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NEWS RELEASE

Loblaw Reports 2018 Fourth Quarter and Fiscal Year Ended December 29, 2018 Results[1]

BRAMPTON, ONTARIO February 21, 2019 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the fourth quarter ended December 29, 2018 and the release of its 2018 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 29, 2018. The Company's 2018 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 are pleased to deliver strong operational performance again this quarter, achieving our full year financial targets in a challenging year," said Galen G. Weston, Executive Chairman, Loblaw Companies Limited.

"Our strategy has momentum and we are accelerating our investments to deliver customer and shareholder value over the long-term."

On November 1, 2018, the Company and its parent George Weston Limited ("Weston") completed a reorganization under which the Company distributed its approximate 61.6% effective interest in Choice Properties Real Estate Investment Trust ("Choice Properties") to Weston ("the reorganization" or "the spin-out"). The reorganization simplifies the Company as a pure-play retailer by spinning out a non-strategic business and allows the Company to focus on pursuing its core retail, connected healthcare, digital retail and payments and rewards strategy.

As of the date of the reorganization, the Company no longer retains its interest in Choice Properties and has ceased to consolidate its equity interest in Choice Properties from its consolidated financial statements. The spin-out of the Company's interest in Choice Properties has been presented separately as Discontinued Operations in the current and comparative results. The Company's 2018 financial results from Discontinued Operations include ten months of Choice Properties' financial results compared to a full year in 2017.

2018 FOURTH QUARTER HIGHLIGHTS

Unless otherwise indicated, the following highlights represent the Company's results from Continuing Operations and also reflect the impact of the consolidation of franchises. The fourth quarter of 2018 included the negative impacts of minimum wage increases and incremental healthcare reform.

- Revenue was $11,218 million, an increase of $226 million, or 2.1%, compared to the fourth quarter of 2017.
- Retail segment sales were $10,976 million, an increase of $181 million, or 1.7%, compared to the fourth quarter of 2017.
  - Food retail (Loblaw) same-store sales growth was 0.8%.
  - Drug retail (Shoppers Drug Mart) same-store sales growth was 1.9%, with pharmacy same-store sales growth of 0.6% and front store same-store sales growth of 2.8%.
- Operating income was $445 million, an increase of $388 million, or 680.7%, compared to the fourth quarter of 2017.
  - Operating income was positively impacted year-over-year by charges recorded in the fourth quarter of 2017 related to the launch of the PC Optimum® Program, restructuring and other related costs and the Loblaw Card Program.
- Adjusted EBITDA[2] was $895 million, an increase of $13 million, or 1.5%, compared to the fourth quarter of 2017.
- Net earnings available to common shareholders of the Company from Continuing Operations were $228 million, an increase of $252 million compared to the fourth quarter of 2017. Diluted net earnings per common share were $0.61, an increase of $0.67 compared to the fourth quarter of 2017.
  - Net earnings available to common shareholders of the Company from Continuing Operations were positively impacted year-over-year by the net impact of amounts recorded in the fourth quarter of 2017, as discussed above.

- Adjusted net earnings available to common shareholders of the Company[(2)] from Continuing Operations were $388 million, a decrease of $10 million, or 2.5%, compared to the fourth quarter of 2017. Adjusted diluted net earnings from Continuing Operations per common share[(2)] were $1.03, an increase of $0.01, or 1.0%, compared to the fourth quarter of 2017.
    - Adjusted net earnings available to common shareholders of the Company[(2)] from Continuing Operations included the decline in underlying operating performance of the Financial Services segment, which included investments in digital strategy and was negatively impacted by lower core banking income attributable to the discontinuation of the personal banking services under the *PC Financial* brand, partially offset by the improvement in underlying operating performance of the Retail segment. The increase in adjusted diluted earnings from Continuing Operations per common share[(2)] was due to the favourable impact of the repurchase of common shares.
- Inclusive of Discontinued Operations, adjusted net earnings available to common shareholders of the Company[(2)] were $402 million, a decrease of $34 million, or 7.8%. Adjusted diluted net earnings per common share[(2)] were $1.07 a decrease of $0.05, or 4.5% compared to the fourth quarter of 2017. Normalized for the impact of the reorganization and Choice Properties' acquisition of Canadian Real Estate Investment Trust ("CREIT"), adjusted net earnings available to common shareholders of the Company[(2)] decreased by approximately $4 million and adjusted diluted net earnings per common share[(2)] increased by $0.03 or 2.9% per common share compared to 2017.
- The Company repurchased 3.9 million common shares at a cost of $238 million in the fourth quarter of 2018. In 2018, the Company repurchased 16.6 million common shares at a cost of $1,082 million.

2018 SELECT ANNUAL HIGHLIGHTS

Relative to the Company's 2018 Outlook, 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 delivered essentially flat adjusted net earnings growth of 0.2% with positive adjusted earnings per share growth of 5.0% driven by our share buyback program.

The following annual highlights include both Continuing and Discontinued Operations and also reflect the impact of the consolidation of franchises and the disposition of gas bar operations in the Retail segment as well as the acquisition of CREIT by Choice Properties.

- Inclusive of Discontinued Operations, net earnings available to common shareholders of the Company were $754 million, a decrease of $751 million compared to 2017. Diluted net earnings per common share were $1.99, a decrease of $1.80 compared to 2017.
    - Net earnings available to common shareholders of the Company and diluted net earnings per common share were negatively impacted by the charge related to Glenhuron Bank Limited ("Glenhuron") in the third quarter of 2018. Net earnings available to common shareholders of the Company and diluted net earnings per common share were also negatively impacted year-over-year by the 2017 gain on disposition of gas bars operations.
- Inclusive of Discontinued Operations, adjusted net earnings available to common shareholders of the Company[(2)] were $1,746 million, a decrease of $51 million, or 2.8%, compared to 2017. Adjusted diluted net earnings per common share[(2)] were $4.60, an increase of $0.08, or 1.8%, compared to 2017. Normalized for the impact of the reorganization, Choice Properties' acquisition of CREIT and the 2017 disposition of gas bar operations, adjusted net earnings available to common shareholders of the Company[(2)] increased by approximately $3 million ($0.22 or 5.0% per common share) compared to 2017.
    - The spin-out of Choice Properties in the fourth quarter of 2018 had a negative year-over-year impact on financial performance in 2018. The spin-out negatively impacted adjusted net earnings available to common shareholders of the Company[(2)] by approximately $30 million ($0.08 per common share) compared to 2017.
    - Choice Properties completed the acquisition of CREIT in the second quarter of 2018. In 2018, the acquisition resulted in an increase in adjusted net earnings available to common shareholders of the Company[(2)] of $2 million. The acquisition had a nominal impact on adjusted diluted net earnings per common share[(2)] in 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 2018. The disposition negatively impacted adjusted net earnings available to common shareholders of the Company[(2)] by approximately $26 million ($0.06 per common share) compared to 2017.
- In 2018, the Company invested $1,334 million in capital expenditures and generated $366 million of free cash flow[(2)]. In 2018, the Company's Continuing Operations invested $1,070 million in capital expenditures and generated $670 million of free cash flow[(2)].

