Loblaw Companies Limited

NEWS RELEASE

Loblaw Reports 2017 First Quarter Results and Announces a 3.8% Increase to Quarterly Common Share Dividend(1)

BRAMPTON, ONTARIO May 3, 2017 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the first quarter ended March 25, 2017. The Company's 2017 First Quarter Report to Shareholders will be available in the Investors section of the Company's website at loblaw.ca and will be filed with SEDAR and available at sedar.com.

"We continued to invest to deliver value to consumers," said Galen G. Weston, Chairman and Chief Executive Officer, Loblaw Companies Limited.

"We are pleased with our performance in the first quarter, against a highly competitive food retail environment and despite the pressures of deflation and healthcare reform."

2017 FIRST QUARTER HIGHLIGHTS

The following highlights include the impacts of the consolidation of franchises, as set out in "Other Retail Business Matters."

- Revenue was $10,401 million, an increase of $20 million, or 0.2%, compared to the first quarter of 2016.
- Retail segment sales were $10,166 million, an increase of $12 million, or 0.1%, compared to the first quarter of 2016.
    - Same-store sales were negatively impacted by the timing of New Year's Day and Easter.
    - Food retail (Loblaw) same-store sales decline was 2.1%, excluding gas bar. Excluding the unfavourable impacts of the timing of New Year's Day and Easter, Food retail same-store sales were relatively flat.
    - Drug retail (Shoppers Drug Mart) same-store sales growth was 0.9%, with pharmacy same-store sales growth of 1.3% and front store same-store sales growth of 0.6%. Excluding the unfavourable impacts of the timing of New Year's Day and Easter, Drug retail same-store sales growth was approximately 2.5%, with pharmacy same-store sales growth of approximately 1.4% and front store same-store sales growth of approximately 3.6%.
- Operating Income was $492 million, an increase of $56 million, or 12.8%, compared to the first quarter of 2016.
- Adjusted EBITDA(2) was $865 million, an increase of $36 million, or 4.3%, compared to the first quarter of 2016.
- Net earnings available to common shareholders of the Company were $230 million, an increase of $37 million, or 19.2%, compared to the first quarter of 2016. Diluted net earnings per common share were $0.57, an increase of $0.10, or 21.3%, compared to the first quarter of 2016.
- Adjusted net earnings available to common shareholders of the Company(2) were $364 million, an increase of $26 million, or 7.7%, compared to the first quarter of 2016. Adjusted diluted net earnings per common share(2) were $0.90, an increase of $0.08, or 9.8%, compared to the first quarter of 2016.
- The Company repurchased 3.4 million common shares at a cost of $240 million.
- Quarterly common share dividend to be increased by 3.8% from $0.26 per common share to $0.27 per common share.

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

CONSOLIDATED RESULTS OF OPERATIONS

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	2017 (12 weeks)	2016 (12 weeks)	$ Change	% Change
Revenue	**$ 10,401**	$ 10,381	$ 20	0.2%
Operating Income	**492**	436	56	12.8%
Adjusted EBITDA(2)	**865**	829	36	4.3%
Adjusted EBITDA margin(2)	**8.3%**	8.0%		
Net earnings attributable to shareholders of the Company	**$ 233**	$ 196	$ 37	18.9%
Net earnings available to common shareholders of the Company(i)	**230**	193	37	19.2%
Adjusted net earnings available to common shareholders of the Company(2)	**364**	338	26	7.7%
Diluted net earnings per common share ($)	**$ 0.57**	$ 0.47	$ 0.10	21.3%
Adjusted diluted net earnings per common share(2) ($)	**0.90**	0.82	0.08	9.8%
Diluted weighted average common shares outstanding (millions)	**403.2**	412.6		

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

Net earnings available to common shareholders of the Company in the first quarter of 2017 were $230 million ($0.57 per common share), an increase of $37 million ($0.10 per common share) compared to the first quarter of 2016. The increase in net earnings available to common shareholders of the Company was driven by improvements in underlying operating performance of $26 million and the favourable year-over-year net impact of certain adjusting items totaling $11 million as described below:

