Loblaw Companies Limited

NEWS RELEASE

Loblaw Reports 2018 First Quarter Results and a 9.3% Increase to Quarterly Common Share Dividend[1]; Announces National Roll-Out of E-commerce

BRAMPTON, ONTARIO May 2, 2018 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the first quarter ended March 24, 2018. The Company's 2018 First Quarter Report to Shareholders will be available in the Investors section of the Company's website at loblaw.ca and will be filed with SEDAR and available at sedar.com.

"In the face of external headwinds, we delivered solid results, increased dividends, continued share buybacks, and invested in our digital future," said Galen G. Weston, Chairman and Chief Executive Officer, Loblaw Companies Limited. "As the retail landscape changes, we are now rapidly scaling our e-commerce pick-up and home delivery services to blanket Canada this year."

In 2018, the Company plans a national roll-out of its on-line grocery business, including the rapid expansion of *PC Express* pick-up sites and the complementary option of home delivery. *PC Express* will be introduced to 500 new pick-up sites, bringing the total to more than 700, including more grocery stores, GO Train commuter stations, and the first of many *Shoppers Drug Mart* stores. Home delivery is currently offered in 11 major markets (including Toronto, Vancouver and Calgary) through Instacart, with five to follow this year (including Montreal, Halifax and Regina). Nationally, almost half of Canadians already have access to *PC Express* or home delivery. By year end, 70 percent of Canadians, from coast-to-coast, will have both options. In major urban markets, the Company aims for over 90 percent coverage, providing customers the option to grocery shop in-person, in their car, or from the comfort of their home.

2018 FIRST QUARTER HIGHLIGHTS

The following highlights include the impacts of the consolidation of franchises and disposition of gas bar operations.

- Revenue was $10,367 million, a decrease of $37 million, or 0.4%, compared to the first quarter of 2017.
- Retail segment sales were $10,105 million, a decrease of $61 million, or 0.6%, compared to the first quarter of 2017.
  - Retail sales growth, excluding the disposition of gas bar operations, was 2.9%.
  - Food retail (Loblaw) same-store sales growth was 1.9%, excluding gas bar operations.
  - Drug retail (Shoppers Drug Mart) same-store sales growth was 3.7%, with pharmacy same-store sales growth of 3.5% and front store same-store sales growth of 3.8%.
- Operating income was $480 million, a decrease of $15 million, or 3.0%, compared to the first quarter of 2017.
- Net earnings available to common shareholders of the Company were $377 million, an increase of $145 million, or 62.5%, compared to the first quarter of 2017. Diluted net earnings per common share were $0.98, an increase of $0.40, or 69.0%, compared to the first quarter of 2017.
- Adjusted EBITDA[2] was $876 million, an increase of $8 million, or 0.9%, compared to the first quarter of 2017.
- Adjusted net earnings available to common shareholders of the Company[2] were $361 million, a decrease of $5 million compared to the first quarter of 2017. Adjusted diluted net earnings per common share[2] were $0.94, an increase of $0.03, or 3.3%, compared to the first quarter of 2017.
- The disposition of the Company's gas bar operations negatively impacted Retail sales growth by $344 million, Retail adjusted EBITDA[2] by approximately $20 million, net earnings available to common shareholders of the Company growth by approximately $10 million and diluted net earnings per common share growth by approximately $0.03 per common share. Normalized for the disposition of gas bar operations, adjusted net earnings available to common shareholders of the Company[2] increased by approximately $5 million and adjusted diluted net earnings per common share[2] increased by approximately 6.7% or $0.06 per common share.
- The Company repurchased 8.1 million common shares at a cost of $544 million.

- Quarterly common share dividend to be increased by 9.3% from $0.27 per common share to $0.295 per common share.

As previously announced, the Company's year-over-year financial performance will be negatively impacted by minimum wage increases and incremental healthcare reform. In addition, the disposition of the Company's gas bar operations, in the third quarter of 2017, had a negative year-over-year impact on financial performance.

See "News Release Endnotes" at the end of this News Release.