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

CONSOLIDATED RESULTS OF OPERATIONS

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

For the periods ended December 29, 2018 and December 30, 2017 (millions of Canadian dollars except where otherwise indicated)	2018 (12 weeks)	2017[4][5] (12 weeks)	$ Change	% Change	2018 (52 weeks)	2017[4][5] (52 weeks)	$ Change	% Change
Revenue	**$ 11,218**	$ 10,992	$ 226	2.1 %	**$ 46,693**	$ 46,587	$ 106	0.2 %
Operating income	**445**	57	388	680.7 %	**1,923**	2,049	(126)	(6.1)%
Adjusted EBITDA[2]	**895**	882	13	1.5 %	**3,528**	3,521	7	0.2 %
Adjusted EBITDA margin[2]	**8.0%**	8.0%			**7.6%**	7.6%		
Net earnings attributable to shareholders of the Company	**$ 231**	$ (21)	$ 252	1,200.0 %	**$ 719**	$ 1,286	$ (567)	(44.1)%
Net earnings available to common shareholders of the Company[i]	**221**	31	190	612.9 %	**754**	1,505	(751)	(49.9)%
Continuing Operations	**228**	(24)	252	1,050.0 %	**707**	1,274	(567)	(44.5)%
Discontinued Operations	**(7)**	55	(62)	(112.7)%	**47**	231	(184)	(79.7)%
Adjusted net earnings available to common shareholders of the Company[2]	**$ 402**	$ 436	$ (34)	(7.8)%	**$ 1,746**	$ 1,797	$ (51)	(2.8)%
Continuing Operations	**388**	398	(10)	(2.5)%	**1,539**	1,585	(46)	(2.9)%
Discontinued Operations	**14**	38	(24)	(63.2)%	**207**	212	(5)	(2.4)%
Diluted net earnings per common share ($)	**$ 0.59**	$ 0.08	$ 0.51	637.5 %	**$ 1.99**	$ 3.79	$ (1.80)	(47.5)%
Continuing Operations	**$ 0.61**	$ (0.06)	$ 0.67	1,116.7 %	**$ 1.87**	$ 3.21	$ (1.34)	(41.7)%
Discontinued Operations	**$ (0.02)**	$ 0.14	$ (0.16)	(114.3)%	**$ 0.12**	$ 0.58	$ (0.46)	(79.3)%
Adjusted diluted net earnings per common share[2] ($)	**$ 1.07**	$ 1.12	$ (0.05)	(4.5)%	**$ 4.60**	$ 4.52	$ 0.08	1.8 %
Continuing Operations	**$ 1.03**	$ 1.02	$ 0.01	1.0 %	**$ 4.06**	$ 3.99	$ 0.07	1.8 %
Discontinued Operations	**$ 0.04**	$ 0.10	$ (0.06)	(60.0)%	**$ 0.54**	$ 0.53	$ 0.01	1.9 %
Diluted weighted average common shares outstanding (millions)	**376.1**	390.5			**379.3**	397.3		

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

Net earnings available to common shareholders of the Company from Continuing Operations in the fourth quarter of 2018 were $228 million ($0.61 per common share), an increase of $252 million ($0.67 per common share) compared to the fourth quarter of 2017. The increase included a decline in underlying operating performance of $10 million, which was more than offset by the favourable year-over-year net impact of adjusting items totaling $262 million, as described below:

- decline in underlying operating performance of $10 million ($0.03 per common share), primarily due to the following:
  - the Financial Services segment, driven by lower core banking income attributable to the discontinuation of the personal banking services under the *PC Financial* brand, higher operating costs including investments in digital strategy and higher customer acquisition costs, partially offset by higher net interchange income attributable to the growth in the credit card portfolio;

  partially offset by,

  - the Retail segment (excluding the impact of the consolidation of franchises), driven by a decrease in selling, general and administrative expenses ("SG&A"), partially offset by an increase in depreciation and amortization and a decrease in adjusted gross profit[2].

- the favourable year-over-year net impact of adjusting items totaling $262 million ($0.66 per common share), primarily due to the following:
  - prior year charges related to the *PC Optimum* Program of $137 million ($0.35 per common share);
  - the year-over-year favourable impact of restructuring and other related costs of $133 million ($0.34 per common share); and
  - the year-over-year favourable impact of prior year charges related to the Loblaw Card Program of $79 million ($0.20 per common share);

  partially offset by,
  - the year-over-year unfavourable impact of fixed asset and other related impairments, net of recoveries of $20 million ($0.06 per common share);
  - the unfavourable impact of the prior year deferred tax liability revaluation of $17 million ($0.04 per common share);
  - the unfavourable impact of prior year 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 unfavourable change in fair value adjustment on fuel and foreign currency contract of $10 million ($0.03 per common share); and
  - the unfavourable impact of the prior year recovery related to a prior year land transfer tax assessment of $7 million ($0.02 per common share).
- the increase in diluted net earnings from Continuing Operations per common share also included the favourable impact of the repurchase of common shares over the last 12 months ($0.04 per common share).

Adjusted net earnings available to common shareholders of the Company[(2)] from Continuing Operations in the fourth quarter of 2018 were $388 million ($1.03 per common share), a decrease of $10 million (increase of $0.01 per common share or 1.0%), compared to the fourth quarter of 2017, primarily due to the decline in underlying operating performance, as described above. Adjusted diluted net earnings per common share[(2)] also included the favourable impact of the repurchase of common shares ($0.04 per common share).

Discontinued Operations Net earnings available to common shareholders of the Company from Discontinued Operations was a loss of $7 million ($0.02 per common share) in the fourth quarter of 2018, a decrease of $62 million ($0.16 per share) compared to the fourth quarter of 2017. The decrease included a decline in underlying operating performance of $24 million ($0.06 per common share), primarily due to the unfavourable year-over-year impact of the reorganization and the unfavourable year-over-year net impact of adjusting items totaling $38 million ($0.10 per common share). The unfavourable year-over-year net impact of adjusting items was driven by the change in fair value adjustment to the Trust Unit Liability of $39 million ($0.11 per common share).

Other Business Matters

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

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

The Company no longer retains its interest in Choice Properties and ceased to consolidate its equity interest in Choice Properties from its consolidated financial statements, which resulted in a reduction in total assets and liabilities as at October 31, 2018 of approximately $11.2 billion and $11.1 billion, respectively with the difference recorded in retained earnings. The reduction includes balances acquired with Choice Properties' acquisition of CREIT in the second quarter of 2018. The spin-out represents a decrease in total assets and liabilities of $4.8 billion and $4.5 billion, respectively compared to December 30, 2017. The transaction has no significant impact on the ongoing operating relationship between the Company and Choice Properties and the Strategic Alliance Agreement and leases, remain in place. The Company continues to be Choice Properties' largest tenant.

