first quarter, the Company was in compliance with their respective covenants.

Debentures In the fourth quarter of 2018, the Company issued debentures totaling $800 million. The proceeds from the issuance of these debentures were used to redeem, at par, the $800 million debenture in the first quarter of 2019. This debenture bore interest at 3.75% and had an original maturity date of March 12, 2019.

There were no debentures issued or repaid in the first quarter of 2018.

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions, during 2019 and 2018:

(millions of Canadian dollars)		March 23, 2019 (12 weeks)		March 24, 2018 (12 weeks)
Balance, beginning of period	**$**	**1,141**	$	852
GICs issued		**3**		1
GICs matured		**(23)**		(13)
Balance, end of period	**$**	**1,121**	$	840

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 24, 2018 and December 29, 2018 – $64 million), representing not less than 10% (March 24, 2018 and December 29, 2018 – not less than 10%) of the principal amount of loans outstanding.

Committed Credit Facilities The Company has a $1.0 billion committed credit facility with a maturity date of June 10, 2021. These facilities contain certain financial covenants. As at March 23, 2019, March 24, 2018 and December 29, 2018, there were no amounts drawn under the committed credit facility.

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 23, 2019**	As at March 24, 2018	As at December 29, 2018
Loblaw Companies Limited Notes	**$ —**	$ 800	$ 800
Choice Properties Notes	**—**	1,300	—
Shoppers Drug Mart Notes	**—**	275	—
Guaranteed Investment Certificates	**257**	205	274
Independent Securitization Trust	**—**	400	—
Independent Funding Trust	**530**	—	536
Finance Lease Obligations	**—**	40	37
Long term debt secured by mortgage	**—**	72	—
Long term debt due within one year	**$ 787**	$ 3,092	$ 1,647

Reconciliation of Long term debt The following table reconciles the changes in cash flows from financing activities for long term debt:

(millions of Canadian dollars)	**March 23, 2019 (12 weeks)**	March 24, 2018(i) (12 weeks)
Long Term Debt, beginning of period	**$ 8,026**	$ 11,177
Reclassification of Finance Lease Obligations due to IFRS 16 (note 2)	**(535)**	—
Long Term Debt after reclassification, beginning of period	**$ 7,491**	$ 11,177
Long Term Debt issuances	**$ 3**	$ 2,017
Long Term Debt repayments(ii)	**(829)**	(690)
Total cash flow from Long Term Debt Financing Activities	**$ (826)**	$ 1,327
Other non-cash changes	**$ (2)**	$ (1)
Long Term Debt, end of period	**$ 6,663**	$ 12,503

(i) Certain comparative figures have been restated to conform with current year presentation.

(ii) Includes net repayments from the Independent Funding Trust, which are revolving debt instruments.

Note 14. Other Liabilities

The components of other liabilities were as follows:

(millions of Canadian dollars)		**As at March 23, 2019**		As at March 24, 2018		As at December 29, 2018
Net defined benefit plan obligation	**$**	**343**	$	334	$	294
Other long term employee benefit obligation		**106**		107		109
Deferred lease obligation[i]		**—**		140		315
Fair value of acquired leases[i]		**—**		63		54
Equity-based compensation liabilities (note 16)		**2**		3		2
Other[i]		**33**		60		19
Other liabilities	**$**	**484**	$	707	$	793

(i) As a result of the implementation of IFRS 16, certain balances are included in lease liabilities (note 2).

