Loblaw Companies Limited

NEWS RELEASE

Loblaw Reports 2018 Third Quarter Results(1)

BRAMPTON, ONTARIO November 14, 2018 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the third quarter ended October 6, 2018. The Company's 2018 Third 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.

"We delivered strong financial results in the third quarter and we are pleased with the performance across our retail business," said Galen G. Weston, Chairman and Chief Executive Officer, Loblaw Companies Limited. "Our strategy continues to build momentum as our data-driven insights and process and efficiency initiatives enable us to make additional investments in our future."

2018 THIRD QUARTER HIGHLIGHTS

The third quarter of 2018 included the negative impacts of minimum wage increases and incremental healthcare reform. The following highlights also reflect the impact of the consolidation of franchises, the disposition of gas bar operations and the acquisition of Canadian Real Estate Investment Trust ("CREIT") by Choice Properties' Real Estate Investment Trust ("Choice Properties").

- Revenue was $14,453 million, an increase of $261 million, or 1.8%, compared to the third quarter of 2017.
- Normalized for the disposition of the gas bar operations, Retail segment sales were $14,105 million, an increase of $235 million, or 1.7%, compared to the third quarter of 2017.
  - Food retail (Loblaw) same-store sales growth was 0.9%, excluding gas bar operations.
  - Drug retail (Shoppers Drug Mart) same-store sales growth was 2.5%, with pharmacy same-store sales growth of 0.5% and front store same-store sales growth of 4.3%.
- Operating income was $797 million, a decrease of $439 million, or 35.5%, compared to the third quarter of 2017.
- Adjusted EBITDA(2) was $1,321 million, an increase of $92 million, or 7.5%, compared to the third quarter of 2017.
- Net earnings available to common shareholders of the Company were $106 million, a decrease of $777 million, or 88.0%, compared to the third quarter of 2017. Diluted net earnings per common share were $0.28, a decrease of $1.96, or 87.5%, compared to the third quarter of 2017.
  - Net earnings available to common shareholders of the Company were negatively impacted year-over-year by the charge related to Glenhuron Bank Limited ("Glenhuron") in the third quarter of 2018 and the prior year gain on disposition of gas bars operations.
- Adjusted net earnings available to common shareholders of the Company(2) were $562 million, an increase of $13 million or 2.4%, compared to the third 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 $17 million, primarily driven by the performance of the Retail segment and the impact of the decrease in the adjusted income tax rate(2) attributable to the Company's proportionate interest in Choice Properties, which declined as a result of the acquisition of CREIT.
- Adjusted diluted net earnings per common share(2) were $1.49, an increase of $0.10, or 7.2% compared to the third quarter of 2017.
  - Normalized for the disposition of gas bar operations, adjusted diluted net earnings per common share(2) increased by approximately 8.0% or $0.11 per common share primarily due to the factors noted above and the favourable impact of the repurchase of common shares.
- The Company did not repurchase common shares in the third quarter of 2018.

Choice Properties completed the acquisition of CREIT in the second quarter of 2018. In the third quarter of 2018, the acquisition resulted in increases in consolidated revenue of approximately $101 million, adjusted EBITDA(2) of approximately $73 million, adjusted net interest expense[(2)] and other financing charges of approximately $68 million and adjusted net earnings available to common shareholders of the Company[(2)] of $3 million. The acquisition had a nominal impact on adjusted diluted net earnings per common share[(2)] in the third quarter of 2018.

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 in the third quarter of 2018. The disposition negatively impacted Retail sales growth by $123 million, adjusted EBITDA[(2)] by approximately $5 million, adjusted net earnings available to common shareholders of the Company[(2)] by approximately $4 million and adjusted diluted net earnings per common share[(2)] by approximately $0.01. Net earnings available to common shareholders of the Company in the third quarter of 2017 included a post-tax gain of $432 million, net of related costs from the disposition.

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

CONSOLIDATED RESULTS OF OPERATIONS

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	2018 (16 weeks)	2017[4] (16 weeks)	$ Change	% Change	2018 (40 weeks)	2017[4] (40 weeks)	$ Change	% Change
Revenue	**$ 14,453**	$ 14,192	$ 261	1.8 %	**$ 35,743**	$ 35,676	$ 67	0.2 %
Operating income	**797**	1,236	(439)	(35.5)%	**1,838**	2,358	(520)	(22.1)%
Adjusted EBITDA[2]	**1,321**	1,229	92	7.5 %	**3,224**	3,083	141	4.6 %
Adjusted EBITDA margin[2]	**9.1%**	8.7%			**9.0%**	8.6%		
Net earnings attributable to shareholders of the Company	**$ 109**	$ 886	$ (777)	(87.7)%	**$ 542**	$ 1,483	$ (941)	(63.5)%
Net earnings available to common shareholders of the Company[i]	**106**	883	(777)	(88.0)%	**533**	1,474	(941)	(63.8)%
Adjusted net earnings available to common shareholders of the Company[2]	**562**	549	13	2.4 %	**1,344**	1,361	(17)	(1.2)%
Diluted net earnings per common share ($)	**$ 0.28**	$ 2.24	$ (1.96)	(87.5)%	**$ 1.40**	$ 3.69	$ (2.29)	(62.1)%
Adjusted diluted net earnings per common share[2] ($)	**$ 1.49**	$ 1.39	$ 0.10	7.2 %	**$ 3.54**	$ 3.41	$ 0.13	3.8 %
Diluted weighted average common shares outstanding (millions)	**376.3**	395.0			**380.0**	399.2		

(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 third quarter of 2018 were $106 million ($0.28 per common share), a decrease of $777 million ($1.96 per common share) compared to the third quarter of 2017. The decrease included the improvement in underlying operating performance of approximately $17 million, excluding the unfavourable impact of the disposition of gas bar operations of approximately $4 million, and the unfavourable year-over-year net impact of adjusting items totaling $790 million, as described below:

- the improvement in underlying operating performance of $13 million ($0.03 per common share) was primarily due to the following:
  - 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 depreciation and amortization and the unfavourable impact of the disposition of gas bar operations of approximately $4 million; and
  - a decrease in the adjusted income tax rate[2] attributable to the Company's proportionate interest in Choice Properties, which declined as a result of the acquisition of CREIT.
- the unfavourable year-over-year net impact of adjusting items totaling $790 million ($2.06 per common share) was primarily due to the following:
  - the prior year gain on the disposition of gas bars operations of $432 million ($1.10 per common share);
  - the charge related to Glenhuron of $367 million ($0.98 per common share); and
  - the unfavourable change in fair value adjustment to investment properties of $29 million ($0.08 per common share);

  partially offset by,
  - the favourable change in fair value adjustment to the Trust Unit Liability of $29 million ($0.08 per common share)
  - the favourable change in fair value adjustment on fuel and foreign currency contracts of $14 million ($0.03 per common share).
- the decrease in diluted net earnings per common share also included the favourable impact of the repurchase of common shares over the last 12 months ($0.07 per common share).

The Choice Properties segment included the positive adjusted EBITDA[2] contribution from the acquisition of CREIT of $73 million, which was offset by a $68 million increase in adjusted net interest expense and other financing charges[2] related to the acquisition. The acquisition also resulted in an increase in adjusted net earnings available to common shareholders of the Company[2] of $3 million and it had a nominal impact on adjusted diluted net earnings per common share[2].

Adjusted net earnings available to common shareholders of the Company[2] in the third quarter of 2018 were $562 million ($1.49 per common share), an increase of $13 million ($0.10 per common share), compared to the third 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 $17 million, as described above. Adjusted diluted net earnings per common share[2] also included the favourable impact of the repurchase of common shares over the last 12 months ($0.07 per common share). Normalized for the disposition of gas bar operations, adjusted diluted net earnings per common share[2] increased by approximately 8.0%.

Other Business Matters

Charge related to Glenhuron On September 7, 2018, the Tax Court of Canada ("Tax Court") released its decision relating to Glenhuron, a wholly-owned Barbadian subsidiary of the Company that was wound up in 2013. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation.

On October 4, 2018, the Company filed a Notice of Appeal with the Federal Court of Appeal. Although the Company believes in the merits of its position, it recorded a charge during the third quarter of 2018 of $367 million, of which $176 million was recorded in interest and $191 million was recorded in income taxes. The Company believes that this provision will be sufficient to cover its ultimate liability if the appeal is unsuccessful.

In the third quarter of 2018, the Company made a cash payment of $235 million to fund the tax and interest owing in light of the decision of the Tax Court.

Spin-out of Choice Properties 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 to Weston on a tax-free basis to the Company and its Canadian shareholders. In connection with the reorganization, the common shareholders of the Company, other than Weston and its subsidiaries, received 0.135 of a common share of Weston for each common share of the Company held, which was equivalent to the market value of their pro rata interest in Choice Properties as at the announcement date of the spin-out, and Weston received the Company's approximate 61.6% effective interest in Choice Properties.

Following the transaction, the Company no longer retains its interest in Choice Properties and will cease to consolidate its equity interest in Choice Properties from its consolidated financial statements. The transaction has no impact on the ongoing operating relationship between the Company and Choice Properties and all current agreements and arrangements, including The Strategic Alliance Agreement and leases, remain in place. The Company continues to be Choice Properties' largest tenant.

Based on pro forma year ended December 30, 2017 financial results adjusted to reflect the impact of the transaction, the reorganization will reduce adjusted EBITDA(2) by approximately $575 million and adjusted diluted net earnings per share(2) by approximately $0.60. The impacts are primarily driven by the Company no longer eliminating its rent paid to Choice Properties and no longer consolidating Choice Properties' rent received from third party tenants. Adjusted diluted net earnings per share(2) also includes the favourable impacts of lower depreciation due to the deconsolidation of properties owned by Choice Properties and lower interest expenses due to the removal of interest expense related to trust unit distributions to third parties and the removal of Choice Properties' debt. Choice Properties will also be deconsolidated from the Company's balance sheet, which will result in a reduction in total assets and liabilities of approximately $5.0 billion and $4.5 billion, respectively.

Subsequent to the announcement of the spin out of Choice Properties, Standard & Poor's and Dominion Bond Rating Service reaffirmed the credit ratings and outlook of the Company, and as expected there were no changes to the ratings as a result of the spin-out.

The Company has recorded $6 million in spin-out related costs, in SG&A, in the third quarter of 2018.

REPORTABLE OPERATING SEGMENTS

As at the end of the third quarter of 2018, 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.
- Choice Properties owns, manages and develops a high-quality portfolio of commercial retail, industrial, office and residential properties across Canada. The Choice Properties segment information presented below reflects the accounting policies of Choice Properties, which may differ from those of the consolidated Company. Differences in policies are eliminated in Consolidation and Eliminations. As of May 4, 2018, the Choice Properties segment includes the acquisition of CREIT.

Subsequent to the completion of the spin-out of Choice Properties on November 1, 2018, the Company has two reportable operating segments: the Retail segment and the Financial Services segment.