CONSOLIDATED RESULTS OF OPERATIONS

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	2018 (12 weeks)	2017[4] (12 weeks)	$ Change	% Change
Revenue	**$ 10,367**	$ 10,404	$ (37)	(0.4)%
Operating income	**480**	495	(15)	(3.0)%
Adjusted EBITDA[2]	**876**	868	8	0.9 %
Adjusted EBITDA margin[2]	**8.4%**	8.3%		
Net earnings attributable to shareholders of the Company	**$ 380**	$ 235	$ 145	61.7 %
Net earnings available to common shareholders of the Company[i]	**377**	232	145	62.5 %
Adjusted net earnings available to common shareholders of the Company[2]	**361**	366	(5)	(1.4)%
Diluted net earnings per common share ($)	**$ 0.98**	$ 0.58	$ 0.40	69.0 %
Adjusted diluted net earnings per common share[2] ($)	**$ 0.94**	$ 0.91	$ 0.03	3.3 %
Diluted weighted average common shares outstanding (millions)	**384.5**	403.2		

(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 in the first quarter of 2018 were $377 million ($0.98 per common share), an increase of $145 million ($0.40 per common share) compared to the first quarter of 2017. The increase in net earnings available to common shareholders of the Company included improvements in underlying operating performance of approximately $5 million, excluding the unfavourable impact of the disposition of gas bar operations of approximately $10 million, and the favourable year-over-year net impact of adjusting items totaling $150 million, as described below:

- the decline in underlying operating performance of $5 million ($0.01 loss per common share) was primarily due to the following:
  - the Retail segment (excluding the impact of the consolidation of franchises) due to the unfavourable year-over-year impact of the disposition of gas bar operations of approximately $10 million and an increase in depreciation and amortization. Minimum wage increases and incremental healthcare reform also had a negative year-over-year impact on the Retail segment; and
  - an increase in adjusted net interest expense and other financing charges[2] primarily as a result of Choice Properties Real Estate Investment Trust's ("Choice Properties") issuance of new unsecured senior debentures related to the agreement to acquire Canadian Real Estate Investment Trust ("CREIT") and the call premium for the early redemption of the Series A senior unsecured debenture; partially offset by
  - the Financial Services segment, primarily due to certain one-time gains and the strong credit performance of the credit card portfolio; and
  - the Choice Properties segment primarily from the expansion of the property portfolio through acquisitions and completed development projects, as well as an increase in net operating income from existing properties.
- the favourable year-over-year net impact of adjusting items totaling $150 million ($0.37 per common share) was primarily due to the following:
  - the change in fair value adjustment to the Trust Unit Liability of $160 million ($0.41 per common share);
  - the favourable impact of income earned, net of certain costs incurred, from the wind-down of *PC Financial* banking services of $13 million ($0.03 per common share);
  - the change in fair value adjustment on fuel and foreign currency contracts of $8 million ($0.02 per common share); and
  - the favourable year-over-year impact of pension annuities and buy-outs in the prior year of $5 million ($0.01 per common share); partially offset by
  - the unfavourable impact of the additional charge in the first quarter of 2018 related to the Loblaw Card Program of $14 million ($0.04 per common share);
  - the unfavourable impact of healthcare reform on inventory balances of $14 million ($0.04 per common share); and
  - acquisition and other costs related to Choice Properties' agreement to acquire CREIT of $9 million ($0.02 per common share).
- the increase in diluted net earnings per common share also included the favourable impact of the repurchase of common shares ($0.04 per common share).

Adjusted net earnings available to common shareholders of the Company[2] in the first quarter of 2018 were $361 million ($0.94 per common share), a decrease of $5 million (increase of $0.03 per common share or 3.3%), compared to the first quarter of 2017. Normalized for the

disposition of gas bar operations, adjusted net earnings available to common shareholders of the Company[(2)] increased by approximately $5 million, as described above. Adjusted diluted net earnings per common share[(2)] also included the favourable impact of the repurchase of common shares ($0.04 per common share). Normalized for the disposition of gas bar operations, adjusted diluted net earnings per common share[(2)] increased by approximately 6.7%.

REPORTABLE OPERATING SEGMENTS

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

- The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, which includes in-store pharmacies and other health and beauty products, apparel and other general merchandise, and provides 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. Prior to July 17, 2017, the Retail segment also included gas bar operations;
- The Financial Services segment provides credit card services, the *PC Optimum* program, insurance brokerage services, Guaranteed Investment Certificates and telecommunication services. As a result of the wind-down of *PC Financial* banking services, the Financial Services segment no longer offers personal banking services; and
- The Choice Properties segment owns, manages and develops well-located retail and commercial real estate across Canada. The Choice Properties segment information presented below reflects the accounting policies of Choice Properties, which may differ from those of the consolidated Company. Differences in policies are eliminated in Consolidation and Eliminations.