- improvements in underlying operating performance of $26 million ($0.06 per common share), were primarily due to the following:
  - the Retail segment (excluding the impact of the consolidation of franchises), driven by lower selling, general and administrative expenses ("SG&A") and stable gross margins despite the unfavourable impacts of the timing of New Year's Day and Easter on sales; and
  - the favourable impact of a decrease in depreciation and amortization, primarily due to a change in the estimated useful life of certain equipment and fixtures in the second quarter of 2016.
- the favourable year-over-year net impact of certain adjusting items totaling $11 million ($0.02 per common share) which included the impact of a prior year land transfer tax assessment of $7 million ($0.02 per common share).
- diluted net earnings per common share were also impacted by the favourable impact of the repurchase of common shares ($0.02 per common share).

Adjusted net earnings available to common shareholders of the Company(2) in the first quarter of 2017 were $364 million ($0.90 per common share), an increase of $26 million ($0.08 per common share) compared to the first quarter of 2016, due to the improvements in underlying operating performance and the favourable impact of the repurchase of common shares, as described above.

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, gas bars and apparel and other general merchandise. 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 Financial Services segment provides credit card services, loyalty programs, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services and telecommunication services; and
- The Choice Properties Real Estate Investment Trust ("Choice Properties") segment owns, manages and develops 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 March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	2017 (12 weeks)	2016 (12 weeks)	$ Change	% Change
Sales	**$ 10,166**	$ 10,154	$ 12	0.1 %
Operating Income	**446**	393	53	13.5 %
Adjusted gross profit(2)	**2,844**	2,777	67	2.4 %
Adjusted gross profit %(2)	**28.0%**	27.3%		
Adjusted EBITDA(2)	**$ 811**	$ 780	$ 31	4.0 %
Adjusted EBITDA margin(2)	**8.0%**	7.7%		
Depreciation and amortization	**$ 352**	$ 362	$ (10)	(2.8)%

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	2017 (12 weeks)		2016 (12 weeks)	
	Sales	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 7,393**	**(1.2)%**	$ 7,390	2.0%
Drug retail	**2,773**	**0.9 %**	2,764	6.3%
Pharmacy	**1,343**	**1.3 %**	1,313	4.2%
Front Store	**1,430**	**0.6 %**	1,451	8.2%

Sales, operating income, adjusted gross profit(2), adjusted gross profit percentage(2), adjusted EBITDA(2) and adjusted EBITDA margin(2) in the first quarter of 2017 included the impacts of the consolidation of franchises, as set out in “Other Retail Business Matters”.

Sales Retail segment sales in the first quarter of 2017 were $10,166 million, an increase of $12 million compared to the first quarter of 2016. Excluding the consolidation of franchises, Retail segment sales decreased by $65 million, primarily driven by the following factors:

- Food retail same-store sales decline was 2.1% (2016 – growth of 2.6%) for the quarter, after excluding the gas bar increase of 0.9% (2016 – decline of 0.6%). Food retail same-store sales reflect the impact of retail promotional investments and were relatively flat excluding the unfavourable impacts of the timing of New Year’s Day and Easter. Including gas bar, Food retail same-store sales decline was 1.2% (2016 – growth of 2.0%).
- The Company’s Food retail average quarterly internal food price index declined and was relatively flat compared to (2016 – moderately higher than) the average quarterly national food price deflation of 3.9% (2016 – inflation of 4.3%), 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 0.9% (2016 – 6.3%) and was comprised of pharmacy same-store sales growth of 1.3% (2016 – 4.2%) and front store same-store sales growth of 0.6% (2016 – 8.2%). Excluding the unfavourable impacts of the timing of New Year’s Day and Easter, Drug retail same-store sales growth was approximately 2.5%, and was comprised of pharmacy same-store sales growth of approximately 1.4% and front store same-store sales growth of approximately 3.6%.
- 28 food and drug stores were opened and 29 food and drug stores were closed in the last 12 months, resulting in a net increase in Retail square footage of 0.3 million square feet, or 0.4%.

