Loblaw Companies Limited

NEWS RELEASE

Loblaw Reports 2017 Fourth Quarter and Fiscal Year Ended December 30, 2017 Results[1]

BRAMPTON, ONTARIO February 22, 2018 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the fourth quarter ended December 30, 2017 and the release of its 2017 Annual Report – Financial Review ("Annual Report"), which includes the Company's audited consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the fiscal year ended December 30, 2017. The Company's 2017 Annual Report 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 results in the fourth quarter and were pleased with our financial performance in 2017," said Galen G. Weston, Chairman and Chief Executive Officer, Loblaw Companies Limited.

"As our Company faces exceptional external headwinds in 2018, we are excited about our future and focused on meeting the changing needs of our customers. We remain committed to our financial framework and continued value creation for shareholders."

2017 FOURTH QUARTER HIGHLIGHTS

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

- Revenue was $11,030 million, a decrease of $100 million, or 0.9%, compared to the fourth quarter of 2016.
- Retail segment sales were $10,718 million, a decrease of $127 million, or 1.2%, compared to the fourth quarter of 2016.
    - The disposition of the Company's gas bar operations negatively impacted Retail sales growth by $350 million.
    - Food retail (Loblaw) same-store sales growth was 0.5%, excluding gas bar operations.
    - Drug retail (Shoppers Drug Mart) same-store sales growth was 3.6%, with pharmacy same-store sales growth of 3.9% and front store same-store sales growth of 3.5%.
- Operating income was $140 million, a decrease of $309 million, or 68.8%, compared to the fourth quarter of 2016.
    - Operating income was negatively impacted in the fourth quarter of 2017 by charges related to the announcement of the *PC Optimum* Program, restructuring activities and the Loblaw Card Program.
- Net earnings available to common shareholders of the Company were $19 million, a decrease of $182 million, or 90.5%, compared to the fourth quarter of 2016. Diluted net earnings per common share were $0.05, a decrease of $0.45, or 90.0%, compared to the fourth quarter of 2016.
- Adjusted EBITDA[2] was $1,013 million, an increase of $57 million, or 6.0%, compared to the fourth quarter of 2016.
- Adjusted net earnings available to common shareholders of the Company[2] were $441 million, an increase of $48 million, or 12.2%, compared to the fourth quarter of 2016. Adjusted diluted net earnings per common share[2] were $1.13, an increase of $0.16, or 16.5%, compared to the fourth quarter of 2016.
    - Normalized for the disposition of gas bar operations, adjusted diluted net earnings per common share[2] increased by approximately 20.0%.
- The Company repurchased 2.3 million common shares at a cost of $154 million in the fourth quarter of 2017. In 2017, the Company repurchased 16.2 million common shares at a cost of $1,139 million.
- In 2017, the Company invested $1,259 million in capital expenditures and generated $1,479 million of free cash flow[2].
- The disposition of the Company's gas bar operations negatively impacted Retail adjusted EBITDA[2] by approximately $20 million and diluted net earnings per common share growth by approximately $0.03 per common share. Gas bar operations were a low gross margin business compared to the Company's overall Retail segment.

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

CONSOLIDATED RESULTS OF OPERATIONS

For the periods ended December 30, 2017 and December 31, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)	$ Change	% Change	**2017 (52 weeks)**	2016 (52 weeks)	$ Change	% Change
Revenue	**$ 11,030**	$ 11,130	$ (100)	(0.9)%	**$ 46,702**	$ 46,385	$ 317	0.7%
Operating income	**140**	449	(309)	(68.8)%	**2,494**	2,092	402	19.2%
Adjusted EBITDA[(2)]	**1,013**	956	57	6.0 %	**4,092**	3,852	240	6.2%
Adjusted EBITDA margin[(2)]	**9.2%**	8.6%			**8.8%**	8.3%		
Net earnings attributable to shareholders of the Company	**$ 22**	$ 204	$ (182)	(89.2)%	**$ 1,502**	$ 983	$ 519	52.8%
Net earnings available to common shareholders of the Company[(i)]	**19**	201	(182)	(90.5)%	**1,490**	971	519	53.5%
Adjusted net earnings available to common shareholders of the Company[(2)]	**441**	393	48	12.2 %	**1,799**	1,655	144	8.7%
Diluted net earnings per common share ($)	**$ 0.05**	$ 0.50	$ (0.45)	(90.0)%	**$ 3.75**	$ 2.37	$ 1.38	58.2%
Adjusted diluted net earnings per common share[(2)] ($)	**$ 1.13**	$ 0.97	$ 0.16	16.5 %	**$ 4.53**	$ 4.05	$ 0.48	11.9%
Diluted weighted average common shares outstanding (millions)	**390.5**	405.6			**397.3**	409.1		

(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 fourth quarter of 2017 were $19 million ($0.05 per common share), a decrease of $182 million ($0.45 per common share) compared to the fourth quarter of 2016. The decrease in net earnings available to common shareholders of the Company included improvements in underlying operating performance of $48 million, which were more than offset by the unfavourable year-over-year net impact of adjusting items totaling $230 million, as described below:

- improvements in underlying operating performance of $48 million ($0.12 per common share), were primarily due to the Retail segment (excluding the impact of the consolidation of franchises), driven by an increase in adjusted gross profit[(2)] partially offset by an increase in selling, general and administrative expenses ("SG&A").
- the unfavourable year-over-year net impact of adjusting items totaling $230 million ($0.61 per common share) was primarily due to the following:
  - the unfavourable impact of charges related to the announcement of the *PC Optimum* Program, including the revaluation of the existing points liability and the impairment of certain IT assets, of $154 million ($0.39 per common share);
  - the year-over-year unfavourable impact of restructuring and other related costs of $123 million ($0.31 per common share); and
  - the unfavourable impact of the Loblaw Card Program of $79 million ($0.20 per common share); partially offset by
  - the year-over-year favourable impact of asset impairments, net of recoveries, of $53 million ($0.12 per common share);
  - the favourable impact of the remeasurement of deferred tax balances of $17 million ($0.04 per common share);
  - the year-over-year favourable impact of pension annuities and buy-outs in the prior year of $15 million ($0.04 per common share); and
  - 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 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 fourth quarter of 2017 were $441 million ($1.13 per common share), an increase of $48 million ($0.16 per common share or 16.5%), compared to the fourth quarter of 2016, due to the improvements in underlying operating performance and the favourable impact of the repurchase of common shares, as described above. Normalized for the disposition of gas bar operations, adjusted diluted net earnings per common share[(2)] increased by approximately 20.0%.