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 were as follows:

	March 23, 2019 (12 weeks)			March 24, 2018 (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	**371,790,967**	**$**	**7,177**	386,293,941	$	7,460
Issued for settlement of stock options	**696,831**		**33**	861,022		41
Purchased and cancelled	**(3,395,757)**		**(7)**	(8,107,027)		(157)
Issued and outstanding, end of period	**369,092,041**	**$**	**7,203**	379,047,936	$	7,344
Shares held in trust, beginning of period	**(734,727)**	**$**	**(15)**	(780,938)	$	(15)
Purchased for future settlement of RSUs and PSUs	**(300,000)**		**(5)**	—		—
Released for settlement of RSUs and PSUs (note 16)	**458,139**		**9**	465,253		9
Shares held in trust, end of period	**(576,588)**	**$**	**(11)**	(315,685)	$	(6)
Issued and outstanding, net of shares held in trust, end of period	**368,515,453**	**$**	**7,192**	378,732,251	$	7,338
Weighted average outstanding, net of shares held in trust (note 7)	**369,026,714**			382,023,940		

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

		March 23, 2019(i) (12 weeks)		March 24, 2018 (12 weeks)
Dividends declared per share ($):				
Common Share	**$**	**0.295**	$	0.270
Second Preferred Share, Series B	**$**	**0.33125**	$	0.33125

(i) The first quarter dividends for 2019 of $0.295 per share declared on common shares have a payment date of April 1, 2019. The first quarter dividends for 2019 of $0.33125 per share declared on Second Preferred Shares, Series B have a payment date of March 31, 2019.

(millions of Canadian dollars)		**March 23, 2019 (12 weeks)**		March 24, 2018 (12 weeks)
Dividends declared:				
Common Share	**$**	**110**	$	103
Second Preferred Share, Series B (note 7)		**3**		3
Total dividends declared	**$**	**113**	$	106

Subsequent to the end of first quarter of 2019, the Board declared a quarterly dividend of $0.315 per common share, payable on July 1, 2019 to shareholders of record on June 15, 2019 and a dividend on the Second Preferred Shares, Series B of $0.33125 per share payable on June 30, 2019 to shareholders of record on June 15, 2019.

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 23, 2019 (12 weeks)**		March 24, 2018 (12 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)		**3,395,757**		8,107,027
Cash consideration paid(i)	**$**	**215**	$	544
Premium charged to Retained Earnings		**23**		387
Reduction in Common Share Capital		**7**		157
Common shares repurchased under the NCIB and held in trust (number of shares)		**300,000**		—
Cash consideration paid	**$**	**20**	$	—
Premium charged to Retained Earnings		**15**		—
Reduction in Common Share Capital		**5**		—

(i) Includes $185 million paid for common shares related to the automatic share purchase plan, as described below.

In the first quarter of 2019, the Company completed the automatic share purchase plan ("ASPP"), which was entered into in the fourth quarter of 2018, with a broker in order to facilitate the repurchase of the Company's common shares under its current NCIB. Under the Company's ASPP, the Company's broker purchased 2,927,733 common shares for approximately $185 million at times when the Company was not active in the market due to insider trading rules and its own internal trading blackout periods.

Subsequent to the end of the first quarter of 2019, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 18,455,884 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares. As of March 23, 2019, the Company has purchased 11,872,939 common shares under its previous NCIB for cancellation.

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 ("DSU") and Executive Deferred Share Unit ("EDSU") plans was $11 million for the first quarter of 2019 (2018 – $12 million). The expense was recognized in operating income.

The carrying amount of the Company's equity-based compensation arrangements including Loblaw Stock Option, RSU, PSU, DSU, EDSU plans, and the unit-based compensation plans of Choice Properties, were recorded on the condensed consolidated balance sheets as follows:

(millions of Canadian dollars)	**As at March 23, 2019**	As at March 24, 2018	As at December 29, 2018
Trade payables and other liabilities	**$ —**	$ 7	$ —
Other liabilities (note 14)	**2**	3	2
Contributed surplus	**88**	90	107

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 23, 2019 (12 weeks)**	March 24, 2018 (12 weeks)
Outstanding options, beginning of period	**7,509,631**	7,487,774
Granted	**1,461,883**	1,624,135
Exercised	**(696,831)**	(861,022)
Forfeited/cancelled	**(68,967)**	(132,845)
Outstanding options, end of period	**8,205,716**	8,118,042

During the first quarter of 2019, the Company granted stock options with a weighted average exercise price of $65.55 (2018 – $66.19). In addition, the Company issued common shares on the exercise of stock options with a weighted average share price during the first quarter of 2019 of $64.90 (2018 – $66.23) and received cash consideration of $29 million (2018 – $34 million).