Operating Income Operating Income in the first quarter of 2017 was $446 million, an increase of $53 million compared to the first quarter of 2016. The increase in operating income was driven by improvements in underlying operating performance of $38 million and the favourable year-over-year net impact of certain adjusting items totaling $15 million as described below:

- the improvements in underlying operating performance of $38 million included lower SG&A, lower depreciation and amortization, stable gross margins despite the unfavourable impacts of the timing of New Year’s Day and Easter on sales and the favourable impact from the consolidation of franchises; and
- the favourable year-over-year net impact of certain adjusting items totaling $15 million which included the impact of a prior year land transfer tax assessment of $10 million.

***Adjusted Gross Profit*[(2)]** Adjusted gross profit[(2)] in the first quarter of 2017 was $2,844 million, an increase of $67 million compared to the first quarter of 2016. Adjusted gross profit percentage[(2)] of 28.0% increased by 70 basis points compared to the first quarter of 2016. Excluding the consolidation of franchises, adjusted gross profit[(2)] decreased by $13 million, primarily driven by the unfavourable impacts of the timing of New Year's Day and Easter on sales. Adjusted gross profit percentage[(2)], excluding the consolidation of franchises, was 27.0%, an increase of 10 basis points compared to the first quarter of 2016. The increase in adjusted gross profit percentage[(2)] was driven by Drug retail margins partially offset by the impact of Food retail promotional investments.

***Adjusted EBITDA*[(2)]** Adjusted EBITDA[(2)] in the first quarter of 2017 was $811 million, an increase of $31 million, compared to the first quarter of 2016 driven by the increase in adjusted gross profit[(2)] described above, partially offset by an increase in SG&A of $36 million. SG&A as a percentage of sales was 20.0%, an increase of 40 basis points compared to the first quarter of 2016. Excluding the consolidation of franchises, SG&A decreased $31 million and as a percentage of sales was 19.0%, an improvement of 10 basis points compared to the first quarter of 2016, driven by the following factors:

- the positive impact of store closures and divestitures effective in the second quarter of 2016; and
- favourable changes in the value of the Company's investments in its franchise business; partially offset by
- the unfavourable impacts of the timing of New Year's Day and Easter in both Food and Drug retail.

Depreciation and Amortization Depreciation and amortization in the first quarter of 2017 was $352 million, a decrease of $10 million compared to the first quarter of 2016 primarily attributable to a change in the estimated useful life of certain equipment and fixtures in the second quarter of 2016 partially offset by an increase in depreciation from the consolidation of franchises. Included in depreciation and amortization in the first quarter of 2017 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

Gas Bar Network Subsequent to the end of the first quarter, the Company entered into an agreement with Brookfield Business Partners L.P. ("Brookfield") to sell its gas bar operations for approximately $540 million. Closing of the transaction is subject to Competition Bureau approval and other customary closing conditions and is expected to occur in the third quarter of 2017. As a result of the transaction, Brookfield will become a strategic partner to the Company and will continue to offer the Company's *PC Plus* loyalty program at the gas bars. In addition, Brookfield will be rebranding the gas station portfolio to the Mobil fuel brand, which will mark the introduction of the Mobil fuel brand to Canada. The Company has included $78 million of fixed assets and $11 million of inventory, related to the gas bar operations, as assets held for sale. In addition, the Company has classified $49 million of related accounts payable and accrued liabilities that will be assumed by the purchaser as liabilities held for sale. No impairment or other charges were recognized on the net assets of the gas bar operations. In 2016, the gas bar operations sold approximately 1,700 million litres of gas and contributed approximately $1,500 million to sales. After taking into account the loss of the earnings associated with the gas bar operations and the ongoing commitment of the Company to fund certain loyalty program costs, the expected annual impact to adjusted EBITDA[(2)] will be approximately $80 million, based on 2016 information.