Retail Segment

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (12 weeks)**	2017 (12 weeks)	$ Change	% Change
Sales	**$ 10,105**	$ 10,166	$ (61)	(0.6)%
Operating income	**399**	446	(47)	(10.5)%
Adjusted gross profit[(2)]	**2,929**	2,844	85	3.0 %
Adjusted gross profit %[(2)]	**29.0%**	28.0%		
Adjusted EBITDA[(2)]	**$ 792**	$ 811	$ (19)	(2.3)%
Adjusted EBITDA margin[(2)]	**7.8%**	8.0%		
Depreciation and amortization	**$ 361**	$ 352	$ 9	2.6 %

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)		**2018 (12 weeks)**		2017 (12 weeks)
	Sales	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 7,221**	**1.9%**	$ 7,393	(1.2)%
Drug retail	**2,884**	**3.7%**	2,773	0.9 %
Pharmacy	**1,393**	**3.5%**	1,343	1.3 %
Front Store	**1,491**	**3.8%**	1,430	0.6 %

Sales, operating income, adjusted gross profit[(2)], adjusted gross profit percentage[(2)], adjusted EBITDA[(2)], adjusted EBITDA margin[(2)] and depreciation and amortization include the impacts of the consolidation of franchises and disposition of gas bar operations.

Sales Retail segment sales in the first quarter of 2018 were $10,105 million, a decrease of $61 million, or 0.6%, compared to the first quarter of 2017. Excluding the consolidation of franchises, Retail segment sales decreased by $119 million, or 1.2%, primarily driven by the following factors:

- The impact of the disposition of gas bar operations of $344 million; partially offset by
- Food retail same-store sales growth was 1.9% (2017 – decline of 2.1%) for the quarter, after excluding gas bar operations. The timing of Easter had a nominal impact on food retail same-store sales growth in the first quarter of 2018. In the first quarter of 2017, food retail sales were relatively flat excluding the unfavourable impacts of the timing of New Year's Day and Easter. Including gas bar operations, food retail same-store sales growth was 1.9% (2017 – decline of 1.2%).
- The Company's Food retail average quarterly internal food price index was marginally lower than (2017 – relatively flat compared to) the average quarterly national food price inflation of 1.2% (2017 – deflation of 3.9%), as measured by The Consumer Price Index for Food Purchased from Stores ("CPI"). CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in the Company's stores.
- Drug retail same-store sales growth was 3.7% (2017 – 0.9%) and was comprised of pharmacy same-store sales growth of 3.5% (2017 – 1.3%) and front store same-store sales growth of 3.8% (2017 – 0.6%). The timing of Easter had a nominal impact on drug retail same-store sales growth in the first quarter of 2018. In the first quarter of 2017, excluding the unfavourable impacts of the timing of New Year's Day and Easter, Drug retail same-store sales growth was approximately 2.5%.
- 25 food and drug stores were opened and 26 food and drug stores were closed in the last 12 months, resulting in a net increase in Retail square footage of 0.1 million square feet, or 0.1%.

The redemption of Loblaw Cards in the first quarter of 2018 resulted in the delivery of approximately $17 million of free products to customers which was provided for in the fourth quarter of 2017. The redemptions did not benefit sales or the Company's financial performance in the first quarter of 2018.

Operating Income Operating income in the first quarter of 2018 was $399 million, a decrease of $47 million compared to the first quarter of 2017. The decrease in operating income included a decline in underlying operating performance of $28 million, including the unfavourable impact of the disposition of gas bar operations, and the unfavourable year-over-year net impact of adjusting items totaling $19 million, as described below:

- the decline in underlying operating performance of $28 million, including the unfavourable impact of the disposition of gas bar operations, was driven by an increase in SG&A and depreciation and amortization partially offset by an increase in adjusted gross profit[(2)]. Minimum wage increases and incremental healthcare reform also negatively impacted the Company's year-over-year first quarter performance. The decline in underlying operating performance also included the unfavourable year-over-year contribution from the consolidation of franchises in the quarter; and
- the unfavourable year-over-year net impact of adjusting items totaling $19 million was primarily due to the following:
  - the unfavourable impact of the additional charge in the first quarter of 2018 related to the Loblaw Card Program of $19 million; and
  - the unfavourable impact of healthcare reform on inventory balances of $19 million; partially offset by
  - the change in fair value adjustment on fuel and foreign currency contracts of $11 million; and
  - the favourable year-over-year impact of pension annuities and buy-outs in the prior year of $7 million.

Adjusted Gross Profit[(2)] Adjusted gross profit[(2)] in the first quarter of 2018 was $2,929 million, an increase of $85 million compared to the first quarter of 2017. Adjusted gross profit percentage[(2)] of 29.0% increased by 100 basis points compared to the first quarter of 2017. Excluding the consolidation of franchises, adjusted gross profit[(2)] increased by $22 million. Adjusted gross profit percentage[(2)], excluding the consolidation of franchises, was 27.5%, an increase of 50 basis points compared to the first quarter of 2017. The increase in adjusted gross profit percentage[(2)] was primarily due to the favourable impact from the disposition of gas bar operations of approximately 70 basis points. Margins were negatively impacted by healthcare reform.