Retail Segment

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (16 weeks)**	2017[5] (16 weeks)	$ Change	% Change	**2018 (40 weeks)**	2017[5] (40 weeks)	$ Change	% Change
Sales	**$ 14,105**	$ 13,993	$ 112	0.8 %	**$ 34,860**	$ 35,072	$ (212)	(0.6)%
Operating income	**703**	1,168	(465)	(39.8)%	**1,670**	2,192	(522)	(23.8)%
Adjusted gross profit[2]	**4,099**	3,944	155	3.9 %	**10,205**	9,881	324	3.3 %
Adjusted gross profit %[2]	**29.1%**	28.2%			**29.3%**	28.2%		
Adjusted EBITDA[2]	**$ 1,189**	$ 1,159	$ 30	2.6 %	**$ 2,892**	$ 2,900	$ (8)	(0.3)%
Adjusted EBITDA margin[2]	**8.4%**	8.3%			**8.3%**	8.3%		
Depreciation and amortization	**$ 479**	$ 467	$ 12	2.6 %	**$ 1,203**	$ 1,172	$ 31	2.6 %

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (16 weeks)**		2017[5] (16 weeks)		**2018 (40 weeks)**		2017[5] (40 weeks)	
	Sales	**Same-store sales**	Sales	Same-store sales	**Sales**	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 10,272**	**0.9%**	$ 10,242	1.4%	**$ 25,219**	**1.1%**	$ 25,665	0.6%
Drug retail	**3,833**	**2.5%**	3,751	3.3%	**9,641**	**2.6%**	9,407	2.7%
Pharmacy	**1,828**	**0.5%**	1,820	3.9%	**4,604**	**1.3%**	4,540	2.8%
Front Store	**2,005**	**4.3%**	1,931	2.8%	**5,037**	**3.8%**	4,867	2.7%

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 third quarter of 2018 were $14,105 million, an increase of $112 million, or 0.8%, compared to the third quarter of 2017. Excluding the consolidation of franchises, Retail segment sales increased by $9 million, or 0.1%, primarily driven by the following factors:

- Food retail same-store sales growth was 0.9% (2017 – growth of 1.4%) for the quarter. Gas bar operations had no impact on same-store sales in the third quarter of 2018 and 2017.
- The Company's Food retail average quarterly internal food price index declined and was marginally lower than (2017 – marginally higher than) the average quarterly national food price inflation of 0.3% (2017 – inflation of 0.3%), as measured by The Consumer Price Index for Food Purchased from Stores ("CPI"). CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in the Company's stores.
- Drug retail same-store sales growth was 2.5% (2017 – 3.3%) and was comprised of pharmacy same-store sales growth of 0.5% (2017 – 3.9%) and front store same-store sales growth of 4.3% (2017 – 2.8%).
- 12 food and drug stores were opened and 24 food and drug stores were closed in the last 12 months with Retail square footage remaining flat;

partially offset by,

- The impact of the disposition of gas bar operations of $123 million; and
- The impact of incremental healthcare reform on Drug retail.

The redemption of Loblaw Cards resulted in the delivery of approximately $17 million of free products to customers in the third quarter of 2018 and $70 million year-to-date, 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 third quarter of 2018 was $703 million, a decrease of $465 million compared to the third quarter of 2017. The decrease in operating income included an improvement in underlying operating performance of $18 million and the unfavourable year-over-year net impact of adjusting items totaling $483 million, as described below:

- the improvement in underlying operating performance of $18 million, including the unfavourable impact of the disposition of gas bar operations, was driven by an increase in adjusted gross profit(2) offset by an increase in SG&A and depreciation and amortization. The improvement in underlying operating performance also included the unfavourable year-over-year contribution from the consolidation of franchises of $1 million; and
- the unfavourable year-over-year net impact of adjusting items totaling $483 million was primarily due to the prior year gain on the disposition of gas bars operations of $501 million, partially offset by, the favourable change in fair value adjustment on fuel and foreign currency contracts of $20 million.

Adjusted Gross Profit(2) Adjusted gross profit(2) in the third quarter of 2018 was $4,099 million, an increase of $155 million compared to the third quarter of 2017. Adjusted gross profit percentage(2) of 29.1% increased by 90 basis points compared to the third quarter of 2017. Excluding the consolidation of franchises, adjusted gross profit(2) increased by $46 million. Adjusted gross profit percentage(2), excluding the consolidation of franchises, was 27.3%, an increase of 30 basis points compared to the third 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 20 basis points. Margins were positively impacted by Food retail and negatively impacted by healthcare reform.

Adjusted EBITDA[(2)] Adjusted EBITDA[(2)] in the third quarter of 2018 was $1,189 million, an increase of $30 million compared to the third quarter of 2017 and included the favourable impact of the consolidation of franchises of $5 million and the unfavourable impact of the disposition of gas bar operations of approximately $5 million. The increase in adjusted EBITDA[(2)] of $30 million was driven by an increase in adjusted gross profit[(2)] as described above, partially offset by an increase in SG&A of $125 million. SG&A as a percentage of sales was 20.6%, an increase of 70 basis points compared to the third quarter of 2017. Excluding the consolidation of franchises, SG&A increased $21 million. SG&A as a percentage of sales, excluding the consolidation of franchises, was 18.8%, an increase of 10 basis points compared to the third quarter of 2017 primarily driven by:

- the unfavourable impact from the disposition of gas bar operations of approximately 10 basis points;
- higher store costs driven by minimum wage increases; and
- the unfavourable year-over-year impact of foreign exchange;

partially offset by,

- cost saving initiatives.

Depreciation and Amortization Depreciation and amortization in the third quarter of 2018 was $479 million, an increase of $12 million compared to the third quarter of 2017 primarily driven by the consolidation of franchises and an increase in information technology ("IT") assets. Included in depreciation and amortization was the amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") of $161 million (2017 – $161 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 third quarter of 2018, 379 of these stores were consolidated for accounting purposes under a new, simplified franchise agreement ("Franchise Agreement") implemented in 2015.