Consolidation of Franchises The Company has more than 500 franchise food retail stores in its network. As at the end of the first quarter of 2017, 225 of these stores were consolidated for accounting purposes under a new, simplified franchise agreement ("Franchise Agreement") implemented in 2015.

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

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars unless where otherwise indicated)	**2017** **(12 weeks)**	2016 (12 weeks)
Number of Consolidated Franchise stores, beginning of period	**200**	85
Add: Net number of Consolidated Franchise stores in the period	**25**	30
Number of Consolidated Franchise stores, end of period	**225**	115
Sales	**$ 141**	$ 64
Adjusted gross profit[(2)]	**139**	59
Adjusted EBITDA[(2)]	**7**	(6)
Depreciation and amortization	**9**	4
Operating loss	**(2)**	(10)
Net loss attributable to Non-Controlling Interests	**(1)**	(9)

Operating loss included in the table above does not significantly impact net earnings available to common shareholders of the Company as the related losses are largely attributable to Non-Controlling Interests.

Financial Services Segment[(3)]

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)	$ Change	% Change
Revenue	**$ 210**	$ 207	$ 3	1.4 %
Earnings before income taxes	**25**	28	(3)	(10.7)%

(millions of Canadian dollars except where otherwise indicated)	**As at March 25, 2017**	As at March 26, 2016	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,808**	$ 2,692	$ 116	4.3 %
Credit card receivables	**2,689**	2,594	95	3.7 %
Allowance for credit card receivables	**49**	53	(4)	(7.5)%
Annualized yield on average quarterly gross credit card receivables	**13.8%**	14.0%		
Annualized credit loss rate on average quarterly gross credit card receivables	**4.1%**	4.5%		

Earnings Before Income Taxes Earnings before income taxes in the first quarter of 2017 were $25 million, a decrease of $3 million compared to the first quarter of 2016, primarily driven by:

- higher costs associated with the Financial Services' loyalty program; and
- higher operating costs; partially offset by
- lower credit losses due to the strong credit performance of the portfolio;
- higher interest and net interchange income attributable to the growth in the credit card portfolio; and
- higher sales attributable to The Mobile Shop.

Credit Card Receivables As at March 25, 2017, credit card receivables were $2,689 million, an increase of $95 million compared to March 26, 2016. This increase was primarily driven by growth in the active customer base as a result of continued investments in customer acquisition, marketing and product initiatives. As at March 25, 2017, the allowance for credit card receivables was $49 million, a decrease of $4 million compared to March 26, 2016 due to the strong credit performance of the portfolio.

Choice Properties Segment[3]

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)	$ Change	% Change
Revenue	**$ 203**	$ 192	$ 11	5.7 %
Net interest expense and other financing charges	**213**	268	(55)	(20.5)%
Net income (loss)[(i)]	**24**	(132)	156	118.2 %
Funds from operations[(2)]	**109**	103	6	5.8 %

(i) 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 first quarter of 2017 was $24 million, an increase of $156 million compared to the first quarter of 2016. The increase was primarily driven by:

- the change in fair value adjustment on investment properties;
- the change in fair value adjustment on Class B Limited Partnership units;
- additional net operating income generated from acquisitions and tenant openings in newly developed leasable space; and
- an increase in base rent from existing properties.

Funds from Operations[(2)] Funds from Operations[(2)] in the first quarter of 2017 were $109 million, an increase of $6 million compared to the first quarter of 2016, primarily driven by higher contributions from property operations, partially offset by an increase in interest expense due to higher drawings on credit facilities and a gain on settlement of bond forwards in the first quarter of 2016.