Adjusted EBITDA[(2)] Adjusted EBITDA[(2)] in the first quarter of 2018 was $792 million, a decrease of $19 million, compared to the first quarter of 2017 and included no impact for the consolidation of franchises and the unfavourable impact of the disposition of gas bar operations of approximately $20 million. The decrease in adjusted EBITDA[(2)] of $19 million was driven by an increase in SG&A of $104 million partially offset by an increase in adjusted gross profit[(2)] as described above. SG&A as a percentage of sales was 21.1%, an increase of 110 basis points compared to the first quarter of 2017. Excluding the consolidation of franchises, SG&A increased $41 million. SG&A as a percentage of sales, excluding the consolidation of franchises, was 19.6%, an unfavourable increase of 60 basis points compared to the first quarter of 2017 primarily driven by:

- the unfavourable impact from the disposition of gas bar operations of approximately 50 basis points; and
- higher store costs driven by minimum wage increases and the launch of *PC Optimum*; partially offset by
- lower store support costs driven by previously announced cost saving initiatives.

Depreciation and Amortization Depreciation and amortization in the first quarter of 2018 was $361 million, an increase of $9 million compared to the first quarter of 2017 primarily driven by the consolidation of franchises and an increase in information technology ("IT") assets. Included in depreciation and amortization is the amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") of $121 million (2017 – $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 2018, 331 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 24, 2018 and March 25, 2017 (millions of Canadian dollars unless where otherwise indicated)	**2018 (12 weeks)**	2017 (12 weeks)
Number of Consolidated Franchise stores, beginning of period	**310**	200
Add: Net number of Consolidated Franchise stores in the period	**21**	25
Number of Consolidated Franchise stores, end of period	**331**	225
Sales	**$ 199**	$ 141
Adjusted gross profit[(2)]	**202**	139
Adjusted EBITDA[(2)]	**7**	7
Depreciation and amortization	**12**	9
Operating loss	**(5)**	(2)
Net loss attributable to non-controlling interests	**(5)**	(1)

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

Financial Services Segment

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	2018 (12 weeks)	2017[4] (12 weeks)	$ Change	% Change
Revenue	$ 230	$ 213	$ 17	8.0%
Earnings before income taxes	61	28	33	117.9%

(millions of Canadian dollars except where otherwise indicated)	As at March 24, 2018	As at March 25, 2017	$ Change	% Change
Average quarterly net credit card receivables	$ 2,939	$ 2,808	$ 131	4.7%
Credit card receivables	2,778	2,689	89	3.3%
Allowance for credit card receivables	175	49	126	257.1%
Annualized yield on average quarterly gross credit card receivables	13.4%	13.8%		
Annualized credit loss rate on average quarterly gross credit card receivables	3.5%	4.1%		

Earnings Before Income Taxes Earnings before income taxes in the first quarter of 2018 were $61 million, an increase of $33 million compared to the first quarter of 2017, primarily driven by:

- recognition of income of $17 million, net of certain costs incurred, relating to President's Choice 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 ends in the second quarter of 2018;
- certain one-time gains including the sale of charged-off credit card receivables in the first quarter of 2018 and higher year-over-year interchange income due to an industry-wide reduction in interchange rates imposed on MasterCard International Incorporated® issuers affecting the first half of 2017; and
- higher interest and net interchange income attributable to the growth in the credit card portfolio; partially offset by
- higher customer acquisition costs; and
- higher IT costs mainly due to investments in digital strategy.

Credit Card Receivables As at March 24, 2018, credit card receivables were $2,778 million, an increase of $89 million compared to March 25, 2017. 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, partially offset by an increase in allowances due to the adoption of IFRS 9, "Financial Instruments" ("IFRS 9"). As at March 24, 2018, the allowance for credit card receivables was $175 million, an increase of $126 million compared to March 25, 2017, primarily due to the adoption of IFRS 9.

Choice Properties Segment

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (12 weeks)**	2017 (12 weeks)	$ Change	% Change
Revenue	**$ 215**	$ 203	$ 12	5.9 %
Net interest expense and other financing charges[(i)]	**(449)**	213	(662)	(310.8)%
Net income[(ii)]	**627**	24	603	2,512.5 %
Funds from operations[(2)]	**106**	109	(3)	(2.8)%

(i) Net interest expense and other financing charges includes a fair value adjustment on Class B Limited Partnership units.

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

Net income Net income in the first quarter of 2018 was $627 million, an increase of $603 million compared to the first quarter of 2017. The increase was primarily driven by:

- the change in fair value adjustment on Class B Limited Partnership units of $673 million;
- an increase in net operating income from existing properties; and
- additional net operating income generated from acquisitions and tenant openings in newly developed leasable space; partially offset by
- the change in fair value adjustment on investment properties of $60 million; and
- acquisition and other costs related to the agreement to acquire CREIT of $12 million.