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

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars unless where otherwise indicated)	**2018 (16 weeks)**	2017 (16 weeks)	**2018 (40 weeks)**	2017 (40 weeks)
Number of Consolidated Franchise stores, beginning of period	**352**	241	**310**	200
Add: Net number of Consolidated Franchise stores in the period	**27**	32	**69**	73
Number of Consolidated Franchise stores, end of period	**379**	273	**379**	273
Sales	**$ 331**	$ 228	**$ 784**	$ 524
Adjusted gross profit[(2)]	**341**	232	**786**	531
Adjusted EBITDA[(2)]	**25**	20	**57**	39
Depreciation and amortization	**19**	13	**44**	32
Operating income	**6**	7	**13**	7
Net income attributable to non-controlling interests	**8**	8	**15**	10

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.

Financial Services Segment

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018** **(16 weeks)**	2017(4) (16 weeks)	$ Change	% Change	**2018** **(40 weeks)**	2017(4) (40 weeks)	$ Change	% Change
Revenue	**$ 274**	$ 240	$ 34	14.2 %	**$ 746**	$ 679	$ 67	9.9%
Earnings before income taxes	**22**	43	(21)	(48.8)%	**119**	98	21	21.4%

(millions of Canadian dollars except where otherwise indicated)	**As at October 6, 2018**	As at October 7, 2017	$ Change	% Change
Average quarterly net credit card receivables	**$ 3,009**	$ 2,860	$ 149	5.2%
Credit card receivables	**3,102**	2,918	184	6.3%
Allowance for credit card receivables	**163**	46	117	254.3%
Annualized yield on average quarterly gross credit card receivables	**13.1%**	13.3%		
Annualized credit loss rate on average quarterly gross credit card receivables	**3.2%**	3.8%		

Earnings Before Income Taxes Earnings before income taxes in the third quarter of 2018 were $22 million, a decrease of $21 million compared to the third quarter of 2017, primarily driven by:

- increased provision for credit losses as a result of the application of the expected credit loss model under IFRS 9, "Financial Instruments" ("IFRS 9");
- higher operating costs including costs due to investments in digital strategy;
- prior year income of $7 million, net of certain costs incurred, relating to President's Choice Bank's ("PC Bank's") agreement to end its business relationship with a major Canadian chartered bank, which provided the personal banking services offered under the *PC Financial* brand; and
- lower core banking income attributable to the discontinuation of the services offered under the *PC Financial* brand. Normal operating income from the same personal banking services ended in April 2018;

partially offset by,

- higher net interest and net interchange income attributable to the growth in the credit card portfolio.

Credit Card Receivables As at October 6, 2018, credit card receivables were $3,102 million, an increase of $184 million compared to October 7, 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. As at October 6, 2018, the allowance for credit card receivables was $163 million, an increase of $117 million compared to October 7, 2017, primarily due to the adoption of IFRS 9.

Choice Properties Segment

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	2018 (16 weeks)	2017 (16 weeks)	$ Change	% Change	2018 (40 weeks)	2017 (40 weeks)	$ Change	% Change
Revenue	**$ 315**	$ 207	$ 108	52.2 %	**$ 825**	$ 619	$ 206	33.3 %
Net interest expense and other financing charges(i)	**117**	(76)	193	253.9 %	**23**	235	(212)	(90.2)%
Net income(ii)	**62**	303	(241)	(79.5)%	**368**	369	(1)	(0.3)%
Funds from operations(iii)(2)	**170**	109	61	56.0 %	**432**	326	106	32.5 %

(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 is equal to earnings before income taxes.

(iii) Funds from operations is calculated for management purposes and excludes the accelerated amortization of debt premium of $37 million.

Net income (loss) Net income in the third quarter of 2018 was $62 million, a decrease of $241 million compared to the third quarter of 2017, primarily driven by:

- the unfavourable change in fair value adjustment to investment properties of $112 million;
- an increase in net interest expense and other financing charges; and
- acquisition and other costs related to the acquisition of CREIT of $10 million;

partially offset by,

- an increase in net operating income from investment properties acquired as part of the acquisition of CREIT;
- additional net operating income generated from acquisitions and tenant openings in newly developed leasable space; and
- an increase in net operating income from existing properties.

Funds from operations(2) Funds from operations(2) in the third quarter of 2018 were $170 million, an increase of $61 million compared to the third quarter of 2017, primarily driven by additional property operating income attributable to the acquired portfolio, partially offset by higher interest expense due to the acquisition of CREIT.

Other Choice Properties' Business Matters

Acquisition of Investment Properties In the third quarter of 2018, Choice Properties acquired a 75% interest in one investment property from the Company for an aggregate purchase price of $2 million, which was fully settled in cash.

Choice Properties' Acquisition of CREIT On May 4, 2018, Choice Properties acquired all the assets and assumed all the liabilities, including outstanding debt, of CREIT for total consideration of $3,708 million. The consideration was comprised of $1,652 million of cash and the issuance of 182,836,481 new Trust Units.

The following table provides the impacts of the acquisition of CREIT on the Choice Properties segment in the third quarter of 2018:

(millions of Canadian dollars unless where otherwise indicated)	2018 (16 weeks)	2018 (40 weeks)
Revenue	**$ 105**	**$ 175**
Net income	**80**	**105**

On a year-to-date pro forma basis, the impact of the CREIT acquisition on Choice Properties segment revenue and net income in 2018 would have amounted to approximately $315 million and $190 million, respectively, excluding the impact of acquisition transaction costs and any adjustment to the fair value of the investment properties acquired. This pro forma information incorporates the effect of the preliminary purchase equation as if the acquisition had been effective December 31, 2017.