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, and includes in-store pharmacies and other health and beauty products and 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, deposit taking services 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 Real Estate Investment Trust ("Choice Properties") segment owns, manages and develops well located retail and commercial properties across Canada. The Choice Properties segment information presented below reflects the accounting policies of Choice Properties, which may differ from those of the consolidated Company. Differences in policies are eliminated in Consolidation and Eliminations.

Retail Segment

For the periods ended December 30, 2017 and December 31, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)	$ Change	% Change	**2017 (52 weeks)**	2016 (52 weeks)	$ Change	% Change
Sales	**$ 10,718**	$ 10,845	$ (127)	(1.2)%	**$ 45,634**	$ 45,384	$ 250	0.6%
Operating income	**56**	392	(336)	(85.7)%	**2,248**	1,902	346	18.2%
Adjusted gross profit(2)	**3,095**	2,945	150	5.1 %	**12,820**	12,262	558	4.6%
Adjusted gross profit %(2)	**28.9%**	27.2%			**28.1%**	27.0%		
Adjusted EBITDA(2)	**$ 936**	$ 889	$ 47	5.3 %	**$ 3,836**	$ 3,631	$ 205	5.6%
Adjusted EBITDA margin(2)	**8.7%**	8.2%			**8.4%**	8.0%		
Depreciation and amortization	**$ 362**	$ 355	$ 7	2.0 %	**$ 1,534**	$ 1,512	$ 22	1.5%

For the periods ended December 30, 2017 and December 31, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**		2016 (12 weeks)		**2017 (52 weeks)**		2016 (52 weeks)	
	Sales	**Same-store sales**	Sales	Same-store sales	**Sales**	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 7,546**	**0.5%**	$ 7,789	1.1%	**$ 33,055**	**0.6%**	$ 33,175	1.1%
Drug retail	**3,172**	**3.6%**	3,056	3.4%	**12,579**	**3.0%**	12,209	4.0%
Pharmacy	**1,419**	**3.9%**	1,361	2.5%	**5,959**	**3.1%**	5,730	2.9%
Front Store	**1,753**	**3.5%**	1,695	4.1%	**6,620**	**2.9%**	6,479	5.0%

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

Sales Retail segment sales in the fourth quarter of 2017 were $10,718 million, a decrease of $127 million, or 1.2%, compared to the fourth quarter of 2016. Excluding the consolidation of franchises, Retail segment sales decreased by $214 million, or 2.0%, primarily driven by the following factors:

- The impact of the disposition of gas bar operations of $350 million; partially offset by
- Food retail same-store sales growth was 0.5% (2016 – 1.1%) for the quarter, after excluding gas bar operations.
- The Company's Food retail average quarterly internal food price index was marginally higher than (2016 – slightly lower than) the average quarterly national food price inflation of 1.0% (2016 – deflation of 2.3%), 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 3.6% (2016 – 3.4%) and was comprised of pharmacy same-store sales growth of 3.9% (2016 – 2.5%) and front store same-store sales growth of 3.5% (2016 – 4.1%).
- 22 food and drug stores were opened and 19 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%.

Operating Income Operating income in the fourth quarter of 2017 was $56 million, a decrease of $336 million compared to the fourth quarter of 2016. The decrease in operating income included improvements in underlying operating performance of $37 million, which were more than offset by the unfavourable year-over-year net impact of adjusting items totaling $373 million, as described below:

- the improvements in underlying operating performance of $37 million were driven by an increase in adjusted gross profit(2) partially offset by an increase in SG&A. The improvements in underlying operating performance also included the unfavourable year-over-year contribution from the consolidation of franchises in the quarter and the unfavourable impact of the disposition of gas bar operations; and
- the unfavourable year-over-year net impact of adjusting items totaling $373 million was primarily due to the following:
  - the unfavourable impact of charges related to the announcement of the *PC Optimum* Program, including the revaluation of the existing points liability and the impairment of certain IT assets, of $211 million;
  - the year-over-year unfavourable impact of restructuring and other related costs of $163 million; and
  - the unfavourable impact of the Loblaw Card Program of $107 million; partially offset by
  - the year-over-year favourable impact of asset impairments, net of recoveries, of $77 million; and
  - the year-over-year favourable impact of pension annuities and buy-outs in the prior year of $21 million.

Adjusted Gross Profit(2) Adjusted gross profit(2) in the fourth quarter of 2017 was $3,095 million, an increase of $150 million compared to the fourth quarter of 2016. Adjusted gross profit percentage(2) of 28.9% increased by 170 basis points compared to the fourth quarter of 2016. Excluding the consolidation of franchises, adjusted gross profit(2) increased by $55 million. Adjusted gross profit percentage(2), excluding the consolidation of franchises, was 27.5%, an increase of 110 basis points compared to the fourth quarter of 2016. The increase in adjusted gross profit percentage(2) was due to the favourable impact from the disposition of gas bar operations of approximately 70 basis points and higher Drug retail margins primarily driven by front store margins. Food retail margins were stable.

Adjusted EBITDA(2) Adjusted EBITDA(2) in the fourth quarter of 2017 was $936 million, an increase of $47 million, compared to the fourth quarter of 2016 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 increase in adjusted EBITDA(2) of $47 million was driven by an increase in adjusted gross profit(2) as described above, partially offset by an increase in SG&A of $103 million. SG&A as a percentage of sales was 20.1%, an increase of 110 basis points compared to the fourth quarter of 2016. Excluding the consolidation of franchises, SG&A increased $8 million. SG&A as a percentage of sales, excluding the consolidation of franchises, was 18.8%, an unfavourable increase of 40 basis points compared to the fourth quarter of 2016 driven by the unfavourable impact from the disposition of gas bar operations of approximately 50 basis points as store and store support costs were relatively flat as a percentage of sales.

Depreciation and Amortization Depreciation and amortization in the fourth quarter of 2017 was $362 million, an increase of $7 million compared to the fourth quarter of 2016 primarily driven by the consolidation of franchises and an increase in 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 (2016 – $124 million).

Other Retail Business Matters

Competition Bureau Investigation On December 19, 2017, the Company and George Weston Limited ("Weston") announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis.

Class action lawsuits have been commenced against the Company and Weston as well as a number of other major grocery retailers and another bread wholesaler. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Weston believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's cash balances far exceed any realistic damages scenario and therefore it does not anticipate any impacts on its dividend, dividend policy or share buyback plan.

The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in the fourth quarter of 2017 on the basis that a reliable estimate of the liability cannot be determined at this time. The Company will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated and will record an amount in the period that a reliable estimate of liability can be determined or the matter is ultimately resolved.