Other Matters In the first quarter of 2017, Choice Properties acquired two investment properties from third-parties for a combined purchase price of approximately $10 million, excluding acquisition costs, which was fully settled in cash.

DECLARATION OF DIVIDENDS

Subsequent to the end of the first 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 July 1, 2017 to shareholders of record on June 15, 2017
Second Preferred Shares, Series B	$0.33125 per share, payable on June 30, 2017 to shareholders of record on June 15, 2017

OUTLOOK[(4)]

Loblaw remains focused on its strategic framework, delivering the best in food, best in health and beauty, operational excellence and growth. This framework is supported by our financial plan of maintaining a stable trading environment that targets positive same-store sales and stable gross margin, surfacing efficiencies to deliver operating leverage, and returning capital to shareholders.

In 2017, on a full-year comparative basis, despite the current deflationary environment, the Company expects to:

- deliver positive same-store sales and stable gross margin in its Retail segment in a highly competitive grocery market, with continued negative pressure from healthcare reform;
- grow adjusted net earnings;
- invest approximately $1.3 billion in capital expenditures, including $1.0 billion in its Retail segment; and
- return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

NON-GAAP FINANCIAL MEASURES

The Company uses the following non-GAAP financial measures: Retail segment gross profit; Retail segment adjusted gross profit; Retail segment adjusted gross profit percentage; adjusted earnings before income taxes, net interest expense and other financing charges and depreciation and amortization ("adjusted EBITDA"); adjusted EBITDA margin; adjusted operating income; adjusted net interest expense and other financing charges; adjusted income taxes; adjusted income tax rate; adjusted net earnings available to common shareholders; adjusted diluted net earnings per common share; and with respect to Choice Properties: funds from operations. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

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

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

For details on the nature of items excluded in the calculation of any of the non-GAAP financial measures detailed below see the "Non-GAAP Financial Measures" section of the Company's 2017 First Quarter Report to Shareholders.

Retail Segment Gross Profit, Retail Segment Adjusted Gross Profit and Retail Segment Adjusted Gross Profit Percentage The following table reconciles revenue and cost of merchandise inventories sold to gross profit by segment and then to adjusted gross profit by segment. 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 March 25, 2017 and March 26, 2016 (millions of Canadian dollars)	**Retail**	**Financial Services[3]**	**Choice Properties[3]**	**Consolidation & Eliminations**	**Total**	Retail	Financial Services[3]	Choice Properties[3]	Consolidation & Eliminations	Total
Revenue	**$10,166**	**$ 210**	**$ 203**	**$ (178)**	**$10,401**	$10,154	$ 207	$ 192	$ (172)	$10,381
Cost of Merchandise Inventories Sold	**7,322**	**18**	**—**	**—**	**7,340**	7,378	16	—	—	7,394
Gross Profit	**$ 2,844**	**$ 192**	**$ 203**	**$ (178)**	**$ 3,061**	$ 2,776	$ 191	$ 192	$ (172)	$ 2,987
Add impact of the following:										
Restructuring and other related costs	**—**	**—**	**—**	**—**	**—**	1	—	—	—	1
Adjusted Gross Profit	**$ 2,844**	**$ 192**	**$ 203**	**$ (178)**	**$ 3,061**	$ 2,777	$ 191	$ 192	$ (172)	$ 2,988