The following table provides the impacts of the acquisition of CREIT on the consolidated results of the Company in the third quarter of 2018:

(millions of Canadian dollars unless where otherwise indicated)	2018 (16 weeks)	2018(i) (40 weeks)
Revenue	$ 101	$ 170
Adjusted EBITDA(2)	73	121
Adjusted net interest expense and other financing charges(2)	68	118
Adjusted net earnings available to common shareholders of the Company(2)	3	2
Adjusted diluted net earnings per common share(2) ($)	—	—

(i) Year-to-date adjusted net interest expense and other financing charges(2) includes $2 million recorded in the first quarter of 2018. Year-to-date adjusted net earnings available to common shareholders of the Company(2) includes $1 million loss recorded in the first half of 2018.

DECLARATION OF DIVIDENDS

Subsequent to the end of the third 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 December 30, 2018 to shareholders of record on December 15, 2018
Second Preferred Shares, Series B	$0.33125 per share, payable on December 31, 2018 to shareholders of record on December 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 continue to negatively impact the Company's financial performance in 2018. The first half of the year was characterized by incremental cost headwinds and a very competitive retail market. In the second half, the Company is experiencing increased cost pressures, including from the surtax imposed on certain US imports. Management continues to focus on overcoming these headwinds.

In 2018, on a full-year comparative basis, normalized for the disposition of the gas bar business, the impact of the CREIT acquisition and spin-out of Choice Properties in the fourth quarter, 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 Third Quarter Report to Shareholders.

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.

	2018 (16 weeks)					2017(4)(5) (16 weeks)				
For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Choice Properties**	**Consolidation & Eliminations**	**Consolidated**	Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Consolidated
Revenue	**$ 14,105**	**$ 274**	**$ 315**	**$ (241)**	**$ 14,453**	$ 13,993	$ 240	$ 207	$ (248)	$ 14,192
Cost of Merchandise Inventories Sold	**10,006**	**35**	**—**	**—**	**10,041**	10,049	25	—	—	10,074
Gross Profit	**$ 4,099**	**$ 239**	**$ 315**	**$ (241)**	**$ 4,412**	$ 3,944	$ 215	$ 207	$ (248)	$ 4,118
Adjusted Gross Profit	**$ 4,099**	**$ 239**	**$ 315**	**$ (241)**	**$ 4,412**	$ 3,944	$ 215	$ 207	$ (248)	$ 4,118

	2018 (40 weeks)					2017(4)(5) (40 weeks)				
For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Choice Properties**	**Consolidation & Eliminations**	**Consolidated**	Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Consolidated
Revenue	**$ 34,860**	**$ 746**	**$ 825**	**$ (688)**	**$ 35,743**	$ 35,072	$ 679	$ 619	$ (694)	$ 35,676
Cost of Merchandise Inventories Sold	**24,674**	**83**	**—**	**—**	**24,757**	25,191	65	—	—	25,256
Gross Profit	**$ 10,186**	**$ 663**	**$ 825**	**$ (688)**	**$ 10,986**	$ 9,881	$ 614	$ 619	$ (694)	$ 10,420
Add (deduct) impact of the following:										
Impact of healthcare reform on inventory balances	**19**	**—**	**—**	**—**	**19**	—	—	—	—	—
Adjusted Gross Profit	**$ 10,205**	**$ 663**	**$ 825**	**$ (688)**	**$ 11,005**	$ 9,881	$ 614	$ 619	$ (694)	$ 10,420

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.

					2018 (16 weeks)					2017[(4)(5)] (16 weeks)
For the periods ended October 6, 2018 and October 7, 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					**$ 109**					$ 886
Add (deduct) impact of the following:										
Non-Controlling Interests					**8**					8
Net interest expense and other financing charges					**339**					119
Income taxes					**341**					223
Operating income	**$ 703**	**$ 41**	**$ 179**	**$ (126)**	**$ 797**	$ 1,168	$ 57	$ 227	$ (216)	$ 1,236
Add (deduct) impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 161**	**$ —**	**$ —**	**$ —**	**$ 161**	$ 161	$ —	$ —	$ —	$ 161
Fair value adjustment on investment properties	**—**	**—**	**34**	**—**	**34**	—	—	—	—	—
CREIT acquisition and other related costs	**—**	**—**	**10**	**—**	**10**	—	—	—	—	—
Spin-out of Choice Properties	**6**	**—**	**—**	**—**	**6**	—	—	—	—	—
Restructuring and other related costs	**5**	**—**	**—**	**—**	**5**	—	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**—**	**—**	**—**	**—**	**—**	20	—	—	—	20
Pension annuities and buy-outs	**—**	**—**	**—**	**—**	**—**	5	—	—	—	5
Wind-down of *PC Financial* banking services	**—**	**—**	**—**	**—**	**—**	—	(7)	—	—	(7)
Gain on disposition of gas bar operations	**—**	**—**	**—**	**—**	**—**	(501)	—	—	—	(501)
Loblaw Card Program	**(4)**	**—**	**—**	**—**	**(4)**	—	—	—	—	—
Gain on sale of air rights	**—**	**—**	**—**	**(13)**	**(13)**	—	—	—	—	—
Adjusting Items	**$ 168**	**$ —**	**$ 44**	**$ (13)**	**$ 199**	$ (315)	$ (7)	$ —	$ —	$ (322)
Adjusted operating income	**$ 871**	**$ 41**	**$ 223**	**$ (139)**	**$ 996**	$ 853	$ 50	$ 227	$ (216)	$ 914
Depreciation and amortization	**479**	**2**	**—**	**5**	**486**	467	2	1	6	476
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(161)**	**—**	**—**	**—**	**(161)**	(161)	—	—	—	(161)
Adjusted EBITDA	**$ 1,189**	**$ 43**	**$ 223**	**$ (134)**	**$ 1,321**	$ 1,159	$ 52	$ 228	$ (210)	$ 1,229

Adjusted EBITDA was impacted by the following new adjusting item in the third quarter of 2018:

Spin-out of Choice Properties In the third quarter of 2018, the Company recorded transaction and other related costs in connection with the spin-out of its interest in Choice Properties.