The fair value of stock options granted during the first quarter of 2019 was $11 million (2018 – $15 million). The assumptions used to measure the fair value of options granted during 2019 and 2018 under the Black-Scholes valuation model at date of grant were as follows:

	March 23, 2019 (12 weeks)	March 24, 2018 (12 weeks)
Expected dividend yield	**1.8%**	1.7%
Expected share price volatility	**14.9% – 15.7%**	15.2% – 17.2%
Risk-free interest rate	**1.8%**	1.9% – 2.0%
Expected life of options	**3.5 – 5.3 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 23, 2019 was 9.0% (March 24, 2018 – 8.0%).

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

(number of awards)	**March 23, 2019 (12 weeks)**	March 24, 2018 (12 weeks)
RSUs, beginning of period	**1,024,275**	824,705
Granted	**250,629**	276,569
Reinvested	**3,715**	—
Settled	**(223,471)**	(199,477)
Forfeited	**(8,265)**	(10,871)
RSUs, end of period	**1,046,883**	890,926

The fair value of RSUs granted during the first quarter of 2019 was $16 million (2018 – $18 million).

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

(number of awards)	**March 23, 2019 (12 weeks)**	March 24, 2018 (12 weeks)
PSUs, beginning of period	**674,945**	631,528
Granted	**240,040**	301,804
Reinvested	**2,309**	—
Settled	**(223,466)**	(265,776)
Forfeited	**(5,260)**	(6,429)
PSUs, end of period	**688,568**	661,127

The fair value of PSUs granted during the first quarter of 2019 was $14 million (2018 – $14 million).

Settlement of Awards from Shares Held in Trust During the first quarter of 2019, the Company settled RSUs and PSUs totaling 446,937 (2018 – 465,253), which 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 2019 resulted in a net increase of $16 million to retained earnings (2018 – $19 million) and a $9 million increase to common share capital (2018 – $9 million).

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 23, 2019 (12 weeks)**	March 24, 2018 (12 weeks)
Post-employment benefit costs recognized in operating income[(i)]	**$ 49**	$ 38
Other long term employee benefits costs recognized in operating income[(ii)]	**5**	4
Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 5)	**2**	2
Actuarial losses before income taxes recognized in other comprehensive income	**(97)**	(24)

(i) Includes costs related to the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates. Also includes settlement charges in the first quarter of 2019 of $10 million.

(ii) Includes costs related to the Company's long term disability plans.

The actuarial losses recognized in the first quarter of 2019 were primarily driven by a decline in discount rates, partially offset by slightly higher than expected returns on assets. The actuarial losses recognized in the first quarter of 2018 were primarily driven by lower than expected returns on assets.

In the first quarter of 2019, the Company completed several annuity purchases and paid $187 million from the impacted plans' assets to settle $177 million of pension obligations and recorded settlement charges of $10 million in 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 23, 2019				As at March 24, 2018				As at December 29, 2018
(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												
Amortized cost:												
Franchise loans receivable	**$ —**	**$ —**	**$ 65**	**$ 65**	$ —	$ —	$ 151	$ 151	$ —	$ —	$ 78	$ 78
Certain other assets(i)	**—**	**—**	**11**	**11**	—	—	14	14	—	—	16	16
Fair value through other comprehensive income:												
Certain long term investments and other assets(i)	**60**	**—**	**—**	**60**	30	—	—	30	50	—	—	50
Derivatives included in prepaid expenses and other assets	**—**	**1**	**—**	**1**	—	—	—	—	—	1	—	1
Fair value through profit and loss:												
Security Deposits	**—**	**—**	**—**	**—**	—	1,295	—	1,295	—	800	—	800
Derivatives included in prepaid expenses and other assets	**2**	**6**	**—**	**8**	7	1	—	8	2	11	—	13
Financial liabilities												
Amortized cost:												
Long term debt	**$ —**	**$ 7,524**	**$ —**	**$ 7,524**	$ —	$13,399	$ —	$13,399	$ —	$ 8,653	$ —	$ 8,653
Certain other liabilities(i)	**—**	**—**	**12**	**12**	—	—	18	18	—	—	13	13
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	**—**	**13**	**—**	**13**	—	1	—	1	—	5	—	5
Fair value through profit and loss:												
Trust Unit Liability	**—**	**—**	**—**	**—**	849	—	—	849	—	—	—	—
Derivatives included in trade payables and other liabilities	**2**	**1**	**1**	**4**	—	2	3	5	11	—	3	14