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 GAAP net earnings measures reported in the unaudited interim period condensed consolidated statements of earnings for the periods ended March 25, 2017 and March 26, 2016. 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)
(millions of Canadian dollars)	**Retail**	**Financial Services[3]**	**Choice Properties[3]**	**Consolidation & Eliminations**	**Consolidated**	Retail	Financial Services[3]	Choice Properties[3]	Consolidation & Eliminations	Consolidated
Net earnings attributable to shareholders of the Company					**$ 233**					$ 196
Add (deduct) impact of the following:										
Non-Controlling Interests					**(1)**					(9)
Net interest expense and other financing charges					**161**					157
Income taxes					**99**					92
Operating income	**$ 446**	**$ 39**	**$ 237**	**$ (230)**	**$ 492**	$ 393	$ 41	$ 136	$ (134)	$ 436
Add impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	**121**	**—**	**—**	**—**	**121**	124	—	—	—	124
Pension annuities and buy-outs	**7**	**—**	**—**	**—**	**7**	2	—	—	—	2
Fair value adjustment on fuel and foreign currency contracts	**6**	**—**	**—**	**—**	**6**	10	—	—	—	10
Prior year land transfer tax assessment	**—**	**—**	**—**	**—**	**—**	10	—	—	—	10
Asset impairments, net of recoveries	**—**	**—**	**—**	**—**	**—**	2	—	—	—	2
Restructuring and other related costs	**—**	**—**	**—**	**—**	**—**	1	—	—	—	1
Adjusting Items	**$ 134**	**$ —**	**$ —**	**$ —**	**$ 134**	$ 149	$ —	$ —	$ —	$ 149
Adjusted operating income	**$ 580**	**$ 39**	**$ 237**	**$ (230)**	**$ 626**	$ 542	$ 41	$ 136	$ (134)	$ 585
Depreciation and amortization	**352**	**3**	**—**	**5**	**360**	362	3	—	3	368
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(121)**	**—**	**—**	**—**	**(121)**	(124)	—	—	—	(124)
Adjusted EBITDA	**$ 811**	**$ 42**	**$ 237**	**$ (225)**	**$ 865**	$ 780	$ 44	$ 136	$ (131)	$ 829

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 in the unaudited interim period condensed consolidated statements of earnings for the periods ended March 25, 2017 and March 26, 2016. 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.

(millions of Canadian dollars)	**2017 (12 weeks)**	2016 (12 weeks)
Net interest expense and other financing charges	**$ 161**	$ 157
Add (deduct) impact of the following:		
Fair value adjustment to the Trust Unit Liability	**(36)**	(32)
Adjusted net interest expense and other financing charges	**$ 125**	$ 125

Adjusted Income Taxes and Adjusted Income Tax Rate The Company believes adjusted income taxes is useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

For the periods ended March 25, 2017 and March 26, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)
Adjusted operating income(i)	**$ 626**	$ 585
Adjusted net interest expense and other financing charges(i)	**125**	125
Adjusted earnings before taxes	**$ 501**	$ 460
Income taxes	**$ 99**	$ 92
Add (deduct) impact of the following:		
Tax impact of items included in adjusted earnings before taxes(ii)	**36**	39
Statutory corporate income tax rate change	**—**	(3)
Adjusted income taxes	**$ 135**	$ 128
Effective tax rate	**29.9%**	33.0%
Adjusted income tax rate	**26.9%**	27.8%

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

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

Adjusted income tax rate is calculated as adjusted income taxes divided by the sum of adjusted operating income less adjusted net interest expense and other financing charges.

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net Earnings Per Common Share The Company believes 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.

The following table reconciles net earnings attributable to shareholders of the Company to net earnings available to common shareholders of the Company and then to adjusted net earnings available to common shareholders of the Company for the periods ended March 25, 2017 and March 26, 2016:

(millions of Canadian dollars except where otherwise indicated)	**2017 (12 weeks)**	2016 (12 weeks)
Net earnings attributable to shareholders of the Company	**$ 233**	$ 196
Prescribed dividends on preferred shares in share capital	**(3)**	(3)
Net earnings available to common shareholders of the Company	**$ 230**	$ 193
Net earnings attributable to shareholders of the Company	**$ 233**	$ 196
Adjusting items (refer to the following table)	**134**	145
Adjusted net earnings attributable to shareholders of the Company	**$ 367**	$ 341
Prescribed dividends on preferred shares in share capital	**(3)**	(3)
Adjusted net earnings available to common shareholders of the Company	**$ 364**	$ 338
Diluted weighted average common shares outstanding (millions)	**403.2**	412.6