The reorganization has been reflected separately as Discontinued Operations in the current and comparative results. Unless otherwise noted, all comparisons of operating results exclude the results of Choice Properties. The results of Continuing Operations reflect transactions between the Company and Choice Properties in the current and comparative period, including, but not limited to, rent payments made by the Retail segment to Choice Properties for the annual period. Prior to the reorganization, these transactions were eliminated on consolidation. All intercompany transactions prior to the spin-out have been eliminated as part of Discontinued Operations.

Impact on Consolidated Financial Results, including Discontinued Operations The Company's 2018 consolidated financial results, including Discontinued Operations, reflect Choice Properties financial results up until October 31, 2018. Subsequent to the spin-out, from November 1, 2018 to December 29, 2018, the Company's consolidated financial results no longer include Choice Properties' rent received from third party tenants, depreciation and amortization on properties owned by Choice Properties or net interest expense and other financial charges related to trust unit distributions to third parties and Choice Properties' debt.

In addition, post spin-out, the Company's consolidated financial results reflect the on-going operating relationship between the Company and Choice Properties, including but not limited to rent paid to Choice Properties from November 1, 2018 to December 29, 2018, which is no longer eliminated on consolidation, as well as incremental depreciation and amortization as a result of the change in estimated useful life of certain building components owned by the Company, as discussed below.

As a result of the above, the spin-out had a negative year-over-year impact on the total Company consolidated financial performance in 2018. The spin-out negatively impacted adjusted net earnings available to common shareholders of the Company(2), including Discontinued Operations by approximately $30 million ($0.08 per common share) compared to 2017.

Impact on Retail Segment Results The Company has restated the financial results of the Retail segment on a Continuing Operations basis, to include amounts paid between the Company and Choice Properties in the current and comparative period. The Company's current and comparative period Retail segment results include rent and lease surrender payments paid to Choice Properties, gains related to the sale leaseback of properties to Choice Properties and site intensification payments received from Choice Properties. In addition, the Retail segment no longer includes depreciation and amortization on properties owned by Choice Properties previously treated as own use fixed assets.

Post spin-out the Retail segment no longer includes depreciation and amortization on Choice Properties owned land and building and includes incremental depreciation and amortization as a result of the change in estimated useful life of certain building components owned by the Company. Prior to the spin-out, buildings owned by Choice Properties and leased by the Company as well as any related building components owned by the Company were considered own use fixed assets and were depreciated over 40 years. As a result of the spin-out, buildings owned by Choice Properties and leased by the Company will be accounted for as operating leases. The building components associated with these leases post spin-out are classified as leasehold improvements and depreciated over the lesser of the lease term and useful life up to 25 years. The remaining average lease term on the leases related to these leasehold improvements as of the date of the reorganization was approximately 10 years. The impact of this change is expected to be an increase in depreciation and amortization of approximately $85 million compared to 2018. The Company's 2018 financial results includes incremental depreciation and amortization for the post spin-out period.

The spin-out did not have a significant impact on the Company's Retail segment fourth quarter and 2018 financial performance as the Company's current and comparative period financial results have been restated to reflect the ongoing operating relationship with Choice Properties, as discussed above.

REPORTABLE OPERATING SEGMENTS

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

- The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, and includes in-store pharmacies and other health and beauty products, apparel and other general merchandise and supports the *PC Optimum* program. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base. The Retail segment is Choice Properties' largest tenant and all transactions, including but not limited to rental payments, with Choice Properties are included in segment results. Prior to July 17, 2017, the Retail segment also included gas bar operations; and
- The Financial Services segment provides credit card services, the *PC Optimum* Program, insurance brokerage services, deposit taking services and telecommunication services. As a result of the wind-down of *PC Financial* banking services, the Financial Services segment no longer offers personal banking services.

Retail Segment

For the periods ended December 29, 2018 and December 30, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (12 weeks)**	2017(5) (12 weeks)	$ Change	% Change	**2018 (52 weeks)**	2017(5) (52 weeks)	$ Change	% Change
Sales	**$ 10,976**	$ 10,795	$ 181	1.7%	**$ 45,836**	$ 45,867	$ (31)	(0.1)%
Operating income	**408**	(10)	418	4,180.0%	**1,717**	1,843	(126)	(6.8)%
Adjusted gross profit(2)	**3,254**	3,172	82	2.6%	**13,459**	13,053	406	3.1 %
Adjusted gross profit %(2)	**29.6%**	29.4%			**29.4%**	28.5%		
Adjusted EBITDA(2)	**$ 855**	$ 829	$ 26	3.1%	**$ 3,332**	$ 3,329	$ 3	0.1 %
Adjusted EBITDA margin(2)	**7.8%**	7.7%			**7.3%**	7.3%		
Depreciation and amortization	**$ 353**	$ 339	$ 14	4.1%	**$ 1,487**	$ 1,444	$ 43	3.0 %

For the periods ended December 29, 2018 and December 30, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (12 weeks)**		2017(5) (12 weeks)		**2018 (52 weeks)**		2017(5) (52 weeks)	
	Sales	**Same-store sales**	Sales	Same-store sales	**Sales**	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 7,750**	**0.8%**	$ 7,623	0.5%	**$ 32,969**	**1.1%**	$ 33,288	0.6%
Drug retail	**3,226**	**1.9%**	3,172	3.6%	**12,867**	**2.4%**	12,579	3.0%
Pharmacy	**1,426**	**0.6%**	1,419	3.9%	**6,030**	**1.2%**	5,959	3.1%
Front Store	**1,800**	**2.8%**	1,753	3.5%	**6,837**	**3.5%**	6,620	2.9%

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 2018 were $10,976 million, an increase of $181 million, or 1.7%, compared to the fourth quarter of 2017. Excluding the consolidation of franchises, Retail segment sales increased by $103 million, or 1.0%, primarily driven by the following factors:

- Food retail same-store sales growth was 0.8% (2017 – 0.5%) for the quarter.
- The Company's Food retail average quarterly internal food price index was moderately lower than (2017 – marginally higher than) the average quarterly national food price inflation of 1.7% (2017 – inflation 1.0%), 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 1.9% (2017 – 3.6%) and was comprised of pharmacy same-store sales growth of 0.6% (2017 – 3.9%) and front store same-store sales growth of 2.8% (2017 – 3.5%).

In 2018, 17 food and drug stores were opened, and 22 food and drug stores were closed, resulting in a net increase in Retail square footage of 0.1 million square feet, or 0.1%.