(i) Certain other assets, certain other long term investments and other assets, and certain other liabilities are included in the condensed consolidated balance sheets in Other Assets and Other Liabilities, respectively.

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

During the first quarter of 2019, the Company recognized a loss of $1 million (2018 – gain of $2 million) in operating income on financial instruments designated as amortized cost. In addition, during the first quarter of 2019, a net gain of $8 million (2018 – net gain of $129 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 $65 million (March 24, 2018 – $151 million; December 29, 2018 – $78 million) was recorded in the condensed consolidated balance sheet. During the first quarter of 2019, the Company recorded a nominal gain (2018 – gain of $1 million) in operating income related to these loans receivable.

The value of Loblaw franchise investments of $9 million (March 24, 2018 – $12 million; December 29, 2018 – $14 million) was recorded in other assets. During the first quarter of 2019, the Company recorded a nominal gain (2018 – gain of $1 million) 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 2019, a gain of $2 million (2018 – loss of $5 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 23, 2019 (March 24, 2018 and December 29, 2018 – $3 million liability included in trade payable and other liabilities). As at March 23, 2019, a 1% increase (decrease) in foreign currency exchange rates would result in a $1 million gain (loss) in fair value.

Securities Investments PC Bank holds investments which are considered part of the liquid securities required to be held to meet its Liquidity Coverage Ratio. As at March 23, 2019, the fair value through other comprehensive income securities of $60 million (March 24, 2018 – $30 million; December 29, 2018 – $50 million) was included in other assets. During the first quarter of 2019, PC Bank recorded a nominal unrealized fair value gain (2018 – nominal unrealized fair value gain) in other comprehensive income related to these investments.

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 condensed consolidated balance sheets and the net realized and unrealized gains (losses) before income taxes related to the Company's other derivatives:

			March 23, 2019 (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			
Foreign Exchange Forwards[(i)]	**$ 1**	**$ —**	**$ —**
Bond Forwards[(ii)]	**(10)**	**(6)**	**—**
Interest Rate Swaps[(iii)]	**(3)**	**(1)**	**—**
Total derivatives designated as cash flow hedges	**$ (12)**	**$ (7)**	**$ —**
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	**$ 5**	**$ —**	**$ (2)**
Other Non-Financial Derivatives	**(2)**	**—**	**7**
Total derivatives not designated in a formal hedging relationship	**$ 3**	**$ —**	**$ 5**
Total derivatives	**$ (9)**	**$ (7)**	**$ 5**

(i) PC Bank uses foreign exchange forwards, with a notional value of $8 million USD, to manage its foreign exchange currency risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid and other assets.

(ii) PC Bank uses bond forwards, with a notional value of $419 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and liabilities.

(iii) PC Bank uses interest rate swaps, with a notional value of $300 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and liabilities.

			March 24, 2018 (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[(ii)]	$ —	$ 1	$ —
Bond Forwards[(iii)]	(1)	(2)	—
Total derivatives designated as cash flow hedges	$ (1)	$ (1)	$ —
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	$ (1)	$ —	$ 8
Other Non-Financial Derivatives	3	—	2
Total derivatives not designated in a formal hedging relationship	$ 2	$ —	$ 10
Total derivatives	$ 1	$ (1)	$ 10

(i) Includes interest rate swap agreements with a notional value of $100 million that matured during the first quarter of 2018. A nominal unrealized fair value loss was recorded in OCI relating to these agreements.