The following table reconciles adjusted net earnings available to common shareholders of the Company and adjusted diluted net earnings per common share to GAAP net earnings available to common shareholders of the Company and diluted net earnings per common share as reported for the periods ended March 25, 2017 and March 26, 2016:

	2017 (12 weeks)		2016 (12 weeks)	
(millions of Canadian dollars/Canadian dollars)	**Net Earnings Available to Common Shareholders of the Company**	**Diluted Net Earnings Per Common Share**	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share
As reported	**$ 230**	**$ 0.57**	$ 193	$ 0.47
Add impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**89**	**0.22**	91	0.22
Fair value adjustment to the Trust Unit Liability[(i)]	**36**	**0.09**	32	0.08
Pension annuities and buy-outs	**5**	**0.01**	2	—
Fair value adjustment on fuel and foreign currency contracts	**4**	**0.01**	7	0.02
Prior year land transfer tax assessment	**—**	**—**	7	0.02
Statutory corporate income tax rate change	**—**	**—**	3	0.01
Asset impairments, net of recoveries	**—**	**—**	2	—
Restructuring and other related costs	**—**	**—**	1	—
Adjusting items	**$ 134**	**$ 0.33**	$ 145	$ 0.35
Adjusted	**$ 364**	**$ 0.90**	$ 338	$ 0.82

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

Choice Properties' Funds from Operations In the first quarter of 2017, Choice Properties discontinued the use of Adjusted Funds from Operations. Choice Properties continues the use of Funds from Operations as its non-GAAP earnings metric. Choice 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 IFRS issued in February 2017.

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. The following table reconciles Choice Properties' Funds from Operations to GAAP Net income (loss) for the periods ended March 25, 2017 and March 26, 2016:

(millions of Canadian dollars)	**2017 (12 weeks)**	2016 (12 weeks)
Net income (loss)	**$ 24**	$ (132)
Add (deduct) impact of the following:		
Fair value adjustments on Class B Limited Partnership units	**118**	181
Fair value adjustments on investment properties	**(93)**	14
Fair value adjustments on unit-based compensation	**1**	1
Fair value adjustments of investment property held in equity accounted joint venture	**1**	(14)
Distributions on Class B Limited Partnership units	**57**	53
Internal expenses for leasing	**1**	—
Funds from Operations	**$ 109**	$ 103

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:

	March 25, 2017 (12 weeks)					March 26, 2016 (12 weeks)				
(millions of Canadian dollars)	Retail	Financial Services[(3)]	Choice Properties[(3)]	Consolidation & Eliminations[(i)]	Total	Retail	Financial Services[(3)]	Choice Properties[(3)]	Consolidation & Eliminations[(i)]	Total
Revenue[(ii)]	**$ 10,166**	**$ 210**	**$ 203**	**$ (178)**	**$ 10,401**	$ 10,154	$ 207	$ 192	$ (172)	$ 10,381
Operating Income	$ 446	$ 39	$ 237	$ (230)	$ 492	$ 393	$ 41	$ 136	$ (134)	$ 436
Net interest expense and other financing charges	72	14	213	(138)	161	78	13	268	(202)	157
Earnings before Income Taxes	**$ 374**	**$ 25**	**$ 24**	**$ (92)**	**$ 331**	$ 315	$ 28	$ (132)	$ 68	$ 279
Operating Income	**$ 446**	**$ 39**	**$ 237**	**$ (230)**	**$ 492**	$ 393	$ 41	$ 136	$ (134)	$ 436
Depreciation and Amortization	352	3	—	5	360	362	3	—	3	368
Adjusting items[(iii)]	134	—	—	—	134	149	—	—	—	149
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(121)	—	—	—	(121)	(124)	—	—	—	(124)
Adjusted EBITDA[(iii)]	$ 811	$ 42	$ 237	$ (225)	$ 865	$ 780	$ 44	$ 136	$ (131)	$ 829
Depreciation and Amortization[(iv)]	231	3	—	5	239	238	3	—	3	244
Adjusted Operating Income	**$ 580**	**$ 39**	**$ 237**	**$ (230)**	**$ 626**	$ 542	$ 41	$ 136	$ (134)	$ 585