The redemption of Loblaw Cards resulted in the delivery of approximately $4 million of free products to customers in the fourth quarter of 2018 and $74 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 fourth quarter of 2018 was $408 million, an increase of $418 million compared to the fourth quarter of 2017. The increase in operating income included improvements in underlying operating performance of $11 million and the favourable year-over-year net impact of adjusting items totaling $407 million, as described below:

- the improvements in underlying operating performance of $11 million were driven by an increase in adjusted gross profit(2), partially offset by an increase in SG&A and depreciation and amortization. The improvements in underlying operating performance included the favourable year-over-year contribution from the consolidation of franchises in the quarter; and
- the favourable year-over-year net impact of adjusting items totaling $407 million primarily due to the following:
    - prior year charges related to the *PC Optimum* Program of $187 million;
    - the year-over-year favourable impact of restructuring and other related costs of $175 million; and
    - the year-over-year favourable impact of prior year charges related to the Loblaw Card Program of $107 million;

  partially offset by,

    - the year-over-year unfavourable impact of fixed asset and other related impairments, net of recoveries of $30 million;
    - the unfavourable change in fair value adjustment on fuel and foreign currency contracts of $13 million; and
    - the unfavourable impact of the prior year recovery related to land transfer tax assessment of $9 million.

Adjusted Gross Profit(2) Adjusted gross profit(2) in the fourth quarter of 2018 was $3,254 million, an increase of $82 million compared to the fourth quarter of 2017. Adjusted gross profit percentage(2) of 29.6% increased by 20 basis points compared to the fourth quarter of 2017. Excluding the consolidation of franchises, adjusted gross profit(2) decreased by $1 million. Adjusted gross profit percentage(2), excluding the consolidation of franchises, was 27.7%, a decrease of 30 basis points compared to the fourth quarter of 2017. Margins were negatively impacted by healthcare reform and positively impacted by food retail.

Adjusted EBITDA(2) Adjusted EBITDA(2) in the fourth quarter of 2018 was $855 million, an increase of $26 million, compared to the fourth quarter of 2017 and included the favourable impact of the consolidation of franchises of $8 million. The increase in adjusted EBITDA(2) of $26 million was driven by an increase in adjusted gross profit(2) as described above, partially offset by an increase in SG&A of $56 million. SG&A as a percentage of sales was 21.9%, an increase of 20 basis points compared to the fourth quarter of 2017. Excluding the consolidation of franchises, SG&A decreased $19 million. SG&A as a percentage of sales, excluding the consolidation of franchises, was 20.1%, an improvement of 30 basis points compared to the fourth quarter of 2017 driven by:

- lower store costs driven by process efficiencies and a decrease in advertising costs, partially offset by minimum wage increases; and
- lower store support costs driven by previously announced cost savings initiatives;

partially offset by,

- the unfavourable year-over-year impact of foreign exchange.

Adjusted EBITDA(2) included gains of $8 million (2017 – $7 million) related to the sale leaseback of properties to Choice Properties in the fourth quarter of 2018.

Depreciation and Amortization Depreciation and amortization in the fourth quarter of 2018 was $353 million, an increase of $14 million compared to the fourth quarter of 2017 primarily driven by the consolidation of franchises, an increase in IT assets and the change in estimated useful life of certain building components as a result of the spin-out of Choice Properties. Included in depreciation and amortization is the amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") of $120 million (2017 – $121 million).

Other Retail Business Matters

Consolidation of Franchises The Company has more than 500 franchise food retail stores in its network. As at the end of the fourth quarter of 2018, 400 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 29, 2018 and December 30, 2017 (millions of Canadian dollars unless where otherwise indicated)	**2018** **(12 weeks)**	2017 (12 weeks)	**2018** **(52 weeks)**	2017 (52 weeks)
Number of Consolidated Franchise stores, beginning of period	**379**	273	**310**	200
Add: Net number of Consolidated Franchise stores in the period	**21**	37	**90**	110
Number of Consolidated Franchise stores, end of period	**400**	310	**400**	310
Sales	**$ 264**	$ 186	**$ 1,048**	$ 710
Adjusted gross profit(2)	**285**	202	**1,071**	733
Adjusted EBITDA(2)	**35**	27	**92**	66
Depreciation and amortization	**15**	11	**59**	43
Operating income	**20**	16	**33**	23
Net income attributable to non-controlling interests	**19**	14	**34**	24

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

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

Financial Services Segment

For the periods ended December 29, 2018 and December 30, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018** **(12 weeks)**	2017(4) (12 weeks)	$ Change	% Change	**2018** **(52 weeks)**	2017(4) (52 weeks)	$ Change	% Change
Revenue	**$ 336**	$ 274	$ 62	22.6 %	**$ 1,082**	$ 953	$ 129	13.5 %
Earnings before income taxes	**18**	52	(34)	(65.4)%	**137**	150	(13)	(8.7)%

(millions of Canadian dollars except where otherwise indicated)	**As at** **December 29, 2018**	As at December 30, 2017	$ Change	% Change
Average quarterly net credit card receivables	**$ 3,073**	$ 2,908	$ 165	5.7%
Credit card receivables	**3,329**	3,100	229	7.4%
Allowance for credit card receivables	**167**	47	120	255.3%
Annualized yield on average quarterly gross credit card receivables	**13.1%**	13.2%		
Annualized credit loss rate on average quarterly gross credit card receivables	**3.1%**	3.7%		

Earnings Before Income Taxes Earnings before income taxes in the fourth quarter of 2018 were $18 million, a decrease of $34 million compared to the fourth quarter of 2017, primarily driven by:

- income earned in the fourth quarter of 2017 of $17 million, net of certain costs incurred, relating to President's Choice Bank agreement to end its business relationship with a major Canadian chartered bank, which represented the personal banking services offered under the *PC Financial* brand;
- higher operating costs including investments in digital strategy;
- 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; and
- higher customer acquisition costs;

partially offset by,

- revenue growth driven by higher interest and interchange income.

Credit Card Receivables As at December 29, 2018, credit card receivables were $3,329 million, an increase of $229 million compared to December 30, 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. As at December 29, 2018, the allowance for credit card receivables was $167 million, an increase of $120 million compared to December 30, 2017 primarily due to the adoption of IFRS 9, "Financial Instruments".

DECLARATION OF DIVIDENDS

Subsequent to the end of the fourth 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 April 1, 2019 to shareholders of record on March 15, 2019
Second Preferred Shares, Series B	$0.33125 per share, payable on March 31, 2019 to shareholders of record on March 15, 2019

OUTLOOK[3]

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

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

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

- deliver positive same-store sales and stable gross margin in its Retail segment in a highly competitive market;
- deliver positive adjusted net earnings growth;
- invest approximately $1.1 billion in capital expenditures, net of proceeds from property disposals; and
- return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

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 free cash flow. 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 Annual Report.

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

Retail Segment Gross Profit, Retail Segment Adjusted Gross Profit and Retail Segment Adjusted Gross Profit Percentage The following tables reconcile adjusted gross profit by segment to gross profit by segment, which is reconciled to revenue and cost of merchandise inventories sold measures as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that Retail segment gross profit and Retail segment adjusted gross profit are useful in assessing the Retail segment's underlying operating performance and in making decisions regarding the ongoing operations of the business.