(ii) PC Bank uses foreign exchange forwards, with a notional value of $28 million USD, to manage its foreign exchange currency risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid and other assets.

(iii) PC Bank uses bond forwards, with a notional value of $343 million, which were entered into during the first quarter of 2018, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and liabilities.

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.

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, financial condition or performance in future periods. It is not currently possible to predict the outcome of the Company's legal actions and proceedings with certainty. Management regularly assesses its position on the adequacy of accruals or provisions related to such matters and will make any necessary adjustments.

The following is a description of the Company's significant legal proceedings:

On August 26, 2015, the Company was served with a proposed class action, which was commenced in the Ontario Superior Court of Justice ("Superior Court") 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. The Company believes this proceeding is without merit and is vigorously defending it. The Company does not currently have any significant accruals or provisions for this matter recorded in the interim period condensed consolidated financial statements. In July 2017, the Superior Court dismissed the action and the plaintiffs appealed. The decision of the Ontario Court of Appeal, released December 20, 2018, upheld the Superior Court's dismissal of the action. The plaintiffs have sought leave to appeal to the Supreme Court of Canada.

Shoppers Drug Mart Corporation ("Shoppers Drug Mart") has been served with an Amended Statement of Claim in a class action proceeding that has been filed in the Superior Court by two licensed Associates, claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement, in the amount of $500 million. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who are parties to Shoppers Drug Mart's 2002 and 2010 forms of the Associate Agreement. On July 9, 2013, the Superior Court certified as a class proceeding portions of the action. The Superior 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 believes this claim is without merit and is vigorously defending it. The Company does not currently have any significant accruals or provisions for this matter recorded in the interim period condensed consolidated financial statements.

In 2017, the Company and Weston announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits have commenced against the Company and Weston as well as a number of other major grocery retailers and another bread wholesaler. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Weston believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's cash balances far exceed any realistic damages scenario and therefore it does not anticipate any impacts on its dividend, dividend policy or share buyback plan. The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2019 on the basis that a reliable estimate of the liability cannot be determined at this time. The Company will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated and will record an amount in the period at the earlier of when a reliable estimate of liability can be determined or the matter is ultimately resolved. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Weston will not face criminal charges or penalties.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including the Company and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks damages (unquantified) for the expenses incurred by the province in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in British Columbia. The Company believes this proceeding is without merit and is vigorously defending it. The Company does not currently have any significant accruals or provisions for this matter recorded in the interim period condensed consolidated financial statements.

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 two 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, apparel and other general merchandise and supports the *PC Optimum* Program. 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 Retail segment is Choice Properties' largest tenant and all transactions, including but not limited to rental payments, with Choice Properties are included in segment results; and
- The Financial Services segment provides credit card services, the *PC Optimum* Program, insurance brokerage services, deposit taking services and telecommunication services. As a result of the wind-down of President's Choice Financial® personal banking services, the Financial Services segment no longer offers personal banking services.

The Company evaluates segment performance on the basis of adjusted EBITDA(2) and adjusted operating income(2), as reported to internal management, on a periodic basis.

Post spin-out of Choice Properties, the chief operating decision maker evaluates Retail segment performance on a Continuing Operations basis. The Company has restated the financial results of the Retail segment on a Continuing Operations basis, to include amounts paid between the Company and Choice Properties in the current and comparative period. The Company's current and comparative period Retail segment results include rent paid to Choice Properties, gains related to the sale leaseback of properties to Choice Properties and site intensification payments received from Choice Properties. In addition, the Retail segment no longer includes depreciation and amortization on properties owned by Choice Properties previously treated as own use fixed assets.