Gain on sale of air rights In the third quarter of 2018, a joint venture owned by Choice Properties completed the sale of air rights on one of its properties. The Company recorded a gain of $13 million in the third quarter related to the sale.

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars)	**2018 (40 weeks)** Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Consolidated	2017(4)(5) (40 weeks) Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Consolidated
Net earnings attributable to shareholders of the Company					**$ 542**					$ 1,483
Add (deduct) impact of the following:										
Non-Controlling Interests					**15**					10
Net interest expense and other financing charges					**722**					407
Income taxes					**559**					458
Operating income	**$ 1,670**	**$ 169**	**$ 391**	**$ (392)**	**$ 1,838**	$ 2,192	$ 139	$ 604	$ (577)	$ 2,358
Add (deduct) impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 401**	**$ —**	**$ —**	**$ —**	**$ 401**	$ 403	$ —	$ —	$ —	$ 403
CREIT acquisition and other related costs	**—**	**—**	**130**	**—**	**130**	—	—	—	—	—
Fair value adjustment on investment properties	**1**	**—**	**43**	**—**	**44**	—	—	—	—	—
Impact of healthcare reform on inventory balances	**19**	**—**	**—**	**—**	**19**	—	—	—	—	—
Spin-out of Choice Properties	**6**	**—**	**—**	**—**	**6**	—	—	—	—	—
Loblaw Card Program	**4**	**—**	**—**	**—**	**4**	—	—	—	—	—
Pension annuities and buy-outs	**1**	**—**	**—**	**—**	**1**	12	—	—	—	12
Gain on disposition of gas bar operations	**—**	**—**	**—**	**—**	**—**	(501)	—	—	—	(501)
Restructuring and other related costs	**(1)**	**—**	**—**	**—**	**(1)**	—	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**(11)**	**—**	**—**	**—**	**(11)**	25	—	—	—	25
Gain on sale of air rights	**—**	**—**	**—**	**(13)**	**(13)**	—	—	—	—	—
Wind-down of *PC Financial* banking services	**—**	**(20)**	**—**	**—**	**(20)**	—	(7)	—	—	(7)
Adjusting Items	**$ 420**	**$ (20)**	**$ 173**	**$ (13)**	**$ 560**	$ (61)	$ (7)	$ —	$ —	$ (68)
Adjusted operating income	**$ 2,090**	**$ 149**	**$ 564**	**$ (405)**	**$ 2,398**	$ 2,131	$ 132	$ 604	$ (577)	$ 2,290
Depreciation and amortization	**1,203**	**7**	**—**	**17**	**1,227**	1,172	7	1	16	1,196
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(401)**	**—**	**—**	**—**	**(401)**	(403)	—	—	—	(403)
Adjusted EBITDA	**$ 2,892**	**$ 156**	**$ 564**	**$ (388)**	**$ 3,224**	$ 2,900	$ 139	$ 605	$ (561)	$ 3,083

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 October 6, 2018 and October 7, 2017 (millions of Canadian dollars)	**2018** **(16 weeks)**	2017 (16 weeks)	**2018** **(40 weeks)**	2017 (40 weeks)
Net interest expense and other financing charges	**$ 339**	$ 119	**$ 722**	$ 407
Add (deduct) impact of the following:				
Fair value adjustment to the Trust Unit Liability	**62**	33	**(6)**	(2)
Charge related to Glenhuron	**(176)**	—	**(176)**	—
Adjusted net interest expense and other financing charges	**$ 225**	$ 152	**$ 540**	$ 405

Adjusted net interest expense and other financing charges was impacted by the following new adjusting item in the third quarter of 2018:

Charge related to Glenhuron In the third quarter of 2018, the Company recorded a charge of $367 million related to the Tax Court of Canada's decision on Glenhuron. Of the total charge, $176 million was recorded in net interest and other financing charges and $191 million was recorded in income taxes.

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 October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018** **(16 weeks)**	2017(4) (16 weeks)	**2018** **(40 weeks)**	2017(4) (40 weeks)
Adjusted operating income(i)	**$ 996**	$ 914	**$ 2,398**	$ 2,290
Adjusted net interest expense and other financing charges(i)	**225**	152	**540**	405
Adjusted earnings before taxes	**$ 771**	$ 762	**$ 1,858**	$ 1,885
Income taxes	**$ 341**	$ 223	**$ 559**	$ 458
Add impact of the following:				
Tax impact of items included in adjusted earnings before taxes(ii)	**48**	(21)	**122**	47
Charge related to Glenhuron	**(191)**	—	**(191)**	—
Adjusted income taxes	**$ 198**	$ 202	**$ 490**	$ 505
Effective tax rate	**74.5%**	20.0%	**50.1%**	23.5%
Adjusted income tax rate	**25.7%**	26.5%	**26.4%**	26.8%

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

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

Adjusted income tax expense and other financing charges was impacted by the following new adjusting item in the third quarter of 2018:

Charge related to Glenhuron In the third quarter of 2018, the Company recorded a charge of $367 million related to the Tax Court of Canada's decision on Glenhuron. Of the total charge, $176 million was recorded in net interest and other financing charges and $191 million was recorded in income 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 October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (16 weeks)**	2017[4] (16 weeks)	**2018 (40 weeks)**	2017[4] (40 weeks)
Net earnings attributable to shareholders of the Company	**$ 109**	$ 886	**$ 542**	$ 1,483
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(9)**	(9)
Net earnings available to common shareholders of the Company	**$ 106**	$ 883	**$ 533**	$ 1,474
Net earnings attributable to shareholders of the Company	**$ 109**	$ 886	**$ 542**	$ 1,483
Adjusting items (refer to the following table)	**456**	(334)	**811**	(113)
Adjusted net earnings attributable to shareholders of the Company	**$ 565**	$ 552	**$ 1,353**	$ 1,370
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(9)**	(9)
Adjusted net earnings available to common shareholders of the Company	**$ 562**	$ 549	**$ 1,344**	$ 1,361
Diluted weighted average common shares outstanding (millions)	**376.3**	395.0	**380.0**	399.2

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 (16 weeks)		2017[4] (16 weeks)		**2018 (40 weeks)**		2017[4] (40 weeks)	
For the periods ended October 6, 2018 and October 7, 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	**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	**$ 106**	**$ 0.28**	$ 883	$ 2.24	**$ 533**	**$ 1.40**	$ 1,474	$ 3.69
Add (deduct) impact of the following:								
Charge related to Glenhuron Bank Limited	**$ 367**	**$ 0.98**	$ —	$ —	**$ 367**	**$ 0.97**	$ —	$ —
Amortization of intangible assets acquired with Shoppers Drug Mart	**118**	**0.31**	118	0.30	**294**	**0.76**	295	0.74
Fair value adjustment on investment properties	**29**	**0.08**	—	—	**37**	**0.10**	—	—
CREIT acquisition and other related costs	**9**	**0.02**	—	—	**118**	**0.31**	—	—
Spin-out of Choice Properties	**6**	**0.01**	—	—	**6**	**0.02**	—	—
Restructuring and other related costs	**3**	**0.01**	—	—	**(1)**	**—**	—	—
Impact of healthcare reform on inventory balances	**—**	**—**	—	—	**14**	**0.04**	—	—
Pension annuities and buy-outs	**—**	**—**	4	0.01	**1**	**—**	9	0.02
Wind-down of *PC Financial* banking services	**—**	**—**	(5)	(0.01)	**(15)**	**(0.04)**	(5)	(0.01)
Gain on disposition of gas bar operations	**—**	**—**	(432)	(1.10)	**—**	**—**	(432)	(1.08)
Fair value adjustment on fuel and foreign currency contracts	**—**	**—**	14	0.03	**(8)**	**(0.02)**	18	0.05
Loblaw Card Program	**(3)**	**(0.01)**	—	—	**3**	**0.01**	—	—
Gain on sale of air rights	**(11)**	**(0.03)**	—	—	**(11)**	**(0.03)**	—	—
Fair value adjustment to the Trust Unit Liability[(i)]	**(62)**	**(0.16)**	(33)	(0.08)	**6**	**0.02**	2	—
Adjusting items	**$ 456**	**$ 1.21**	$ (334)	$ (0.85)	**$ 811**	**$ 2.14**	$ (113)	$ (0.28)
Adjusted	**$ 562**	**$ 1.49**	$ 549	$ 1.39	**$ 1,344**	**$ 3.54**	$ 1,361	$ 3.41

(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 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 that do not arise from operating activities or do not necessarily provide an accurate depiction of the Trust's performance.

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars)	**2018 (16 weeks)**	2017 (16 weeks)	**2018 (40 weeks)**	2017 (40 weeks)
Net income	**$ 62**	$ 303	**$ 368**	$ 369
Add (deduct) impact of the following:				
Fair value adjustments on Class B Limited Partnership units	**(15)**	(175)	**(379)**	(57)
Distributions on Class B Limited Partnership units	**72**	58	**199**	173
Fair value adjustments on investment properties	**34**	(78)	**70**	(163)
CREIT acquisition and other related costs	**10**	—	**130**	—
Fair value adjustments of investment property held in equity accounted joint ventures	**3**	—	**4**	1
Internal expenses for leasing	**2**	1	**4**	2
Capitalized interest on equity accounted joint venture	**1**	—	**2**	—
Income taxes	**1**	—	**1**	—
Accelerated amortization of debt premium	**—**	—	**37**	—
Fair value adjustments on unit-based compensation	**—**	(1)	**(4)**	—
Amortization of tenant improvement allowances	**—**	1	**—**	1
Funds from operations	**$ 170**	$ 109	**$ 432**	$ 326

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:

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars)	2018 (16 weeks) Retail	Financial Services	Choice Properties	Consolidation & Eliminations[(i)]	Consolidated	2017[(4)(5)] (16 weeks) Retail	Financial Services	Choice Properties	Consolidation & Eliminations[(i)]	Consolidated
Revenue[(ii)]	**$ 14,105**	**$ 274**	**$ 315**	**$ (241)**	**$ 14,453**	$ 13,993	$ 240	$ 207	$ (248)	$ 14,192
Operating income	$ 703	$ 41	$ 179	$ (126)	$ 797	$ 1,168	$ 57	$ 227	$ (216)	$ 1,236
Net interest expense and other financing charges	274	19	117	(71)	339	99	14	(76)	82	119
Earnings Before Income Taxes	**$ 429**	**$ 22**	**$ 62**	**$ (55)**	**$ 458**	$ 1,069	$ 43	$ 303	$ (298)	$ 1,117
Operating Income	**$ 703**	**$ 41**	**$ 179**	**$ (126)**	**$ 797**	$ 1,168	$ 57	$ 227	$ (216)	$ 1,236
Depreciation and Amortization	479	2	—	5	486	467	2	1	6	476
Adjusting items[(iii)]	168	—	44	(13)	199	(315)	(7)	—	—	(322)
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(161)	—	—	—	(161)	(161)	—	—	—	(161)
Adjusted EBITDA[(iii)]	$ 1,189	$ 43	$ 223	$ (134)	$ 1,321	$ 1,159	$ 52	$ 228	$ (210)	$ 1,229
Depreciation and Amortization[(iv)]	318	2	—	5	325	306	2	1	6	315
Adjusted Operating Income	**$ 871**	**$ 41**	**$ 223**	**$ (139)**	**$ 996**	$ 853	$ 50	$ 227	$ (216)	$ 914