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

				2018 (12 weeks)				2017(4)(5) (12 weeks)
For the periods ended December 29, 2018 and December 30, 2017 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$ 10,976**	**$ 336**	**$ (94)**	**$ 11,218**	$ 10,795	$ 274	$ (77)	$ 10,992
Cost of Merchandise Inventories Sold	**7,722**	**58**	**—**	**7,780**	7,623	34	—	7,657
Gross Profit	**$ 3,254**	**$ 278**	**$ (94)**	**$ 3,438**	$ 3,172	$ 240	$ (77)	$ 3,335
Adjusted Gross Profit	**$ 3,254**	**$ 278**	**$ (94)**	**$ 3,438**	$ 3,172	$ 240	$ (77)	$ 3,335

				2018 (52 weeks)				2017(4)(5) (52 weeks)
For the periods ended December 29, 2018 and December 30, 2017 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$ 45,836**	**$ 1,082**	**$ (225)**	**$ 46,693**	$ 45,867	$ 953	$ (233)	$ 46,587
Cost of Merchandise Inventories Sold	**32,396**	**141**	**—**	**32,537**	32,814	99	—	32,913
Gross Profit	**$ 13,440**	**$ 941**	**$ (225)**	**$ 14,156**	$ 13,053	$ 854	$ (233)	$ 13,674
Add impact of the following:								
Impact of healthcare reform on inventory balances	**19**	**—**	**—**	**19**	—	—	—	—
Adjusted Gross Profit	**$ 13,459**	**$ 941**	**$ (225)**	**$ 14,175**	$ 13,053	$ 854	$ (233)	$ 13,674

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.

			2018 (12 weeks)			2017[(4)(5)] (12 weeks)
For the periods ended December 29, 2018 and December 30, 2017 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Consolidated**	Retail	Financial Services	Consolidated
Net earnings attributable to shareholders of the Company			**$ 231**			$ (21)
Add (deduct) impact of the following:						
Non-Controlling Interests			**19**			14
Net interest expense and other financing charges			**95**			89
Income taxes			**100**			(25)
Operating income	**$ 408**	**$ 37**	**$ 445**	$ (10)	$ 67	$ 57
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 120**	**$ —**	**$ 120**	$ 121	$ —	$ 121
Fixed asset and other related impairments, net of recoveries	**83**	**—**	**83**	53	—	53
Fair value adjustment on fuel and foreign currency contracts	**8**	**—**	**8**	(5)	—	(5)
Fair value adjustment on investment properties	**5**	**—**	**5**	—	—	—
Spin-out of Choice Properties	**2**	**—**	**2**	—	—	—
Certain prior period items	**—**	**—**	**—**	(4)	—	(4)
PC Optimum Program	**—**	**—**	**—**	187	—	187
Loblaw Card Program	**—**	**—**	**—**	107	—	107
Prior year land transfer tax recovery	**—**	**—**	**—**	(9)	—	(9)
Wind-down of *PC Financial* banking services	**—**	**—**	**—**	—	(17)	(17)
Restructuring and other related costs	**(4)**	**—**	**(4)**	171	—	171
Adjusting Items	**$ 214**	**$ —**	**$ 214**	$ 621	$ (17)	$ 604
Adjusted operating income	**$ 622**	**$ 37**	**$ 659**	$ 611	$ 50	$ 661
Depreciation and amortization	**353**	**3**	**356**	339	3	342
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(120)**	**—**	**(120)**	(121)	—	(121)
Adjusted EBITDA	**$ 855**	**$ 40**	**$ 895**	$ 829	$ 53	$ 882

For the periods ended December 29, 2018 and December 30, 2017 (millions of Canadian dollars)	**2018 (52 weeks)** Retail	Financial Services	Consolidated	2017[4][5] (52 weeks) Retail	Financial Services	Consolidated
Net earnings attributable to shareholders of the Company			**$ 719**			$ 1,286
Add impact of the following:						
Non-Controlling Interests			**34**			24
Net interest expense and other financing charges			**564**			374
Income taxes			**606**			365
Operating income	**$ 1,717**	**$ 206**	**$ 1,923**	$ 1,843	$ 206	$ 2,049
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 521**	**$ —**	**$ 521**	$ 524	$ —	$ 524
Fixed asset and other related impairments, net of recoveries	**83**	**—**	**83**	53	—	53
Impact of health care reform on inventory balances	**19**	**—**	**19**	—	—	—
Restructuring and other related costs	**10**	**—**	**10**	177	—	177
Spin-out of Choice Properties	**8**	**—**	**8**	—	—	—
Fair value adjustment on investment properties	**6**	**—**	**6**	—	—	—
Loblaw Card Program	**4**	**—**	**4**	107	—	107
Pension annuities and buy-outs	**1**	**—**	**1**	12	—	12
PC Optimum Program	**—**	**—**	**—**	187	—	187
Certain prior period items	**—**	**—**	**—**	(4)	—	(4)
Prior year land transfer tax recovery	**—**	**—**	**—**	(9)	—	(9)
Gain on disposition of gas bar operations	**—**	**—**	**—**	(501)	—	(501)
Fair value adjustment on fuel and foreign currency contracts	**(3)**	**—**	**(3)**	20	—	20
Wind-down of *PC Financial* banking services	**—**	**(20)**	**(20)**	—	(24)	(24)
Adjusting Items	**$ 649**	**$ (20)**	**$ 629**	$ 566	$ (24)	$ 542
Adjusted operating income	**$ 2,366**	**$ 186**	**$ 2,552**	$ 2,409	$ 182	$ 2,591
Depreciation and amortization	**1,487**	**10**	**1,497**	1,444	10	1,454
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(521)**	**—**	**(521)**	(524)	—	(524)
Adjusted EBITDA	**$ 3,332**	**$ 196**	**$ 3,528**	$ 3,329	$ 192	$ 3,521

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 29, 2018 and December 30, 2017 (millions of Canadian dollars)	**2018 (12 weeks)**	2017[5] (12 weeks)	**2018 (52 weeks)**	2017[5] (52 weeks)
Net interest expense and other financing charges	**$ 95**	$ 89	**$ 564**	$ 374
Add (deduct) impact of the following:				
Charge related to Glenhuron	**—**	—	**(176)**	—
Spin-out of Choice Properties	**(1)**	—	**(1)**	—
Adjusted net interest expense and other financing charges	**$ 94**	$ 89	**$ 387**	$ 374