Funds from operations[(2)] Funds from operations[(2)] in the first quarter of 2018 were $106 million, a decrease of $3 million compared to the first quarter of 2017, primarily driven by higher interest expense due to the issuance of new unsecured senior debentures, in the first quarter of 2018, related to the agreement to acquire CREIT, and the call premium for the early redemption of the Series A senior unsecured debenture, partially offset by higher contributions from property operations.

Other Choice Properties' Business Matters

Acquisition of Investment Properties In the first quarter of 2018, Choice Properties acquired two investment properties from third-party vendors for an aggregate purchase price of $7 million, excluding acquisition costs, which was fully settled in cash. In addition, Choice Properties acquired a retail property and two parcels of land held for future development, from third-party vendors for an aggregate purchase price of $22 million, excluding acquisition costs, which was settled by the assumption of a $3 million mortgage, with the remainder in cash.

Choice Properties' Agreement to Acquire Canadian Real Estate Investment Trust On February 14, 2018, Choice Properties entered into an arrangement agreement to acquire all the assets and assume all the liabilities of CREIT, including long term debt and all residual liabilities, with the exception of certain credit facilities of CREIT that will be repaid in connection with the proposed acquisition. CREIT will then redeem all of its outstanding units for an aggregate of $22.50 in cash and 2.4904 Choice Properties' Trust Units ("Unit") per unit of CREIT on a fully prorated basis ("Acquisition Transaction"). The aggregate consideration to be paid by Choice Properties will consist of approximately 58% in Units and 42% in cash. The maximum amount of cash consideration to be paid by Choice Properties will be approximately $1.65 billion and approximately 183 million Units will be issued, based on the fully diluted number of CREIT units outstanding on the date of the closing of the Acquisition Transaction.

Choice Properties plans to finance the cash portion of the Acquisition Transaction with committed credit facilities totaling $3.6 billion. These committed credit facilities initially included a $1.25 billion term loan and an $850 million bridge facility. On March 8, 2018, Choice Properties issued $1.3 billion aggregate principal amount of senior unsecured debentures. Subsequent to this issuance, Choice Properties notified the lender of the committed credit facility to cancel the $850 million bridge facility and $450 million of the term loan. The net proceeds of the senior unsecured debentures were placed in escrow, where they will remain until the satisfaction of the escrow release conditions are met, which include the satisfaction or waiver of all conditions to closing the Acquisition Transaction. In the event the escrow release conditions are not met, the senior unsecured debentures issued for the financing of the Acquisition Transaction will be repaid at par, plus accrued interest. Additionally, Choice Properties has arranged a new $1.5 billion committed revolving credit facility. Choice Properties will repay and cancel the existing credit facilities of Choice Properties and CREIT concurrently with the closing of the Acquisition Transaction.

Also concurrent with the closing of the Acquisition Transaction, the Company, Choice Properties' controlling unitholder, has agreed to convert all of its outstanding Class C LP Units with the face value of $925 million into Class B LP Units of Choice Properties Limited Partnership. Choice Properties expects to issue to the Company a maximum of approximately 70.9 million Class B LP Units upon the conversion and if required, any shortfall in value on closing in cash. Following the transaction, the Company will own approximately 62% of Choice Properties.

The Acquisition Transaction was approved by CREIT unitholders at a special meeting held on April 11, 2018 and the plan of arrangement was approved by the Ontario Superior Court of Justice on April 24, 2018. As more fully described in the arrangement agreement, the completion of the Acquisition Transaction depends on a number of conditions being satisfied or waived, including, among others, approval by the Competition Bureau.

The transaction is expected to be completed on May 4, 2018[(3)]. However, there can be no certainty, nor can Choice Properties provide any assurance, that all of the closing conditions will be satisfied or, if satisfied, when they will be satisfied. Information on the risks and uncertainties related to CREIT and further information concerning the risks to Choice Properties related to the Acquisition Transaction are disclosed in the Information Statement filed by Choice Properties on March 15, 2018 and available on SEDAR at www.sedar.com.

DECLARATION OF DIVIDENDS

Subsequent to the end of the first quarter of 2018, the Board of Directors declared a quarterly dividend on Common Shares and Second Preferred Shares, Series B.

Common Shares	\$0.295 per common share, payable on July 1, 2018 to shareholders of record on June 15, 2018
Second Preferred Shares, Series B	\$0.33125 per share, payable on June 30, 2018 to shareholders of record on June 15, 2018

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.

Headwinds from minimum wage increases and healthcare reform will negatively impact the Company's financial performance in 2018.