(i) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $134 million (2017 – $131 million) of rental revenue, $47 million (2017 – $47 million) of cost recovery, recognized by Choice Properties generated from the Retail Segment. Revenue also includes the reclassification of $60 million (2017 – $70 million) related to *PC* MasterCard® loyalty awards in the Financial Services Segment.
- Adjusted operating income includes the elimination of the $134 million (2017 – $131 million) of rental revenue, as described above, the elimination of a $3 million loss (2017 – $78 million gain) recognized by Choice Properties related to the fair value adjustments on investment properties, which are classified as fixed assets by the Company and measured at cost; the recognition of a $13 million gain (2017 – nil) on disposal of assets, which are classified as fixed assets or investment properties by the Company and measured at cost, the recognition of $5 million (2017 – $6 million) of depreciation expense for certain investment properties recorded by Choice Properties; the elimination of intercompany charges of $3 million (2017 – $1 million).
- Net interest expense and other financing charges includes the elimination of $72 million (2017 – $73 million) of interest expense included in Choice Properties related to debt owing to the Company, and a fair value gain of $15 million (2017 – gain of $175 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 $48 million (2017 – $13 million), which excludes distributions paid to the Company and a $62 million fair value gain (2017 – gain of $33 million) on the Company's Trust Unit Liability.

(ii) Included in Financial Services revenue is $109 million (2017 – $100 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 $161 million (2017 – $161 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars)	2018 (40 weeks) Retail	Financial Services	Choice Properties	Consolidation & Eliminations(i)	Consolidated	2017(4)(5) (40 weeks) Retail	Financial Services	Choice Properties	Consolidation & Eliminations(i)	Consolidated
Revenue(ii)	**$ 34,860**	**$ 746**	**$ 825**	**$ (688)**	**$ 35,743**	$ 35,072	$ 679	$ 619	$ (694)	$ 35,676
Operating income	$ 1,670	$ 169	$ 391	$ (392)	$ 1,838	$ 2,192	$ 139	$ 604	$ (577)	$ 2,358
Net interest expense and other financing charges	422	50	23	227	722	244	41	235	(113)	407
Earnings Before Income Taxes	**$ 1,248**	**$ 119**	**$ 368**	**$ (619)**	**$ 1,116**	$ 1,948	$ 98	$ 369	$ (464)	$ 1,951
Operating Income	**$ 1,670**	**$ 169**	**$ 391**	**$ (392)**	**$ 1,838**	$ 2,192	$ 139	$ 604	$ (577)	$ 2,358
Depreciation and Amortization	1,203	7	—	17	1,227	1,172	7	1	16	1,196
Adjusting items(iii)	420	(20)	173	(13)	560	(61)	(7)	—	—	(68)
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(401)	—	—	—	(401)	(403)	—	—	—	(403)
Adjusted EBITDA(iii)	$ 2,892	$ 156	$ 564	$ (388)	$ 3,224	$ 2,900	$ 139	$ 605	$ (561)	$ 3,083
Depreciation and Amortization(iv)	802	7	—	17	826	769	7	1	16	793
Adjusted Operating Income	**$ 2,090**	**$ 149**	**$ 564**	**$ (405)**	**$ 2,398**	$ 2,131	$ 132	$ 604	$ (577)	$ 2,290

(i) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $400 million (2017 – $397 million) of rental revenue, $147 million (2017 – $141 million) of cost recovery, and $10 million (2017 – nil) of lease surrender, recognized by Choice Properties generated from the Retail Segment. Revenue also includes the reclassification of $131 million (2017 – $156 million) related to *PC* MasterCard® loyalty awards in the Financial Services Segment.
- Adjusted operating income includes the elimination of the $400 million (2017 – $397 million) of rental revenue and $10 million (2017 – nil) of lease surrender as described above, the elimination of a $31 million loss (2017 – $163 million gain) recognized by Choice Properties related to the fair value adjustments on investment properties, which are classified as fixed assets by the Company and measured at cost; the recognition of a $13 million gain (2017 – nil) on disposal of asset, which are classified as fixed assets or investment properties by the Company and measured at cost, the recognition of $17 million (2017 – $16 million) of depreciation expense for certain investment properties recorded by Choice Properties; and the elimination of intercompany charges of $9 million (2017 – $2 million); 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 $218 million (2017 – $211 million) of interest expense included in Choice Properties related to debt owing to the Company, accretion income earned on intercompany Class C Units of $37 million, and a fair value gain of $379 million (2017 – gain of $57 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 $97 million (2017 – $39 million), which excludes distributions paid to the Company and a $6 million fair value loss (2017 – loss of $2 million) on the Company's Trust Unit Liability.

(ii) Included in Financial Services revenue is $312 million (2017 – $292 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 $401 million (2017 – $403 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", "Choice Properties Segment" and "Non-GAAP Financial Measures" 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 the Company's loyalty program;
- 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 the failure by the Company to realize the anticipated benefits from the Company's spin-out of Choice Properties;
- 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, tariff disputes, which may include newly imposed surtaxes, 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 Third Quarter Report to Shareholders

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

Investor Relations

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Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, PC 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 November 14, 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: 4278725. 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.

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 third quarter unaudited interim period condensed consolidated financial statements.

(5) Comparative figures have been restated to conform with current year presentation.