(i) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $133 million (2016 – $128 million) of rental revenue and $45 million (2016 – $44 million) of cost recovery recognized by Choice Properties, generated from the Retail segment.
- Adjusted operating income includes the elimination of the $133 million (2016 – $128 million) impact of rental revenue described above; the elimination of a $93 million gain (2016 – $14 million loss) recognized by Choice Properties related to the fair value adjustments on investment properties, which are classified as Fixed Assets, Assets Held For Sale or Investment Properties by the Company and measured at cost; the elimination of $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 $5 million (2016 – $3 million) of depreciation expense for certain investment properties recorded by Choice Properties; and the elimination of intercompany charges of $3 million in 2016.
- Net interest expense and other financing charges includes the elimination of $69 million (2016 – $65 million) of interest expense included in Choice Properties related to debt owing to the Company and a $118 million fair value loss (2016 – loss of $181 million) recognized by Choice Properties on Class B Limited Partnership units held by the Company. Net interest and other financing charges also includes Unit distributions to external unitholders of $13 million (2016 – $12 million), which excludes distributions paid to the Company and a $36 million fair value loss (2016 – loss of $32 million) on the Company's Trust Unit Liability.

(ii) Included in Financial Services revenue is $97 million (2016 – $96 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.

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, sale of gas bar operations, future liquidity, planned capital investments, and the status and impact of information technology 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" and "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's current 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 2017 is based on certain assumptions including assumptions about anticipated cost savings, operating efficiencies and continued growth from current 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 2016 Annual Report – Financial Review ("2016 Annual Report") and the Company's 2016 Annual Information Form ("AIF") (for the year ended December 31, 2016). Such risks and uncertainties include:

- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to effectively manage the Company's loyalty 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 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;
- public health events including those related to food and drug safety;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;
- failure to merchandise effectively, 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 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;
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, interest rates, currency exchange rates or derivative and commodity prices;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- 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; and
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink.

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 2016 AIF (for the year ended December 31, 2016). 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

2016 Annual Report and 2017 First Quarter Report to Shareholders

The Company's 2016 Annual Report and 2017 First Quarter Report to Shareholders are available in the "Investors" section of the Company's website at loblaw.ca and on sedar.com.

Investor Relations

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Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, President's Choice Bank. The Company holds an analyst call shortly following the release of its quarterly results. These calls are archived in the "Investors" section of the Company's website at loblaw.ca.

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on May 3, 2017 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: 1695648. To access via audio webcast, please go to the "Investors" section of loblaw.ca. Pre-registration will be available.

Full details about the conference call and webcast are available on the Loblaw Companies Limited website at loblaw.ca.

Annual Meeting of Shareholders

The 2017 Annual Meeting of Shareholders of Loblaw Companies Limited will take place on May 4, 2017 at 11:00 a.m. (ET) at the Mattamy Athletic Centre, 50 Carlton Street, Toronto, Ontario, Canada M5B 1J2.

To access via tele-conference, please dial (647) 427-7450 or (888) 231-8191. The playback will be made available approximately two hours after the event at (416) 849-0833 or (855) 859-2056, access code: 2288199. To access via audio webcast, please go to the "Investors" section of loblaw.ca. Pre-registration will be available.

News Release Endnotes

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(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) The results for the Financial Services and Choice Properties segments are for the period ended March 31, consistent with the segments' fiscal calendars. Adjustments to align Financial Services' and Choice Properties' results to the Company's fiscal calendar are included in Consolidation and Eliminations. See the "Non-GAAP Financial Measures" and the "Segment Information" sections of this News Release.

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