In 2018, on a full-year comparative basis, normalized for the disposition of the gas bar business, the Company expects to:

- deliver positive same-store sales and stable gross margin in its Retail segment in a highly competitive market;
- deliver essentially flat adjusted net earnings growth with positive adjusted earnings per share growth based on our share buyback program;
- invest approximately \$1.3 billion in capital expenditures, including \$1.0 billion in its Retail segment; and
- return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

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; and with respect to Choice Properties: funds from operations. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

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

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

For details on the nature of items excluded in the calculation of any of the non-GAAP financial measures detailed below see the "Non-GAAP Financial Measures" section of the Company's 2018 First Quarter Report to Shareholders.

Retail Segment Gross Profit, Retail Segment Adjusted Gross Profit and Retail Segment Adjusted Gross Profit Percentage The following table reconciles 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.

					2018 (12 weeks)					2017[(4)] (12 weeks)
For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Choice Properties**	**Consolidation & Eliminations**	**Consolidated**	Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Consolidated
Revenue	**$10,105**	**$ 230**	**$ 215**	**$ (183)**	**$ 10,367**	$10,166	$ 213	$ 203	$ (178)	$ 10,404
Cost of Merchandise Inventories Sold	**7,195**	**22**	**—**	**—**	**7,217**	7,322	18	—	—	7,340
Gross Profit	**$ 2,910**	**$ 208**	**$ 215**	**$ (183)**	**$ 3,150**	$ 2,844	$ 195	$ 203	$ (178)	$ 3,064
Add impact of the following:										
Impact of healthcare reform on inventory balances	**19**	**—**	**—**	**—**	**19**	—	—	—	—	—
Adjusted Gross Profit	**$ 2,929**	**$ 208**	**$ 215**	**$ (183)**	**$ 3,169**	$ 2,844	$ 195	$ 203	$ (178)	$ 3,064

The following describes the new adjusting item in the first quarter of 2018:

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 table reconciles 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.

					2018 (12 weeks)					2017[4] (12 weeks)
For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Choice Properties**	**Consolidation & Eliminations**	**Consolidated**	Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Consolidated
Net earnings attributable to shareholders of the Company					**$ 380**					$ 235
Add (deduct) impact of the following:										
Non-Controlling Interests					**(5)**					(1)
Net interest expense and other financing charges					**13**					161
Income taxes					**92**					100
Operating income	**$ 399**	**$ 76**	**$ 178**	**$ (173)**	**$ 480**	$ 446	$ 42	$ 237	$ (230)	$ 495
Add (deduct) impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 121**	**$ —**	**$ —**	**$ —**	**$ 121**	$ 121	$ —	$ —	$ —	$ 121
Loblaw Card Program	**19**	**—**	**—**	**—**	**19**	—	—	—	—	—
Impact of healthcare reform on inventory balances	**19**	**—**	**—**	**—**	**19**	—	—	—	—	—
CREIT acquisition and other related costs	**—**	**—**	**12**	**—**	**12**	—	—	—	—	—
Pension annuities and buy-outs	**—**	**—**	**—**	**—**	**—**	7	—	—	—	7
Restructuring and other related costs	**(1)**	**—**	**—**	**—**	**(1)**	—	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**(5)**	**—**	**—**	**—**	**(5)**	6	—	—	—	6
Wind-down of *PC Financial* banking services	**—**	**(17)**	**—**	**—**	**(17)**	—	—	—	—	—
Adjusting Items	**$ 153**	**$ (17)**	**$ 12**	**$ —**	**$ 148**	$ 134	$ —	$ —	$ —	$ 134
Adjusted operating income	**$ 552**	**$ 59**	**$ 190**	**$ (173)**	**$ 628**	$ 580	$ 42	$ 237	$ (230)	$ 629
Depreciation and amortization	**361**	**2**	**—**	**6**	**369**	352	3	—	5	360
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(121)**	**—**	**—**	**—**	**(121)**	(121)	—	—	—	(121)
Adjusted EBITDA	**$ 792**	**$ 61**	**$ 190**	**$ (167)**	**$ 876**	$ 811	$ 45	$ 237	$ (225)	$ 868

In addition to the item described in the Retail segment adjusted gross profit[2] section above, adjusted EBITDA[2] was impacted by the following new adjusting item in the first quarter of 2018:

CREIT acquisition and other related costs In the first quarter of 2018, the Company recorded acquisition and other related costs in connection with the agreement to acquire all of the assets and assume all of the liabilities of CREIT.