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 29, 2018 and December 30, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (12 weeks)**	2017[4][5] (12 weeks)	**2018 (52 weeks)**	2017[4][5] (52 weeks)
Adjusted operating income[i]	**$ 659**	$ 661	**$ 2,552**	$ 2,591
Adjusted net interest expense and other financing charges[i]	**94**	89	**387**	374
Adjusted earnings before taxes	**$ 565**	$ 572	**$ 2,165**	$ 2,217
Income taxes	**$ 100**	$ (25)	**$ 606**	$ 365
Add (deduct) impact of the following:				
Tax impact of items included in adjusted earnings before taxes[ii]	**55**	165	**165**	214
Charge related to Glenhuron	**—**	—	**(191)**	—
Remeasurement of deferred tax balances	**—**	17	**—**	17
Adjusted income taxes	**$ 155**	$ 157	**$ 580**	$ 596
Effective tax rate	**28.6%**	78.1%	**44.6%**	21.8%
Adjusted income tax rate	**27.4%**	27.4%	**26.8%**	26.9%

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

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

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net Earnings Per Common Share The following table reconciles adjusted net earnings available to common shareholders of the Company and adjusted net earnings attributable to shareholders of the Company to net earnings attributable to shareholders of the Company and then to net earnings available to common shareholders of the Company for the periods ended as indicated. The Company believes that adjusted net earnings available to common shareholders and adjusted diluted net earnings per common share are useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

For the periods ended December 29, 2018 and December 30, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (12 weeks)**	2017[4][5] (12 weeks)	**2018 (52 weeks)**	2017[4][5] (52 weeks)
Net earnings attributable to shareholders of the Company	**$ 224**	$ 34	**$ 766**	$ 1,517
Net earnings from Discontinued Operations	**(7)**	55	**47**	231
Net earnings attributable to shareholders of the Company from Continuing Operations	**$ 231**	$ (21)	**$ 719**	$ 1,286
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(12)**	(12)
Net earnings available to common shareholders of the Company from Continuing Operations	**$ 228**	$ (24)	**$ 707**	$ 1,274
Net earnings attributable to shareholders of the Company from Continuing Operations	**$ 231**	$ (21)	**$ 719**	$ 1,286
Adjusting items (refer to the following table)	**160**	422	**832**	311
Adjusted net earnings attributable to shareholders of the Company from Continuing Operations	**$ 391**	$ 401	**$ 1,551**	$ 1,597
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(12)**	(12)
Adjusted net earnings available to common shareholders of the Company from Continuing Operations	**$ 388**	$ 398	**$ 1,539**	$ 1,585
Diluted weighted average common shares outstanding (millions)	**376.1**	390.5	**379.3**	397.3

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

	2018 (12 weeks)		2017(4)(5) (12 weeks)		**2018 (52 weeks)**		2017(4)(5) (52 weeks)	
For the periods ended December 29, 2018 and December 30, 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
Continuing Operations	**$ 228**	**$ 0.61**	$ (24)	$ (0.06)	**$ 707**	**$ 1.87**	$ 1,274	$ 3.21
Discontinued Operations	**(7)**	**(0.02)**	55	0.14	**47**	**0.12**	231	0.58
As reported	**$ 221**	**$ 0.59**	$ 31	$ 0.08	**$ 754**	**$ 1.99**	$ 1,505	$ 3.79
Continuing Operations	**$ 228**	**$ 0.61**	$ (24)	$ (0.06)	**$ 707**	**$ 1.87**	$ 1,274	$ 3.21
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 89**	**$ 0.23**	$ 89	$ 0.23	**$ 383**	**$ 1.01**	$ 384	$ 0.97
Fixed asset and other related impairments, net of recoveries	**60**	**0.16**	40	0.10	**60**	**0.16**	40	0.10
Fair value adjustment on fuel and foreign currency contracts	**6**	**0.02**	(4)	(0.01)	**(2)**	**(0.01)**	14	0.04
Fair value adjustment on investment properties	**4**	**0.01**	—	—	**5**	**0.01**	—	—
Spin-out of Choice Properties	**3**	**0.01**	—	—	**9**	**0.02**	—	—
Charge related to Glenhuron	**—**	**—**	—	—	**367**	**0.97**	—	—
Loblaw Card Program	**—**	**—**	79	0.20	**3**	**0.01**	79	0.20
Wind-down of *PC Financial* banking services	**—**	**—**	(13)	(0.03)	**(15)**	**(0.04)**	(18)	(0.05)
Gain on disposition of gas bar operations	**—**	**—**	—	—	**—**	**—**	(432)	(1.09)
Prior year land transfer tax recovery	**—**	**—**	(7)	(0.02)	**—**	**—**	(7)	(0.02)
Pension annuities and buy-outs	**—**	**—**	—	—	**1**	**—**	9	0.02
Certain prior period items	**—**	**—**	(13)	(0.03)	**—**	**—**	(13)	(0.03)
PC Optimum Program	**—**	**—**	137	0.35	**—**	**—**	137	0.34
Remeasurement of deferred tax balances	**—**	**—**	(17)	(0.04)	**—**	**—**	(17)	(0.04)
Impact of health care reform on inventory balances	**—**	**—**	—	—	**14**	**0.04**	—	—
Restructuring and other related costs	**(2)**	**(0.01)**	131	0.33	**7**	**0.02**	135	0.34
Adjusting items Continuing Operations	**$ 160**	**$ 0.42**	$ 422	$ 1.08	**$ 832**	**$ 2.19**	$ 311	$ 0.78
Adjusted Continuing Operations	**$ 388**	**$ 1.03**	$ 398	$ 1.02	**$ 1,539**	**$ 4.06**	$ 1,585	$ 3.99
Discontinued Operations	**$ (7)**	**$ (0.02)**	$ 55	$ 0.14	**$ 47**	**$ 0.12**	$ 231	$ 0.58
Add (deduct) impact of the following:								
Fair value adjustment on Trust Unit Liability(i)	**$ 27**	**$ 0.08**	$ (12)	$ (0.03)	**$ 33**	**$ 0.09**	$ (10)	$ (0.03)
CREIT acquisition and other related costs	**1**	**—**	—	—	**119**	**0.31**	—	—
Gain on sale of air rights	**—**	**—**	—	—	**(11)**	**(0.03)**	—	—
Restructuring and other related costs	**(1)**	**—**	(5)	(0.01)	**(11)**	**(0.03)**	(9)	(0.02)
Fair value adjustment on investment properties	**(6)**	**(0.02)**	—	—	**30**	**0.08**	—	—
Adjusting items Discontinued Operations	**$ 21**	**$ 0.06**	$ (17)	$ (0.04)	**$ 160**	**$ 0.42**	$ (19)	$ (0.05)
Adjusted Discontinued Operations	**$ 14**	**$ 0.04**	$ 38	$ 0.10	**$ 207**	**$ 0.54**	$ 212	$ 0.53
Adjusted Total Company	**$ 402**	**$ 1.07**	$ 436	$ 1.12	**$ 1,746**	**$ 4.60**	$ 1,797	$ 4.52