As part of its response to this issue, the Company has announced the Loblaw Card Program pursuant to which the Company is offering a $25 Loblaw Card to eligible customers. The Loblaw Card can be used to purchase items sold in Loblaw grocery stores across Canada. The Company has recorded a charge of $107 million in relation to the Loblaw Card Program in the fourth quarter of 2017. The Company expects that Loblaw Cards issued to customers will be an offset against civil liability. The charge recorded for the Loblaw Card Program should not be viewed as an estimate of damages.

As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Weston will not face criminal charges or penalties.

PC Optimum Program In the fourth quarter of 2017, the Company announced plans to bring together the *Shoppers Optimum* and *PC Plus* reward programs to create one program, *PC Optimum*. As a result, the Company recorded a charge of $189 million, related to the revaluation of the existing liability for outstanding points to reflect a higher anticipated redemption rate under the new program, and $22 million, related to the impairment of certain IT assets that support the existing loyalty programs in the fourth quarter of 2017. Subsequent to the fourth quarter of 2017, the Company successfully launched the *PC Optimum* Program.

Restructuring and other related costs In the fourth quarter of 2017, the Company eliminated approximately 500 corporate and store-support positions and finalized a plan that will result in the closure of 22 unprofitable retail locations across a range of banners and formats. The Company expects to record charges of approximately $135 million related to this restructuring, of which $123 million was recorded in the fourth quarter of 2017. The charges included $109 million for severance and lease related costs, $7 million for asset impairments and $7 million related to other costs. The Company expects to realize approximately $85 million in annualized savings related to these plans. The Company expects that the store closures will be substantially complete by the end of the first quarter of 2018.

In addition, the Company recorded $20 million in severance and other related charges and $3 million for asset impairments as a result of other restructuring plans approved in the fourth quarter of 2017 and a charge of $19 million related to an adjustment of onerous contract provisions related to previously announced restructuring plans.

Consolidation of Franchises The Company has more than 500 franchise food retail stores in its network. As at the end of the fourth quarter of 2017, 310 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 December 30, 2017 and December 31, 2016 (millions of Canadian dollars unless where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)	**2017 (52 weeks)**	2016 (52 weeks)
Number of Consolidated Franchise stores, beginning of period	**273**	165	**200**	85
Add: Net number of Consolidated Franchise stores in the period	**37**	35	**110**	115
Number of Consolidated Franchise stores, end of period	**310**	200	**310**	200
Sales	**$ 186**	$ 99	**$ 710**	$ 363
Adjusted gross profit(2)	**202**	107	**733**	361
Adjusted EBITDA(2)	**27**	27	**66**	20
Depreciation and amortization	**11**	6	**43**	21
Operating income (loss)	**16**	21	**23**	(1)
Net income attributable to non-controlling interests	**14**	28	**24**	7

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.

The Company expects that the estimated annual impact in 2018 of new and current consolidated franchises will be revenue of approximately $1,000 million, adjusted EBITDA(2) of approximately $100 million, depreciation and amortization of approximately $60 million and net earnings attributable to non-controlling interests of approximately $25 million.

Financial Services Segment

For the periods ended December 30, 2017 and December 31, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)	$ Change	% Change	**2017 (52 weeks)**	2016 (52 weeks)	$ Change	% Change
Revenue	**$ 281**	$ 261	$ 20	7.7%	**$ 956**	$ 911	$ 45	4.9%
Earnings before income taxes	**59**	39	20	51.3%	**153**	124	29	23.4%

(millions of Canadian dollars except where otherwise indicated)	**As at December 30, 2017**	As at December 31, 2016	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,908**	$ 2,769	$ 139	5.0 %
Credit card receivables	**3,100**	2,926	174	5.9 %
Allowance for credit card receivables	**47**	52	(5)	(9.6)%
Annualized yield on average quarterly gross credit card receivables	**13.2%**	13.5%		
Annualized credit loss rate on average quarterly gross credit card receivables	**3.7%**	4.3%		

Earnings Before Income Taxes Earnings before income taxes in the fourth quarter of 2017 were $59 million, an increase of $20 million compared to the fourth quarter of 2016, 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 *President's Choice Financial*® brand;
- an increase in revenue attributable to growth in the credit card portfolio and The Mobile Shop;
- lower credit losses due to the strong credit performance of the portfolio; and
- lower marketing and acquisition costs; partially offset by
- higher operating costs and costs associated with the loyalty program;
- higher information technology ("IT") costs; and
- higher interest expense, primarily due to the *Eagle Credit Card Trust*® *("Eagle")* debt issuance in the fourth quarter of 2017, as a result of growth in the credit card portfolio.

Credit Card Receivables As at December 30, 2017, credit card receivables were $3,100 million, an increase of $174 million compared to December 31, 2016. 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. As at December 30, 2017, the allowance for credit card receivables was $47 million, a decrease of $5 million compared to December 31, 2016 due to the strong credit performance of the portfolio.

Choice Properties Segment

For the periods ended December 30, 2017 and December 31, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)	$ Change	% Change	**2017 (52 weeks)**	2016 (52 weeks)	$ Change	% Change
Revenue	**$ 211**	$ 198	$ 13	6.6 %	**$ 830**	$ 784	$ 46	5.9 %
Net interest expense and other financing charges(i)	**116**	(11)	127	1,154.5 %	**351**	900	(549)	(61.0)%
Net income (loss)(ii)	**36**	256	(220)	(85.9)%	**405**	(223)	628	281.6 %
Funds from operations(2)	**117**	103	14	13.6 %	**443**	410	33	8.0 %

(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 (loss) Net income in the fourth quarter of 2017 was $36 million, a decrease of $220 million compared to the fourth quarter of 2016. The decrease was primarily driven by:

- the change in fair value adjustment on Class B Limited Partnership units; and
- the change in fair value adjustment on investment properties; partially offset by
- 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.

Funds from Operations[(2)] Funds from Operations[(2)] in the fourth quarter of 2017 were $117 million, an increase of $14 million compared to the fourth quarter of 2016, primarily driven by higher contributions from property operations and lower interest expense due to the repayment of the Series 6 senior unsecured debentures in the first quarter of 2017, partially offset by an increase in interest expense due to higher drawings on credit facilities.

Other Matters

Acquisition of Investment Properties In the fourth quarter of 2017, Choice Properties acquired two investment properties from third-party vendors for an aggregate purchase price of approximately $18 million, excluding acquisition costs, which was settled by an assumption of a $7 million mortgage, with the remainder in cash. Also, Choice Properties acquired five investment properties from the Company for an aggregate purchase price of approximately $62 million, excluding acquisition costs, for consideration of $47 million in cash and issuance of 1,092,052 Class B Limited Partnership units.