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 24, 2018 and March 25, 2017 (millions of Canadian dollars)	**2018 (12 weeks)**	2017 (12 weeks)
Net interest expense and other financing charges	**$ 13**	$ 161
Add (deduct) impact of the following:		
Fair value adjustment to the Trust Unit Liability	**124**	(36)
Adjusted net interest expense and other financing charges	**$ 137**	$ 125

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 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (12 weeks)**	2017[(4)] (12 weeks)
Adjusted operating income[(i)]	**$ 628**	$ 629
Adjusted net interest expense and other financing charges[(i)]	**137**	125
Adjusted earnings before taxes	**$ 491**	$ 504
Income taxes	**$ 92**	$ 100
Add impact of the following:		
Tax impact of items included in adjusted earnings before taxes(ii)	**40**	36
Adjusted income taxes	**$ 132**	$ 136
Effective tax rate	**19.7%**	29.9%
Adjusted income tax rate	**26.9%**	27.0%

(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 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018** **(12 weeks)**	2017[4] (12 weeks)
Net earnings attributable to shareholders of the Company	**$ 380**	$ 235
Prescribed dividends on preferred shares in share capital	**(3)**	(3)
Net earnings available to common shareholders of the Company	**$ 377**	$ 232
Net earnings attributable to shareholders of the Company	**$ 380**	$ 235
Adjusting items (refer to the following table)	**(16)**	134
Adjusted net earnings attributable to shareholders of the Company	**$ 364**	$ 369
Prescribed dividends on preferred shares in share capital	**(3)**	(3)
Adjusted net earnings available to common shareholders of the Company	**$ 361**	$ 366
Diluted weighted average common shares outstanding (millions)	**384.5**	403.2

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.

	2018 (12 weeks)		2017[4] (12 weeks)	
For the periods ended March 24, 2018 and March 25, 2017 (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
As reported	**$ 377**	**$ 0.98**	$ 232	$ 0.58
Add (deduct) impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 89**	**$ 0.22**	$ 89	$ 0.22
Loblaw Card Program	**14**	**0.04**	—	—
Impact of healthcare reform on inventory balances	**14**	**0.04**	—	—
CREIT acquisition and other related costs	**9**	**0.02**	—	—
Pension annuities and buy-outs	**—**	**—**	5	0.01
Restructuring and other related costs	**(1)**	**—**	—	—
Fair value adjustment on fuel and foreign currency contracts	**(4)**	**(0.01)**	4	0.01
Wind-down of *PC Financial* banking services	**(13)**	**(0.03)**	—	—
Fair value adjustment to the Trust Unit Liability[i]	**(124)**	**(0.32)**	36	0.09
Adjusting items	**$ (16)**	**$ (0.04)**	$ 134	$ 0.33
Adjusted	**$ 361**	**$ 0.94**	$ 366	$ 0.91

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

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

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars)	**2018 (12 weeks)**	2017 (12 weeks)
Net income	**$ 627**	$ 24
Add (deduct) impact of the following:		
Fair value adjustments on Class B Limited Partnership units	**(555)**	118
Fair value adjustments on investment properties	**(33)**	(93)
Fair value adjustments on unit-based compensation	**(5)**	1
Fair value adjustments of investment property held in equity accounted joint venture	**—**	1
Distributions on Class B Limited Partnership units	**59**	57
CREIT acquisition and other related costs	**12**	—
Internal expenses for leasing	**1**	1
Funds from operations	**$ 106**	$ 109

SEGMENT INFORMATION

The Company has three reportable operating segments with all material operations carried out in Canada. The Company's chief operating decision maker evaluates segment performance on the basis of adjusted EBITDA[(2)] and adjusted operating income[(2)], as reported to internal management, on a periodic basis.

Information for each reportable operating segment is included below:

					2018 (12 weeks)					2017[(4)] (12 weeks)
For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Choice Properties**	**Consolidation & Eliminations[(i)]**	**Consolidated**	Retail	Financial Services	Choice Properties	Consolidation & Eliminations[(i)]	Consolidated
Revenue[(ii)]	**$ 10,105**	**$ 230**	**$ 215**	**$ (183)**	**$ 10,367**	$ 10,166	$ 213	$ 203	$ (178)	$ 10,404
Operating income	$ 399	$ 76	$ 178	$ (173)	$ 480	$ 446	$ 42	$ 237	$ (230)	$ 495
Net interest expense and other financing charges	74	15	(449)	373	13	72	14	213	(138)	161
Earnings Before Income Taxes	**$ 325**	**$ 61**	**$ 627**	**$ (546)**	**$ 467**	$ 374	$ 28	$ 24	$ (92)	$ 334
Operating Income	**$ 399**	**$ 76**	**$ 178**	**$ (173)**	**$ 480**	$ 446	$ 42	$ 237	$ (230)	$ 495
Depreciation and Amortization	361	2	—	6	369	352	3	—	5	360
Adjusting items[(iii)]	153	(17)	12	—	148	134	—	—	—	134
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(121)	—	—	—	(121)	(121)	—	—	—	(121)
Adjusted EBITDA[(iii)]	$ 792	$ 61	$ 190	$ (167)	$ 876	$ 811	$ 45	$ 237	$ (225)	$ 868
Depreciation and Amortization[(iv)]	240	2	—	6	248	231	3	—	5	239
Adjusted Operating Income	**$ 552**	**$ 59**	**$ 190**	**$ (173)**	**$ 628**	$ 580	$ 42	$ 237	$ (230)	$ 629