(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 29, 2018 and December 30, 2017 (millions of Canadian dollars)	**2018** **(12 weeks)**	2017[4][5] (12 weeks)	**2018** **(52 weeks)**	2017[4][5] (52 weeks)
Cash flows from operating activities from Continuing Operations[i]	**$ 310**	$ 1,005	**$ 2,249**	$ 3,000
Cash flows from operating activities from Discontinued Operations[i]	**4**	81	**252**	209
Cash flows from operating activities Total Company	**$ 314**	**$ 1,086**	**$ 2,501**	**$ 3,209**
Cash flows from operating activities from Continuing Operations[i]	**$ 310**	$ 1,005	**$ 2,249**	$ 3,000
Less:				
Capital investments	**414**	399	**1,070**	1,026
Interest paid	**58**	40	**509**	323
Free cash flow from Continuing Operations	**$ (162)**	**$ 566**	**$ 670**	**$ 1,651**
Cash flows from operating activities from Discontinued Operations[i]	**$ 4**	$ 81	**$ 252**	$ 209
Less:				
Capital investments	**68**	88	**264**	233
Interest paid	**31**	44	**292**	148
Free cash flow from Discontinued Operations	**$ (95)**	**$ (51)**	**$ (304)**	**$ (172)**
Free cash flow from Total Company	**(257)**	**515**	**366**	**1,479**

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

SELECTED FINANCIAL INFORMATION

The following includes selected quarterly and annual financial information, which is prepared by management in accordance with International Financial Reporting Standards ("IFRS") and is based on the Company's audited annual consolidated financial statements for the year ended December 29, 2018. This financial information does not contain all disclosures required by IFRS, and accordingly, should be read in conjunction with the Company's 2018 Annual Report, which is available in the Investors section of the Company's website at loblaw.ca and on sedar.com.

Consolidated Statements of Earnings

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

(millions of Canadian dollars except where otherwise indicated)	**December 29, 2018 (12 weeks) (unaudited)**	December 30, 2017[(4)(5)] (12 weeks) (unaudited)	**December 29, 2018 (52 weeks) (audited)**	December 30, 2017[(4)(5)] (52 weeks) (audited)
Revenue	**$ 11,218**	$ 10,806	**$ 46,693**	$ 46,587
Cost of Merchandise Inventories Sold	**7,780**	7,657	**32,537**	32,913
Selling, General and Administrative Expenses	**2,993**	3,092	**12,233**	11,625
Operating Income	**$ 445**	$ 57	**$ 1,923**	$ 2,049
Net interest expense and other financing charges	**95**	89	**564**	374
Earnings Before Income Taxes	**$ 350**	$ (32)	**$ 1,359**	$ 1,675
Income taxes	**100**	(25)	**606**	365
Net Earnings from Continuing Operations	**$ 250**	$ (7)	**$ 753**	$ 1,310
Net Earnings from Discontinued Operations	**(7)**	55	**47**	231
Net Earnings	**$ 243**	$ 48	**$ 800**	$ 1,541
Attributable to:				
Shareholders of the Company	**$ 224**	$ 34	**$ 766**	$ 1,517
Non-Controlling Interests	**19**	14	**34**	24
Net Earnings	**$ 243**	$ 48	**$ 800**	$ 1,541
Net Earnings per Common Share - Basic ($)				
Continuing Operations	**$ 0.61**	$ (0.06)	**$ 1.88**	$ 3.24
Discontinued Operations	**$ (0.02)**	$ 0.14	**$ 0.12**	$ 0.58
Net Earnings per Common Share - Diluted ($)				
Continuing Operations	**$ 0.61**	$ (0.06)	**$ 1.87**	$ 3.21
Discontinued Operations	**$ (0.02)**	$ 0.14	**$ 0.12**	$ 0.58
Weighted Average Common Shares Outstanding (millions)				
Basic	**373.9**	387.3	**376.7**	393.8
Diluted	**376.1**	390.5	**379.3**	397.3

Consolidated Balance Sheets

(millions of Canadian dollars)	As at December 29, 2018	As at December 30, 2017[(4)(5)]
Assets		
Current Assets		
Cash and cash equivalents	**$ 1,065**	$ 1,798
Short term investments	**94**	546
Security deposits	**800**	—
Accounts receivable	**1,198**	1,188
Credit card receivables	**3,329**	3,100
Inventories	**4,803**	4,438
Prepaid expenses and other assets	**304**	224
Assets held for sale	**44**	33
Total Current Assets	**$ 11,637**	$ 11,327
Fixed Assets	**5,931**	10,669
Equity Accounted Joint Ventures	**—**	19
Investment Properties	**234**	276
Intangible Assets	**7,798**	8,251
Goodwill	**3,942**	3,922
Deferred Income Tax Assets	**144**	134
Franchise Loans Receivable	**78**	166
Other Assets	**389**	383
Total Assets	**$ 30,153**	$ 35,147
Liabilities		
Current Liabilities		
Bank indebtedness	**$ 56**	$ 110
Trade payables and other liabilities	**5,302**	5,233
Loyalty liability	**228**	349
Provisions	**165**	283
Income taxes payable	**131**	128
Short term debt	**915**	640
Long term debt due within one year	**1,647**	1,635
Associate interest	**260**	263
Total Current Liabilities	**$ 8,704**	$ 8,641
Provisions	**152**	169
Long Term Debt	**6,379**	9,542
Trust Unit Liability	**—**	972
Deferred Income Tax Liabilities	**1,947**	1,989
Other Liabilities	**793**	700
Total Liabilities	**$ 17,975**	$ 22,013
Equity		
Share Capital	**$ 7,383**	$ 7,666
Retained Earnings	**4,580**	5,280
Contributed Surplus	**107**	110
Accumulated Other Comprehensive Income	**49**	38
Total Equity Attributable to Shareholders of the Company	**$ 12,119**	$ 13,094
Non-Controlling Interests	**59**	40
Total Equity	**$ 12,178**	$ 13,134
Total Liabilities and Equity	**$ 30,153**	$ 35,147