Debentures and Medium Term Notes Subsequent to the end of 2017, Choice Properties completed an issuance of $650 million aggregate principal amount of senior unsecured debentures of the Trust in two series. The offering included (i) $300 million aggregate principal amount of Series I senior unsecured debentures bearing interest at a rate of 3.01% per annum and maturing on March 21, 2022 and (ii) $350 million aggregate principal amount of Series J senior unsecured debentures bearing interest at a rate of 3.55% per annum and maturing on January 10, 2025.

Subsequent to the end of 2017, Choice Properties redeemed $400 million Series A senior unsecured debentures with an original maturity date of July 5, 2018.

Choice Properties' Agreement to Acquire Canadian Real Estate Investment Trust On February 15, 2018, Choice Properties entered into an agreement to acquire all of the assets and assume all of the liabilities, including long-term debt and all residual liabilities of Canadian Real Estate Investment Trust ("CREIT"). CREIT will then redeem all of its outstanding units for $22.50 in cash plus 2.4904 Choice Properties units per CREIT unit, on a fully prorated basis. Using the Choice Properties closing unit price on February 14, 2018 of $12.49, this represents $53.61 per CREIT unit. The maximum amount of cash 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.

Choice Properties will finance the cash portion of the transaction with committed credit facilities totaling $3.6 billion. These committed facilities consist of an $850 million bridge facility that Choice Properties intends to refinance through the issuance of senior unsecured debentures and a $1.25 billion term loan. The term loan is structured in tranches maturing in 3, 4 and 5 years. Choice Properties will consider hedging the term loan to manage floating interest rate exposure. Choice Properties has also arranged a new $1.5 billion committed revolving credit facility, that will replace its and CREIT's existing credit facilities ensuring that Choice Properties will have maximum flexibility to support ongoing growth prospects, including acquisitions and development.

The Company, Choice Properties' controlling unitholder, has entered into a voting agreement in support of the transaction. To facilitate Choice Properties' financing for the transaction, the Company has agreed to convert all of its outstanding Class C Limited Partnership units of Choice Properties Limited Partnership with a face value of $925 million into Class B LP units of Choice Properties Limited Partnership on closing. Following the transaction, Loblaw will own approximately 62% of Choice Properties.

The transaction is anticipated to close in the second quarter of 2018. The transaction will require the approval of at least 66 2/3% of the votes cast by unitholders of CREIT at a special meeting expected to take place in April 2018. In addition to CREIT unitholder approval and court approvals, the transaction is subject to compliance with the Competition Act and certain other closing conditions customary in transactions of this nature. There can be no assurance that any such approvals will be obtained or that the Company will be able to successfully consummate the proposed transaction as currently contemplated or at all.

DECLARATION OF DIVIDENDS

Subsequent to the end of the fourth quarter of 2017, the Board of Directors declared a quarterly dividend on Common Shares and Second Preferred Shares, Series B.

Common Shares	$0.27 per common share, payable on April 1, 2018 to shareholders of record on March 15, 2018
Second Preferred Shares, Series B	$0.33125 per share, payable on March 31, 2018 to shareholders of record on March 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 addition to the previously announced incremental impact of minimum wage increases of approximately $190 million, the Company now expects that the announced healthcare reform will have an additional impact of approximately $250 million on operating income. This compares to the average impact of healthcare reform of approximately $70 million to $80 million per year over the past three years.

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, free cash flow; 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 2017 Annual Report.

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 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.

					2017 (12 weeks)					2016 (12 weeks)
For the periods ended December 30, 2017 and December 31, 2016 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Choice Properties**	**Consolidation & Eliminations**	**Total**	Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Total
Revenue	**$10,718**	**$ 281**	**$ 211**	**$ (180)**	**$11,030**	$10,845	$ 261	$ 198	$ (174)	$11,130
Cost of Merchandise Inventories Sold	**7,625**	**32**	**—**	**—**	**7,657**	7,896	27	—	—	7,923
Gross Profit	**$ 3,093**	**$ 249**	**$ 211**	**$ (180)**	**$ 3,373**	$ 2,949	$ 234	$ 198	$ (174)	$ 3,207
Add (deduct) impact of the following:										
Restructuring and other related costs	**2**	**—**	**—**	**—**	**2**	—	—	—	—	—
Charges related to retail locations in Fort McMurray, net of recoveries	**—**	**—**	**—**	**—**	**—**	(4)	—	—	—	(4)
Adjusted Gross Profit	**$ 3,095**	**$ 249**	**$ 211**	**$ (180)**	**$ 3,375**	$ 2,945	$ 234	$ 198	$ (174)	$ 3,203

					2017 (52 weeks)					2016 (52 weeks)
For the periods ended December 30, 2017 and December 31, 2016 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Choice Properties**	**Consolidation & Eliminations**	**Total**	Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Total
Revenue	**$45,634**	**$ 956**	**$ 830**	**$ (718)**	**$46,702**	$45,384	$ 911	$ 784	$ (694)	$46,385
Cost of Merchandise Inventories Sold	**32,816**	**97**	**—**	**—**	**32,913**	33,130	83	—	—	33,213
Gross Profit	**$12,818**	**$ 859**	**$ 830**	**$ (718)**	**$13,789**	$12,254	$ 828	$ 784	$ (694)	$13,172
Add impact of the following:										
Restructuring and other related costs	**2**	**—**	**—**	**—**	**2**	3	—	—	—	3
Net impairment (impairment reversals) related to Drug retail ancillary assets	**—**	**—**	**—**	**—**	**—**	4	—	—	—	4
Charges related to retail locations in Fort McMurray, net of recoveries	**—**	**—**	**—**	**—**	**—**	1	—	—	—	1
Adjusted Gross Profit	**$12,820**	**$ 859**	**$ 830**	**$ (718)**	**$13,791**	$12,262	$ 828	$ 784	$ (694)	$13,180

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 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.