(i) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $133 million (2017 – $133 million) of rental revenue, $50 million (2017 – $45 million) of cost recovery recognized by Choice Properties generated from the Retail Segment.
- Adjusted operating income includes the elimination of the $133 million (2017 – $133 million) of rental revenue described above, the elimination of a $33 million gain (2017 – $93 million gain) recognized by Choice Properties related to the fair value adjustments on investment properties, which are classified as Fixed Assets or Investment Properties by the Company and measured at cost; the recognition of $6 million (2017 – $5 million) of depreciation expense for certain investment properties recorded by Choice Properties; the elimination of intercompany charges of $1 million (2017 – nil); and the elimination of $1 million loss in 2017 recognized by Choice Properties related to the fair value adjustments on investment properties in the joint venture.
- Net interest expense and other financing charges includes the elimination of $71 million (2017 – $69 million) of interest expense included in Choice Properties related to debt owing to the Company and a fair value gain of $555 million (2017 – loss of $118 million) recognized by Choice Properties on Class B Limited Partnership units held by the Company. Net interest and other financing charges also includes Unit distributions to external unitholders of $13 million (2017 – $13 million), which excludes distributions paid to the Company and a $124 million fair value gain (2017 – loss of $36 million) on the Company's Trust Unit Liability.

(ii) Included in Financial Services revenue is $102 million (2017 – $97 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 $121 million (2017 – $121 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

FORWARD-LOOKING STATEMENTS

This News Release 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 News Release 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 minimum wage increases and further healthcare reform, future liquidity, planned capital investments, and the status and impact of IT systems implementations. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the "Outlook" and "Choice Properties Segment" sections of this News Release. 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 2018 is based on certain assumptions including assumptions about anticipated minimum wage increases, healthcare reform impacts, cost savings, operating efficiencies 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 Management Discussion and Analysis in the 2017 Annual Report and the Company's 2017 Annual Information Form ("AIF") (for the year ended December 30, 2017). Such risks and uncertainties include:

- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to effectively manage or combine the Company's loyalty programs;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to execute the Company's e-commerce initiative or to adapt its business model to the shifts in the retail landscape caused by digital advances;
- failure to realize benefits from investments in the Company's new IT systems;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business, including increases to minimum wage;
- public health events including those related to food and drug safety;
- failure to realize the anticipated benefits, including revenue growth, anticipated cost savings or operating efficiencies, associated with the Company's investment in major initiatives that support its strategic priorities, including Choice Properties failure to complete the acquisition of CREIT;
- adverse outcomes of legal and regulatory proceedings and related matters;
- reliance on the performance and retention of third party service providers, including those associated with the Company's supply chain and apparel business, including issues with vendors in both advanced and developing markets;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink; 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 2017 AIF (for the year ended December 30, 2017). 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 News Release. 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.

CORPORATE PROFILE

2017 Annual Report and 2018 First Quarter Report to Shareholders

The Company's 2017 Annual Report and 2018 First Quarter Report to Shareholders is available in the "Investors" section of the Company's website at loblaw.ca and on sedar.com.

Investor Relations

Investor inquiries, contact:	Media inquiries, contact:
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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 2, 2018 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: 4492196. 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 and Special Meeting of Shareholders

The 2018 Annual and Special Meeting of Shareholders of Loblaw Companies Limited will take place on May 3, 2018 at 11:00 a.m. (ET) at the Mattamy Athletic Centre, 50 Carlton Street, Toronto, Ontario, Canada M5B 1J2.

To access via tele-conference, please dial (647) 427-7450 or (888) 231-8191. The playback will be made available approximately two hours after the event at (416) 849-0833 or (855) 859-2056, access code: 7064819. To access via audio webcast, please go to the "Investors" section of loblaw.ca. Pre-registration will be available.

News Release Endnotes

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

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

(3) To be read in conjunction with the "Forward-Looking Statements" section of this News Release.

(4) Comparative figures have been restated as a result of the implementation of IFRS 15, "Revenue from Contracts with Customers". See note 2 in the Company's 2018 unaudited interim period condensed consolidated financial statements.