Consolidated Statements of Cash Flows

(millions of Canadian dollars)	**December 29, 2018 (12 weeks)**	December 30, 2017[(4)(5)] (12 weeks)	**December 29, 2018 (52 weeks)**	December 30, 2017[(4)(5)] (52 weeks)
Operating Activities				
Net earnings	**$ 243**	$ 36	**$ 800**	$ 1,541
Add (Deduct):				
Income taxes	**105**	(9)	**664**	449
Net interest expense and other financing charges	**158**	118	**880**	525
Adjustment to fair value of investment properties	**(1)**		**43**	—
Depreciation and amortization	**365**	372	**1,592**	1,568
Asset impairments, net of recoveries	**86**	89	**103**	97
Gain on disposition of gas bar operations	**—**	—	**—**	(501)
Change in provisions	**(29)**	255	**(176)**	233
PC Optimum Program	**—**	165	**—**	165
	$ 927	$ 1,026	**$ 3,906**	$ 4,077
Change in non-cash working capital	**(350)**	317	**(619)**	132
Change in credit card receivables	**(227)**	(182)	**(327)**	(174)
Income taxes paid	**(41)**	(117)	**(511)**	(866)
Interest received	**6**	6	**31**	17
Other	**(1)**	36	**21**	23
Cash Flows from Operating Activities	**$ 314**	$ 1,086	**$ 2,501**	$ 3,209
Investing Activities				
Fixed asset purchases	**$ (410)**	$ (405)	**$ (1,010)**	$ (979)
Intangible asset additions	**(72)**	(82)	**(324)**	(280)
Acquisition of CREIT, net of cash acquired	**5**	—	**(1,619)**	—
Cash assumed on initial consolidation of franchises	**4**	8	**18**	26
Cash disposed of related to Discontinued Operations	**(52)**	—	**(52)**	—
Change in short term investments	**18**	(215)	**452**	(305)
Change in security deposits	**(398)**	—	**(800)**	—
Proceeds from disposal of assets	**79**	10	**122**	17
Proceeds from disposition of gas bar operations	**—**	—	**—**	540
Other	**30**	(64)	**(83)**	(53)
Cash Flows used in Investing Activities	**$ (796)**	$ (748)	**$ (3,296)**	$ (1,034)
Financing Activities				
Change in bank indebtedness	**$ (210)**	$ (169)	**$ (54)**	$ (5)
Change in short term debt	**225**	30	**275**	(25)
Long Term Debt				
Issued	**1,020**	366	**4,880**	686
Retired	**(474)**	(72)	**(2,715)**	(450)
Interest paid	**(89)**	(84)	**(801)**	(471)
Dividends paid on common and preferred shares	**—**	—	**(440)**	(327)
Common Share Capital				
Issued	**16**	17	**78**	41
Purchased and held in trust	**(36)**	—	**(36)**	(48)
Purchased and cancelled	**(238)**	(154)	**(1,082)**	(1,091)
Other	**23**	16	**(37)**	5
Cash Flows from (used in) Financing Activities	**$ 237**	$ (50)	**$ 68**	$ (1,685)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ (4)**	$ —	**$ (6)**	$ (6)
Change in cash and cash equivalents	**$ (249)**	$ 288	**$ (733)**	$ 484
Cash and cash equivalents, beginning of period	**1,314**	1,510	**1,798**	1,314
Cash and Cash Equivalents, End of Period	**$ 1,065**	$ 1,798	**$ 1,065**	$ 1,798

SEGMENT INFORMATION

The Company has two 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.

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

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

Information for each reportable operating segment is included below:

				2018 (12 weeks)				2017(4)(5) (12 weeks)
For the periods ended December 29, 2018 and December 30, 2017 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations(i)**	**Total**	Retail	Financial Services	Eliminations(i)	Total
Revenue(ii)	**$ 10,976**	**$ 336**	**$ (94)**	**$ 11,218**	$ 10,795	$ 274	$ (77)	$ 10,992
Operating income	$ 408	$ 37	$ —	$ 445	$ (10)	$ 67	$ —	$ 57
Net interest expense and other financing charges	76	19	—	95	74	15	—	89
Earnings before Income Taxes	**$ 332**	**$ 18**	**$ —**	**$ 350**	$ (84)	$ 52	$ —	$ (32)
Operating Income	**$ 408**	**$ 37**	**$ —**	**$ 445**	$ (10)	$ 67	$ —	$ 57
Depreciation and Amortization	353	3	—	356	339	3	—	342
Adjusting items(iii)	214	—	—	214	621	(17)	—	604
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(120)	—	—	(120)	(121)	—	—	(121)
Adjusted EBITDA(iii)	$ 855	$ 40	$ —	$ 895	$ 829	$ 53	$ —	$ 882
Depreciation and Amortization(iv)	233	3	—	236	218	3	—	221
Adjusted Operating Income	**$ 622**	**$ 37**	**$ —**	**$ 659**	$ 611	$ 50	$ —	$ 661

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

(ii) Included in Financial Services revenue is $114 million (2017 – $101 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 $120 million (2017 – $121 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

For the periods ended December 29, 2018 and December 30, 2017 (millions of Canadian dollars)	**2018 (52 weeks)** Retail	Financial Services	Eliminations[(i)]	Total	2017[(4)(5)] (52 weeks) Retail	Financial Services	Eliminations[(i)]	Total
Revenue[(ii)]	**$ 45,836**	**$ 1,082**	**$ (225)**	**$ 46,693**	$ 45,867	$ 953	$ (233)	$ 46,587
Operating income	$ 1,717	$ 206	$ —	$ 1,923	$ 1,843	$ 206	$ —	$ 2,049
Net interest expense and other financing charges	495	69	—	564	318	56	—	374
Earnings before Income Taxes	**$ 1,222**	**$ 137**	**$ —**	**$ 1,359**	$ 1,525	$ 150	$ —	$ 1,675
Operating Income	**$ 1,717**	**$ 206**	**$ —**	**$ 1,923**	$ 1,843	$ 206	$ —	$ 2,049
Depreciation and Amortization	1,487	10	—	1,497	1,444	10	—	1,454
Adjusting items[(iii)]	649	(20)	—	629	566	(24)	—	542
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(521)	—	—	(521)	(524)	—	—	(524)
Adjusted EBITDA[(iii)]	$ 3,332	$ 196	$ —	$ 3,528	$ 3,329	$ 192	$ —	$ 3,521
Depreciation and Amortization[(iv)]	966	10	—	976	920	10	—	930
Adjusted Operating Income	**$ 2,366**	**$ 186**	**$ —**	**$ 2,552**	$ 2,409	$ 182	$ —	$ 2,591

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

(ii) Included in Financial Services revenue is $426 million (2017 – $393 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 $521 million (2017 – $524 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 further healthcare reform, future liquidity, planned capital investments, and the status and impact of Information Technology ("IT") systems implementations. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the "Other Retail Business Matters" section and "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 2019 is based on certain assumptions including assumptions about healthcare reform impacts, anticipated cost savings and operating efficiencies from Process and Efficiency initiatives and anticipated benefits from strategic initiatives. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in Section 12 "Enterprise Risks and Risk Management" of the Management Discussion and Analysis in the 2018 Annual Report and the Company's 2018 Annual Information Form ("AIF") (for the year ended December 29, 2018). Such risks and uncertainties include:

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

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities ("securities regulators") from time to time, including, without limitation, the section entitled "Risks" in the Company's 2018 AIF (for the year ended December 29, 2018). Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this 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

2018 Annual Report

The Company's 2018 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 21, 2019 at 10:00 a.m. (ET).

To access via tele-conference, please dial (647) 427-7450 or (888) 231-8191. The playback will be made available approximately two hours after the event at (416) 849-0833 or (855) 859-2056, access code: 4561898. 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 Annual Report.

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