Information for each reportable operating segment is included below:

	March 23, 2019 (12 weeks)				March 24, 2018[3] (12 weeks)			
(millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations[(i)]**	**Total**	Retail	Financial Services	Eliminations[(i)]	Total
Revenue[(ii)]	**$ 10,452**	**$ 266**	**$ (59)**	**$ 10,659**	$ 10,155	$ 230	$ (50)	$ 10,335
Operating Income	$ 401	$ 50	$ —	$ 451	$ 300	$ 76	$ —	$ 376
Net interest expense and other financing charges	154	19	—	173	74	15	—	89
Earnings before Income Taxes	**$ 247**	**$ 31**	**$ —**	**$ 278**	$ 226	$ 61	$ —	$ 287
Operating Income	**$ 401**	**$ 50**	**$ —**	**$ 451**	$ 300	$ 76	$ —	$ 376
Depreciation and Amortization	575	5	—	580	339	2	—	341
Adjusting items[(iii)]	128	—	—	128	154	(17)	—	137
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(119)	—	—	(119)	(121)	—	—	(121)
Adjusted EBITDA[(iii)]	$ 985	$ 55	$ —	$ 1,040	$ 672	$ 61	$ —	$ 733
Depreciation and Amortization[(iv)]	456	5	—	461	218	2	—	220
Adjusted Operating Income	**$ 529**	**$ 50**	**$ —**	**$ 579**	$ 454	$ 59	$ —	$ 513

(i) Eliminations includes the reclassification of revenue related to *PC* MasterCard® loyalty awards in the Financial Services segment.
(ii) Included in Financial Services revenue is $116 million (2018 – $102 million) of interest income.
(iii) Certain items are excluded from operating income to derive 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 $119 million (2018 – $121 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

The Company's revenue, by type of goods or services, is reconciled to the Company's segment revenue:

(millions of Canadian dollars)	**March 23, 2019 (12 weeks)**	March 24, 2018[3] (12 weeks)
Food retail	**$ 7,515**	$ 7,271
Drug retail		
Pharmacy	**$ 1,412**	$ 1,393
Front Store	**1,525**	1,491
	$ 2,937	$ 2,884
Retail Total	**$ 10,452**	$ 10,155
Financial Services	**266**	230
Eliminations[(i)]	**(59)**	(50)
Total	**$ 10,659**	$ 10,335

(i) Eliminations includes the reclassification of revenue related to *PC* MasterCard® loyalty awards in the Financial Services segment.

(millions of Canadian dollars)	**As at March 23, 2019**	As at March 24, 2018[3]	As at December 29, 2018
Total Assets			
Retail	**$ 31,305**	$ 29,261	$ 25,796
Financial Services	**3,919**	3,577	4,357
Discontinued Operations	**—**	2,432	—
Total	**$ 35,224**	$ 35,270	$ 30,153

(millions of Canadian dollars)	**March 23, 2019 (12 weeks)**	March 24, 2018 (12 weeks)
Additions to Fixed Assets and Intangible Assets		
Retail	**$ 156**	$ 158
Financial Services	**18**	5
Discontinued Operations	**—**	59
Total	**$ 174**	$ 222

Financial Summary[1]

The Company's interest in Choice Properties has been presented separately as Discontinued Operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from Continuing Operations and includes the impacts of spin-out related incremental depreciation, the implementation of IFRS 16 and the consolidation of franchises.