					2017 (12 weeks)					2016 (12 weeks)
For the periods ended December 30, 2017 and December 31, 2016 (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					**$ 22**					$ 204
Add (deduct) impact of the following:										
Non-Controlling Interests					**14**					28
Net interest expense and other financing charges					**118**					128
Income taxes					**(14)**					89
Operating income	**$ 56**	**$ 74**	**$ 152**	**$ (142)**	**$ 140**	$ 392	$ 52	$ 245	$ (240)	$ 449
Add (deduct) impact of the following:										
PC Optimum Program	**$ 211**	**$ —**	**$ —**	**$ —**	**$ 211**	$ —	$ —	$ —	$ —	$ —
Restructuring and other related costs	**165**	**—**	**—**	**—**	**165**	2	—	—	—	2
Amortization of intangible assets acquired with Shoppers Drug Mart	**121**	**—**	**—**	**—**	**121**	124	—	—	—	124
Loblaw Card Program	**107**	**—**	**—**	**—**	**107**	—	—	—	—	—
Asset impairments, net of recoveries	**53**	**—**	**—**	**—**	**53**	130	—	—	—	130
Pension annuities and buy-outs	**—**	**—**	**—**	**—**	**—**	21	—	—	—	21
Charges related to retail locations in Fort McMurray, net of recoveries	**—**	**—**	**—**	**—**	**—**	(5)	—	—	—	(5)
Certain prior period items	**(4)**	**—**	**—**	**—**	**(4)**	—	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**(5)**	**—**	**—**	**—**	**(5)**	(6)	—	—	—	(6)
Prior year land transfer tax assessment (recovery)	**(9)**	**—**	**—**	**—**	**(9)**	—	—	—	—	—
Wind-down of PC Financial banking services	**—**	**(17)**	**—**	**—**	**(17)**	—	—	—	—	—
Adjusting Items	**$ 639**	**$ (17)**	**$ —**	**$ —**	**$ 622**	$ 266	$ —	$ —	$ —	$ 266
Adjusted operating income	**$ 695**	**$ 57**	**$ 152**	**$ (142)**	**$ 762**	$ 658	$ 52	$ 245	$ (240)	$ 715
Depreciation and amortization	**362**	**3**	**—**	**7**	**372**	355	4	—	6	365
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(121)**	**—**	**—**	**—**	**(121)**	(124)	—	—	—	(124)
Adjusted EBITDA	**$ 936**	**$ 60**	**$ 152**	**$ (135)**	**$ 1,013**	$ 889	$ 56	$ 245	$ (234)	$ 956

For the periods ended December 30, 2017 and December 31, 2016 (millions of Canadian dollars)	2017 (52 weeks) Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Consolidated	2016 (52 weeks) Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Consolidated
Net earnings attributable to shareholders of the Company					$ 1,502					$ 983
Add impact of the following:										
Non-Controlling Interests					24					7
Net interest expense and other financing charges					525					653
Income taxes					443					449
Operating income	$ 2,248	$ 209	$ 756	$ (719)	$ 2,494	$ 1,902	$ 175	$ 677	$ (662)	$ 2,092
Add (deduct) impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	$ 524	$ —	$ —	$ —	$ 524	$ 535	$ —	$ —	$ —	$ 535
PC Optimum Program	211	—	—	—	211	—	—	—	—	—
Restructuring and other related costs	165	—	—	—	165	46	—	—	—	46
Loblaw Card Program	107	—	—	—	107	—	—	—	—	—
Asset impairments, net of recoveries	53	—	—	—	53	135	—	—	—	135
Fair value adjustment on fuel and foreign currency contracts	20	—	—	—	20	5	—	—	—	5
Pension annuities and buy-outs	12	—	—	—	12	23	—	—	—	23
Charges related to retail locations in Fort McMurray, net of recoveries	—	—	—	—	—	2	—	—	—	2
Net impairment (impairment reversals) related to Drug retail ancillary assets	—	—	—	—	—	(4)	—	—	—	(4)
Certain prior period items	(4)	—	—	—	(4)	—	—	—	—	—
Prior year land transfer tax assessment (recovery)	(9)	—	—	—	(9)	10	—	—	—	10
Wind-down of PC Financial banking services	—	(24)	—	—	(24)	—	—	—	—	—
Gain on disposition of gas bar operations	(501)	—	—	—	(501)	—	—	—	—	—
Adjusting Items	$ 578	$ (24)	$ —	$ —	$ 554	$ 752	$ —	$ —	$ —	$ 752
Adjusted operating income	$ 2,826	$ 185	$ 756	$ (719)	$ 3,048	$ 2,654	$ 175	$ 677	$ (662)	$ 2,844
Depreciation and amortization	1,534	10	1	23	1,568	1,512	13	1	17	1,543
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(524)	—	—	—	(524)	(535)	—	—	—	(535)
Adjusted EBITDA	$ 3,836	$ 195	$ 757	$ (696)	$ 4,092	$ 3,631	$ 188	$ 678	$ (645)	$ 3,852

The following describes the new adjusting items in the fourth quarter of 2017:

PC Optimum Program In the fourth quarter of 2017, the Company announced plans to bring together the *Shoppers Optimum* and *PC Plus* reward programs to create one program, *PC Optimum*. As a result, the Company recorded a charge of $189 million, related to the revaluation of the existing liability for outstanding points to reflect a higher anticipated redemption rate under the new program, and $22 million, related to the impairment of certain IT assets that support the existing loyalty programs in the fourth quarter of 2017.

Restructuring and other related costs The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Restructuring activities related to these initiatives are ongoing. In the fourth quarter of 2017, the Company recognized charges associated with restructuring and other related costs as set out in "Other Retail Business Matters".

Loblaw Card Program In the fourth quarter of 2017, the Company and Weston acknowledged their involvement in an industry wide price-fixing arrangement. In connection with the arrangement, the Company is offering customers a $25 Loblaw Card, which can be used to purchase items sold in Loblaw grocery stores across Canada. The Company has recorded a charge of $107 million associated with the Loblaw Card Program.

Certain prior period items In the fourth quarter of 2017, Management identified excess impairment that was recorded against the Company's Franchise Loans Receivable balance on the consolidated balance sheets and recorded a gain to correct this prior period error. Management determined that the impact of this item on the Company's previously issued annual and interim financial statements and the current period financial statements was not material. This gain was partially offset by certain charges associated with a prior period regulatory matter recorded in the fourth quarter of 2017.

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 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 December 30, 2017 and December 31, 2016 (millions of Canadian dollars)	**2017** **(12 weeks)**	2016 (12 weeks)	**2017** **(52 weeks)**	2016 (52 weeks)
Net interest expense and other financing charges	**$ 118**	$ 128	**$ 525**	$ 653
Add (deduct) impact of the following:				
Fair value adjustment to the Trust Unit Liability	**12**	2	**10**	(118)
Adjusted net interest expense and other financing charges	**$ 130**	$ 130	**$ 535**	$ 535

Adjusted Income Taxes and Adjusted Income Tax Rate The following table reconciles adjusted income taxes to income taxes as reported in the 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 December 30, 2017 and December 31, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)	**2017 (52 weeks)**	2016 (52 weeks)
Adjusted operating income(i)	**$ 762**	$ 715	**$ 3,048**	$ 2,844
Adjusted net interest expense and other financing charges(i)	**130**	130	**535**	535
Adjusted earnings before taxes	**$ 632**	$ 585	**$ 2,513**	$ 2,309
Income taxes	**$ (14)**	$ 89	**$ 443**	$ 449
Add (deduct) impact of the following:				
Tax impact of items included in adjusted earnings before taxes(ii)	**171**	72	**218**	189
Remeasurement of deferred tax balances	**17**	—	**17**	—
Statutory corporate income tax rate change	**—**	—	**—**	(3)
Adjusted income taxes	**$ 174**	$ 161	**$ 678**	$ 635
Effective tax rate	**(63.6)%**	27.7%	**22.5%**	31.2%
Adjusted income tax rate	**27.5 %**	27.5%	**27.0%**	27.5%

(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.

The following describes the new adjusting item in the fourth quarter of 2017:

Remeasurement of deferred tax balances In the fourth quarter of 2017, the Company recorded a deferred tax recovery of $17 million resulting from a change in the applicable provincial income tax rate used to measure certain deferred tax balances caused by a change in the location of certain business activities.

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 December 30, 2017 and December 31, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)	**2017 (52 weeks)**	2016 (52 weeks)
Net earnings attributable to shareholders of the Company	**$ 22**	$ 204	**$ 1,502**	$ 983
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(12)**	(12)
Net earnings available to common shareholders of the Company	**$ 19**	$ 201	**$ 1,490**	$ 971
Net earnings attributable to shareholders of the Company	**$ 22**	$ 204	**$ 1,502**	$ 983
Adjusting items (refer to the following table)	**422**	192	**309**	684
Adjusted net earnings attributable to shareholders of the Company	**$ 444**	$ 396	**$ 1,811**	$ 1,667
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(12)**	(12)
Adjusted net earnings available to common shareholders of the Company	**$ 441**	$ 393	**$ 1,799**	$ 1,655
Diluted weighted average common shares outstanding (millions)	**390.5**	405.6	**397.3**	409.1

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.

	2017 (12 weeks)		2016 (12 weeks)		2017 (52 weeks)		2016 (52 weeks)	
For the periods ended December 30, 2017 and December 31, 2016 (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	**$ 19**	**$ 0.05**	$ 201	$ 0.50	**$ 1,490**	**$ 3.75**	$ 971	$ 2.37
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 89**	**$ 0.23**	$ 90	$ 0.22	**$ 384**	**$ 0.97**	$ 395	$ 0.97
PC Optimum Program	**154**	**0.39**	—	—	**154**	**0.39**	—	—
Restructuring and other related costs	**126**	**0.32**	3	0.01	**126**	**0.32**	44	0.11
Loblaw Card Program	**79**	**0.20**	—	—	**79**	**0.20**	—	—
Asset impairments, net of recoveries	**40**	**0.10**	93	0.22	**40**	**0.10**	97	0.24
Fair value adjustment on fuel and foreign currency contracts	**(4)**	**(0.01)**	(4)	(0.01)	**14**	**0.04**	4	0.01
Pension annuities and buy-outs	**—**	**—**	15	0.04	**9**	**0.02**	17	0.04
Charges related to retail locations in Fort McMurray, net of recoveries	**—**	**—**	(3)	(0.01)	**—**	**—**	2	—
Statutory corporate income tax rate change	**—**	**—**	—	—	**—**	**—**	3	0.01
Net impairment (impairment reversals) related to Drug retail ancillary assets	**—**	**—**	—	—	**—**	**—**	(3)	(0.01)
Prior year land transfer tax assessment (recovery)	**(7)**	**(0.02)**	—	—	**(7)**	**(0.02)**	7	0.02
Fair value adjustment to the Trust Unit Liability[(i)]	**(12)**	**(0.03)**	(2)	—	**(10)**	**(0.03)**	118	0.29
Certain prior period items	**(13)**	**(0.03)**	—	—	**(13)**	**(0.03)**	—	—
Remeasurement of deferred tax balances	**(17)**	**(0.04)**	—	—	**(17)**	**(0.04)**	—	—
Wind-down of PC Financial banking services	**(13)**	**(0.03)**	—	—	**(18)**	**(0.05)**	—	—
Gain on disposition of gas bar operations	**—**	**—**	—	—	**(432)**	**(1.09)**	—	—
Adjusting items	**$ 422**	**$ 1.08**	$ 192	$ 0.47	**$ 309**	**$ 0.78**	$ 684	$ 1.68
Adjusted	**$ 441**	**$ 1.13**	$ 393	$ 0.97	**$ 1,799**	**$ 4.53**	$ 1,655	$ 4.05

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

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

For the periods ended December 30, 2017 and December 31, 2016 (millions of Canadian dollars)	**2017** **(12 weeks)**	2016 (12 weeks)	**2017** **(52 weeks)**	2016 (52 weeks)
Cash flows from operating activities	**$ 1,086**	$ 861	**$ 3,209**	$ 3,519
Less:				
Capital investments	**487**	470	**1,259**	1,224
Interest paid	**84**	78	**471**	474
Free cash flow	**$ 515**	$ 313	**$ 1,479**	$ 1,821

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

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 December 30, 2017 and December 31, 2016 (millions of Canadian dollars)	**2017** **(12 weeks)**	2016 (12 weeks)	**2017** **(52 weeks)**	2016 (52 weeks)
Net income (loss)	**$ 36**	$ 256	**$ 405**	$ (223)
Add (deduct) impact of the following:				
Fair value adjustments on Class B Limited Partnership units	**19**	(107)	**(38)**	530
Fair value adjustments on investment properties	**3**	(102)	**(160)**	(109)
Fair value adjustments on unit-based compensation	**1**	(1)	**1**	4
Fair value adjustments of investment property held in equity accounted joint venture	**—**	—	**1**	(14)
Distributions on Class B Limited Partnership units	**59**	56	**232**	219
Net income attributable to non-controlling interests	**(1)**	—	**(1)**	—
Amortization of tenant improvement allowances	**—**	—	**1**	—
Internal expenses for leasing	**—**	1	**2**	3
Funds from Operations	**$ 117**	$ 103	**$ 443**	$ 410

SELECTED FINANCIAL INFORMATION

The following includes selected quarterly and annual financial information, which is prepared by management in accordance with IFRS and is based on the Company's audited annual consolidated financial statements for the year ended December 30, 2017. This financial information does not contain all disclosures required by IFRS, and accordingly, should be read in conjunction with the Company's 2017 Annual Report, which is available in the Investor Centre section of the Company's website at loblaw.ca and on sedar.com.

Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated)	**December 30, 2017 (12 weeks) (unaudited)**	December 31, 2016 (12 weeks) (unaudited)	**2017 (52 weeks) (audited)**	2016 (52 weeks) (audited)
Revenue	**$ 11,030**	$ 11,130	**$ 46,702**	$ 46,385
Cost of Merchandise Inventories Sold	**7,657**	7,923	**32,913**	33,213
Selling, General and Administrative Expenses	**3,233**	2,758	**11,295**	11,080
Operating Income	**$ 140**	$ 449	**$ 2,494**	$ 2,092
Net interest expense and other financing charges	**118**	128	**525**	653
Earnings Before Income Taxes	**$ 22**	$ 321	**$ 1,969**	$ 1,439
Income taxes	**(14)**	89	**443**	449
Net Earnings	**$ 36**	$ 232	**$ 1,526**	$ 990
Attributable to:				
Shareholders of the Company	**$ 22**	$ 204	**$ 1,502**	$ 983
Non-Controlling Interests	**14**	28	**24**	7
Net Earnings	**$ 36**	$ 232	**$ 1,526**	$ 990
Net Earnings per Common Share ($)				
Basic	**$ 0.05**	$ 0.50	**$ 3.78**	$ 2.40
Diluted	**$ 0.05**	$ 0.50	**$ 3.75**	$ 2.37
Weighted Average Common Shares Outstanding (millions)				
Basic	**387.3**	401.9	**393.8**	405.1
Diluted	**390.5**	405.6	**397.3**	409.1

Consolidated Balance Sheets

(millions of Canadian dollars)	As at December 30, 2017	As at December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 1,798**	$ 1,314
Short term investments	**546**	241
Accounts receivable	**1,188**	1,122
Credit card receivables	**3,100**	2,926
Inventories	**4,438**	4,371
Prepaid expenses and other assets	**224**	190
Assets held for sale	**33**	40
Total Current Assets	**$ 11,327**	$ 10,204
Fixed Assets	**10,669**	10,559
Investment Properties	**235**	218
Intangible Assets	**8,251**	8,745
Goodwill	**3,922**	3,895
Deferred Income Tax Assets	**134**	130
Franchise Loans Receivable	**166**	233
Other Assets	**402**	452
Total Assets	**$ 35,106**	$ 34,436
Liabilities		
Current Liabilities		
Bank indebtedness	**$ 110**	$ 115
Trade payables and other liabilities	**5,646**	5,091
Provisions	**283**	99
Income taxes payable	**117**	329
Short term debt	**640**	665
Long term debt due within one year	**1,635**	400
Associate interest	**263**	243
Total Current Liabilities	**$ 8,694**	$ 6,942
Provisions	**169**	120
Long Term Debt	**9,542**	10,470
Trust Unit Liability	**972**	959
Deferred Income Tax Liabilities	**1,977**	2,190
Other Liabilities	**700**	727
Total Liabilities	**$ 22,054**	$ 21,408
Equity		
Share Capital	**$ 7,666**	$ 7,913
Retained Earnings	**5,198**	4,944
Contributed Surplus	**110**	112
Accumulated Other Comprehensive Income	**38**	33
Total Equity Attributable to Shareholders of the Company	**$ 13,012**	$ 13,002
Non-Controlling Interests	**40**	26
Total Equity	**$ 13,052**	$ 13,028
Total Liabilities and Equity	**$ 35,106**	$ 34,436

Consolidated Statements of Cash Flows

(millions of Canadian dollars)	December 30, 2017 (12 weeks)	December 31, 2016 (12 weeks)	2017 (52 weeks)	2016 (52 weeks)
Operating Activities				
Net earnings	$ 36	$ 232	$ 1,526	$ 990
Add (Deduct):				
Income taxes	(14)	89	443	449
Net interest expense and other financing charges	118	128	525	653
Depreciation and amortization	372	365	1,568	1,543
Asset impairments, net of recoveries	89	130	97	139
Gain on disposition of gas bar operations	—	—	(501)	—
Change in provisions	255	(8)	233	(39)
PC Optimum Program	189	—	189	—
	$ 1,045	$ 936	$ 4,080	$ 3,735
Change in non-cash working capital	317	104	132	173
Change in credit card receivables	(182)	(157)	(174)	(136)
Income taxes paid	(117)	(50)	(866)	(329)
Interest received	6	2	17	9
Other	17	26	20	67
Cash Flows from Operating Activities	$ 1,086	$ 861	$ 3,209	$ 3,519
Investing Activities				
Fixed asset purchases	$ (405)	$ (361)	$ (979)	$ (896)
Intangible asset additions	(82)	(109)	(280)	(328)
Acquisition of QHR Corporation, net of cash acquired	—	(153)	—	(153)
Cash assumed on initial consolidation of franchises	8	11	26	42
Change in short term investments	(215)	(85)	(305)	(177)
Proceeds from disposal of assets	10	9	17	62
Proceeds from disposition of gas bar operations	—	—	540	—
Other	(64)	12	(53)	13
Cash Flows used in Investing Activities	$ (748)	$ (676)	$ (1,034)	$ (1,437)
Financing Activities				
Change in bank indebtedness	$ (169)	$ (142)	$ (5)	$ (28)
Change in short term debt	30	190	(25)	115
Long Term Debt				
Issued	366	159	686	815
Retired	(72)	(30)	(450)	(1,049)
Interest paid	(84)	(78)	(471)	(474)
Dividends paid on common and preferred shares	—	(104)	(327)	(425)
Common Share Capital				
Issued	17	4	41	42
Purchased and held in trust	—	—	(48)	(90)
Purchased and cancelled	(154)	(200)	(1,091)	(708)
Other	16	16	5	20
Cash Flows used in Financing Activities	$ (50)	$ (185)	$ (1,685)	$ (1,782)
Effect of foreign currency exchange rate changes on cash and cash equivalents	$ —	$ 2	$ (6)	$ (4)
Change in cash and cash equivalents	$ 288	$ 2	$ 484	$ 296
Cash and cash equivalents, beginning of period	1,510	1,312	1,314	1,018
Cash and Cash Equivalents, End of Period	$ 1,798	$ 1,314	$ 1,798	$ 1,314

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:

					2017 (12 weeks)					2016 (12 weeks)
For the periods ended December 30, 2017 and December 31, 2016 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Choice Properties**	**Consolidation & Eliminations(i)**	**Total**	Retail	Financial Services	Choice Properties	Consolidation & Eliminations(i)	Total
Revenue(ii)	**$ 10,718**	**$ 281**	**$ 211**	**$ (180)**	**$ 11,030**	$ 10,845	$ 261	$ 198	$ (174)	$ 11,130
Operating income	$ 56	$ 74	$ 152	$ (142)	$ 140	$ 392	$ 52	$ 245	$ (240)	$ 449
Net interest expense and other financing charges	74	15	116	(87)	118	76	13	(11)	50	128
Earnings before Income Taxes	**$ (18)**	**$ 59**	**$ 36**	**$ (55)**	**$ 22**	$ 316	$ 39	$ 256	$ (290)	$ 321
Operating Income	**$ 56**	**$ 74**	**$ 152**	**$ (142)**	**$ 140**	$ 392	$ 52	$ 245	$ (240)	$ 449
Depreciation and Amortization	362	3	—	7	372	355	4	—	6	365
Adjusting items(iii)	639	(17)	—	—	622	266	—	—	—	266
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(121)	—	—	—	(121)	(124)	—	—	—	(124)
Adjusted EBITDA(iii)	$ 936	$ 60	$ 152	$ (135)	$ 1,013	$ 889	$ 56	$ 245	$ (234)	$ 956
Depreciation and Amortization(iv)	241	3	—	7	251	231	4	—	6	241
Adjusted Operating Income	**$ 695**	**$ 57**	**$ 152**	**$ (142)**	**$ 762**	$ 658	$ 52	$ 245	$ (240)	$ 715

(i) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $132 million (2016 – $133 million) of rental revenue, $42 million (2016 – $41 million) of cost recovery, and $6 million (2016 - nil) of lease surrender which includes surrender revenue of $1 million (2016 - nil) attributable to non-controlling interest, recognized by Choice Properties generated from the Retail Segment
- Adjusted operating income includes the elimination of the $132 million (2016 – $133 million) of rental revenue described above, lease surrender revenue of $5 million (2016 - nil) excluding the impact of above described non-controlling interest; the elimination of a $3 million loss (2016 – $102 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 $1 million gain (2016 - nil) on disposal of asset, which are classified as Fixed Assets or Investment Properties by the Company and measured at cost; the recognition of $7 million (2016 – $6 million) of depreciation expense for certain investment properties recorded by Choice Properties; and the elimination of intercompany charges of $2 million (2016 - recovery of $1 million).
- Net interest expense and other financing charges includes the elimination of $71 million (2016 – $68 million) of interest expense included in Choice Properties related to debt owing to the Company and a fair value loss of $19 million (2016 – gain of $107 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 $15 million (2016 – $13 million), which excludes distributions paid to the Company and a $12 million fair value gain (2016 – gain of $2 million) on the Company's Trust Unit Liability.

(ii) Included in Financial Services revenue is $101 million (2016 – $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 (2016 – $124 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

For the periods ended December 30, 2017 and December 31, 2016 (millions of Canadian dollars)					**2017 (52 weeks)**					2016 (52 weeks)
	Retail	**Financial Services**	**Choice Properties**	**Consolidation & Eliminations(i)**	**Total**	Retail	Financial Services	Choice Properties	Consolidation & Eliminations(i)	Total
Revenue(ii)	**$ 45,634**	**$ 956**	**$ 830**	**$ (718)**	**$ 46,702**	$ 45,384	$ 911	$ 784	$ (694)	$ 46,385
Operating income	$ 2,248	$ 209	$ 756	$ (719)	$ 2,494	$ 1,902	$ 175	$ 677	$ (662)	$ 2,092
Net interest expense and other financing charges	318	56	351	(200)	525	332	51	900	(630)	653
Earnings before Income Taxes	**$ 1,930**	**$ 153**	**$ 405**	**$ (519)**	**$ 1,969**	$ 1,570	$ 124	$ (223)	$ (32)	$ 1,439
Operating Income	**$ 2,248**	**$ 209**	**$ 756**	**$ (719)**	**$ 2,494**	$ 1,902	$ 175	$ 677	$ (662)	$ 2,092
Depreciation and Amortization	1,534	10	1	23	1,568	1,512	13	1	17	1,543
Adjusting items(iii)	578	(24)	—	—	554	752	—	—	—	752
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(524)	—	—	—	(524)	(535)	—	—	—	(535)
Adjusted EBITDA(iii)	$ 3,836	$ 195	$ 757	$ (696)	$ 4,092	$ 3,631	$ 188	$ 678	$ (645)	$ 3,852
Depreciation and Amortization(iv)	1,010	10	1	23	1,044	977	13	1	17	1,008
Adjusted Operating Income	**$ 2,826**	**$ 185**	**$ 756**	**$ (719)**	**$ 3,048**	$ 2,654	$ 175	$ 677	$ (662)	$ 2,844

(i) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $529 million (2016 – $520 million) of rental revenue, $183 million (2016 – $174 million) of cost recovery, and $6 million (2016 - nil) of lease surrender which includes $1 million (2016 - nil) attributable to non-controlling interest, recognized by Choice Properties generated from the Retail Segment.
- Adjusted operating income includes the elimination of the $529 million (2016 – $520 million) of rental revenue described above; lease surrender revenue of $5 million (2016 - nil) excluding the impact of above described non-controlling interest; the elimination of a $160 million gain (2016 – $109 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 elimination of a $1 million loss (2016 – $14 million gain) recognized by Choice Properties related to the fair value adjustments on investment properties in the joint venture; the recognition of $1 million gain (2016 - nil) on disposal of asset, which are classified as Fixed Assets or Investment Properties by the Company and measured at cost; the recognition of $23 million (2016 – $17 million) of depreciation expense for certain investment properties recorded by Choice Properties; and the elimination of intercompany charges of $4 million (2016 – $2 million).
- Net interest expense and other financing charges includes the elimination of $282 million (2016 – $267 million) of interest expense included in Choice Properties related to debt owing to the Company and a $38 million fair value gain (2016 – loss of $530 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 $54 million (2016 – $49 million), which excludes distributions paid to the Company and a $10 million fair value gain (2016 – loss of $118 million) on the Company's Trust Unit Liability.

(ii) Included in Financial Services revenue is $393 million (2016 – $383 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 $524 million (2016 – $535 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" section 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;
- 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

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

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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 February 22, 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 three hours after the event at (416) 849-0833 or (855) 859-2056, access code: 3779674. 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.