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)		2019 (12 weeks)		2018[3] (12 weeks)
Consolidated Results of Operations				
Revenue	**$**	**10,659**	$	10,335
Revenue growth		**3.1%**		(0.4)%
Operating Income	**$**	**451**	$	376
Adjusted EBITDA[2]		**1,040**		733
Adjusted EBITDA margin[2]		**9.8%**		7.1 %
Net interest expense and other financing charges	**$**	**173**	$	89
Adjusted net interest expense and other financing charges[2]		**173**		89
Net earnings		**206**		375
Continuing Operations		**206**		210
Discontinued Operations		**—**		165
Net earnings attributable to shareholders of the Company from continuing operations		**201**		215
Net earnings available to common shareholders of the Company		**198**		377
Continuing Operations		**198**		212
Discontinued Operations		**—**		165
Adjusted net earnings available to common shareholders of the Company[2]		**290**		361
Continuing Operations		**290**		312
Discontinued Operations		**—**		49
Consolidated Per Common Share ($)				
Diluted net earnings	**$**	**0.53**	$	0.98
Continuing Operations	**$**	**0.53**	$	0.55
Discontinued Operations	**$**	**—**	$	0.43
Adjusted diluted net earnings[2]	**$**	**0.78**	$	0.94
Continuing Operations	**$**	**0.78**	$	0.81
Discontinued Operations	**$**	**—**	$	0.13
Consolidated Financial Position and Cash Flows				
Cash and cash equivalents and short term investments	**$**	**1,002**	$	1,719
Cash flows from operating activities		**960**		434
Capital investments		**174**		222
Free cash flow[2]		**419**		57
Financial Measures				
Retail debt to rolling year retail adjusted EBITDA[2]		**3.1x**		1.9x
Rolling year adjusted return on equity[2]		**13.5%**		12.9 %
Rolling year adjusted return on capital[2]		**7.7%**		9.7 %

Financial Summary[1]

For the periods ended March 23, 2019 and March 24, 2018 (millions of Canadian dollars except where otherwise indicated)	2019 (12 weeks)	2018[3] (12 weeks)
Retail Results of Operations		
Sales	**$ 10,452**	$ 10,155
Operating Income	**401**	300
Adjusted gross profit[2]	**3,097**	2,988
Adjusted gross profit %[2]	**29.6%**	29.4 %
Adjusted EBITDA[2]	**$ 985**	$ 672
Adjusted EBITDA margin[2]	**9.4%**	6.6 %
Depreciation and amortization	**$ 575**	$ 339
Retail Operating Statistics		
Food retail same-store sales growth	**2.0%**	1.9 %
Drug retail same-store sales growth	**2.2%**	3.7 %
Total retail square footage (in millions)	**70.4**	70.2
Number of corporate stores	**550**	551
Number of franchise stores	**535**	533
Number of Associate-owned drug stores	**1,339**	1,335
Financial Services Results of Operations		
Revenue	**$ 266**	$ 230
Earnings before income taxes	**31**	61
Financial Services Operating Measures and Statistics		
Average quarterly net credit card receivables	**$ 3,188**	$ 2,952
Credit card receivables	**3,047**	2,803
Allowance for credit card receivables	**175**	150
Annualized yield on average quarterly gross credit card receivables	**13.8%**	13.4 %
Annualized credit loss rate on average quarterly gross credit card receivables	**3.3%**	3.5 %

Financial Results and Financial Summary Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 140 of the Company's 2018 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) Comparative figures have been restated. See notes 2 and 4 in the Company's 2019 first quarter unaudited interim period condensed consolidated financial statements. Certain comparative figures have been restated to conform with current year presentation.

Corporate Profile

Loblaw Companies Limited ("Loblaw") is Canada's food and pharmacy leader, and the nation's largest retailer. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, financial services and wireless mobile products and services. With more than 2,400 corporate, franchised and Associate-owned locations, Loblaw, its franchisees and Associate-owners employ approximately 200,000 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 1,050 grocery stores that span the value spectrum from discount to specialty; full-service pharmacies at nearly 1,400 *Shoppers Drug Mart* and *Pharmaprix* locations and close to 500 Loblaw locations; *Presidents Choice Financial* services; affordable *Joe Fresh* fashion and family apparel; and three of Canada's top consumer brands – *President's Choice*, *noname* and *Life Brand*.

Trademarks

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

Shareholder Information

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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 1, 2019 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: 4488845. 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 2019 Annual Meeting of Shareholders of Loblaw Companies Limited will take place on May 2, 2019 at 11:00 a.m. (ET) at the Toronto Centre for the Arts - Lyric Theatre, 5040 Yonge Street, North York, Ontario, Canada M2N 6R8.

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: 5977027. To access via audio webcast, please go to the "Investors" section of loblaw.ca. Pre-registration will be available.

Ce rapport est disponible en français.

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