Loblaw Companies Limited

NEWS RELEASE

Loblaw Reports Third Quarter 2017 Results(1)

BRAMPTON, ONTARIO November 15, 2017 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the third quarter ended October 7, 2017. The Company's 2017 Third Quarter Report to Shareholders will be available in the Investors section of the Company's website at loblaw.ca and will be filed with SEDAR and available at sedar.com.

"We delivered solid results in the third quarter in an increasingly competitive market," said Galen G. Weston, Chairman and Chief Executive Officer, Loblaw Companies Limited.

"In an industry that is facing significant financial headwinds, we remain focused on delivering shareholder value. Our strong balance sheet and free cash flow enable us to continue to return capital to shareholders and to invest to bring innovation to Canadian consumers."

2017 THIRD QUARTER HIGHLIGHTS
The following highlights include the impacts of the consolidation of franchises, as set out in "Other Retail Business Matters."

- Revenue was $14,192 million, an increase of $49 million, or 0.3%, compared to the third quarter of 2016.
- Retail segment sales were $13,923 million, an increase of $32 million, or 0.2%, compared to the third quarter of 2016.
    - Food retail (Loblaw) same-store sales growth was 1.4%, excluding gas bar operations.
    - Drug retail (Shoppers Drug Mart) same-store sales growth was 3.3%, with pharmacy same-store sales growth of 3.9% and front store same-store sales growth of 2.8%.
- Operating income was $1,236 million, an increase of $546 million, or 79.1%, compared to the third quarter of 2016.
- Adjusted EBITDA(2) was $1,229 million, an increase of $86 million, or 7.5%, compared to the third quarter of 2016.
- Net earnings available to common shareholders of the Company were $883 million, an increase of $464 million, or 110.7%, compared to the third quarter of 2016. Diluted net earnings per common share were $2.24, an increase of $1.21, or 117.5%, compared to the third quarter of 2016.
- Adjusted net earnings available to common shareholders of the Company(2) were $549 million, an increase of $37 million, or 7.2%, compared to the third quarter of 2016. Adjusted diluted net earnings per common share(2) were $1.39, an increase of $0.13, or 10.3%, compared to the third quarter of 2016. Normalized for the disposition of gas bar operations, adjusted diluted net earnings per common share(2) increased by approximately 13.0%. Diluted net earnings per common share growth is higher than adjusted diluted net earnings per common share(2) growth primarily due to the gain on disposition of gas bar operations.
- The Company repurchased 7.2 million common shares at a cost of $485 million.
- The Company completed the disposition of its gas bar operations and recognized a post-tax gain of $432 million, net of related costs. The disposition negatively impacted the Company's Retail sales growth by $368 million, Retail adjusted EBITDA(2) by approximately $20 million and diluted net earnings per common share growth by approximately $0.03 per common share. Gas bar operations were a low gross margin business compared to the Company's overall Retail segment.
- President's Choice Bank ("PC Bank"), a wholly owned subsidiary of the Company, entered into an agreement to end its relationship with a major Canadian chartered bank, which represented the personal banking services offered under the President's Choice Financial® brand. The agreement did not have a significant impact on the adjusted net earnings available to common shareholders of the Company(2) in the third quarter of 2017.

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

CONSOLIDATED RESULTS OF OPERATIONS

For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (16 weeks)**	2016 (16 weeks)	$ Change	% Change	**2017 (40 weeks)**	2016 (40 weeks)	$ Change	% Change
Revenue	**$ 14,192**	$ 14,143	$ 49	0.3%	**$ 35,672**	$ 35,255	$ 417	1.2%
Operating income	**1,236**	690	546	79.1%	**2,354**	1,643	711	43.3%
Adjusted EBITDA(2)	**1,229**	1,143	86	7.5%	**3,079**	2,896	183	6.3%
Adjusted EBITDA margin(2)	**8.7%**	8.1%			**8.6%**	8.2%		
Net earnings attributable to shareholders of the Company	**$ 886**	$ 422	$ 464	110.0%	**$ 1,480**	$ 779	$ 701	90.0%
Net earnings available to common shareholders of the Company(i)	**883**	419	464	110.7%	**1,471**	770	701	91.0%
Adjusted net earnings available to common shareholders of the Company(2)	**549**	512	37	7.2%	**1,358**	1,262	96	7.6%
Diluted net earnings per common share ($)	**$ 2.24**	$ 1.03	$ 1.21	117.5%	**$ 3.68**	$ 1.88	$ 1.80	95.7%
Adjusted diluted net earnings per common share(2) ($)	**$ 1.39**	$ 1.26	$ 0.13	10.3%	**$ 3.40**	$ 3.08	$ 0.32	10.4%
Diluted weighted average common shares outstanding (millions)	**395.0**	407.0			**399.2**	410.0		

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

Net earnings available to common shareholders of the Company in the third quarter of 2017 were $883 million ($2.24 per common share), an increase of $464 million ($1.21 per common share) compared to the third quarter of 2016. The increase in net earnings available to common shareholders of the Company was driven by improvements in underlying operating performance of $37 million and the favourable year-over-year net impact of adjusting items totaling $427 million, as described below:

- improvements in underlying operating performance of $37 million ($0.09 per common share), were primarily due to the following:
  - the Retail segment (excluding the impact of the consolidation of franchises), driven by an increase in adjusted gross profit(2) and lower selling, general and administrative expenses ("SG&A"), partially offset by an increase in depreciation and amortization; and
  - the Financial Services segment, primarily due to the strong credit performance of the credit card portfolio.
- the favourable year-over-year net impact of adjusting items totaling $427 million ($1.08 per common share) was primarily due to the following:
  - the gain on disposition of gas bar operations of $432 million ($1.10 per common share); and
  - the change in fair value adjustment to the Trust Unit Liability of $13 million ($0.03 per common share); partially offset by
  - the change in fair value adjustment on fuel and foreign currency contracts of $21 million ($0.04 per common share).
- diluted net earnings per common share also included the favourable impact of the repurchase of common shares ($0.04 per common share).

Adjusted net earnings available to common shareholders of the Company(2) in the third quarter of 2017 were $549 million ($1.39 per common share), an increase of $37 million ($0.13 per common share) compared to the third quarter of 2016, due to the improvements in underlying operating performance and the favourable impact of the repurchase of common shares, as described above.

On October 31, 2017, the Company and George Weston Limited confirmed that they were aware of an industry-wide investigation by the Competition Bureau concerning a price-fixing scheme involving certain packaged bread products. The companies are cooperating fully. Court filings made by the Competition Bureau remain sealed while searches are completed. The companies expect to be able to provide further comment after those filings are unsealed.

REPORTABLE OPERATING SEGMENTS

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

- The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, and includes in-store pharmacies and other health and beauty products and apparel and other general merchandise. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base. Prior to July 17, 2017, the Retail segment also included gas bar operations;
- The Financial Services segment provides credit card services, loyalty programs, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services and telecommunication services. As a result of the wind-down of PC Financial banking services, the Financial Services segment no longer offers personal banking services; and
- The Choice Properties Real Estate Investment Trust ("Choice Properties") segment owns, manages and develops 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 October 7, 2017 and October 8, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (16 weeks)**	2016 (16 weeks)	$ Change	% Change	**2017 (40 weeks)**	2016 (40 weeks)	$ Change	% Change
Sales	**$ 13,923**	$ 13,891	$ 32	0.2%	**$ 34,916**	$ 34,539	$ 377	1.1%
Operating income	**1,168**	642	526	81.9%	**2,192**	1,510	682	45.2%
Adjusted gross profit(2)	**3,874**	3,714	160	4.3%	**9,725**	9,317	408	4.4%
Adjusted gross profit %(2)	**27.8%**	26.7%			**27.9%**	27.0%		
Adjusted EBITDA(2)	**$ 1,159**	$ 1,087	$ 72	6.6%	**$ 2,900**	$ 2,742	$ 158	5.8%
Adjusted EBITDA margin(2)	**8.3%**	7.8%			**8.3%**	7.9%		
Depreciation and amortization	**$ 467**	$ 456	$ 11	2.4%	**$ 1,172**	$ 1,157	$ 15	1.3%

For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (16 weeks)**		2016 (16 weeks)		**2017 (40 weeks)**		2016 (40 weeks)	
	Sales	**Same-store sales**	Sales	Same-store sales	**Sales**	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 10,172**	**1.4%**	$ 10,278	0.8%	**$ 25,509**	**0.6%**	$ 25,386	1.1%
Drug retail	**3,751**	**3.3%**	3,613	2.8%	**9,407**	**2.7%**	9,153	4.2%
Pharmacy	**1,820**	**3.9%**	1,732	1.6%	**4,540**	**2.8%**	4,369	3.0%
Front Store	**1,931**	**2.8%**	1,881	3.9%	**4,867**	**2.7%**	4,784	5.3%

Sales, operating income, adjusted gross profit(2), adjusted gross profit percentage(2), adjusted EBITDA(2) and adjusted EBITDA margin(2) included the impacts of the consolidation of franchises, as set out in "Other Retail Business Matters" for the periods ended as indicated.

Sales Retail segment sales in the third quarter of 2017 were $13,923 million, an increase of $32 million, or 0.2%, compared to the third quarter of 2016. Excluding the consolidation of franchises, Retail segment sales decreased by $71 million, or 0.5%, primarily driven by the following factors:

- The impact of the disposition of gas bar operations of $368 million; partially offset by
- Food retail same-store sales growth was 1.4% (2016 – 1.4%) for the quarter, after excluding gas bar operations. Including gas bar operations, Food retail same-store sales growth was 1.4% (2016 – 0.8%).
- The Company's Food retail average quarterly internal food price index was marginally higher than (2016 – lower than) the average quarterly national food price inflation of 0.3% (2016 – 0.2%), as measured by The Consumer Price Index for Food Purchased from Stores ("CPI"). CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in the Company's stores.
- Drug retail same-store sales growth was 3.3% (2016 – 2.8%) and was comprised of pharmacy same-store sales growth of 3.9% (2016 – 1.6%) and front store same-store sales growth of 2.8% (2016 – 3.9%).
- 27 food and drug stores were opened and 13 food and drug stores were closed in the last 12 months, resulting in a net increase in Retail square footage of 0.4 million square feet, or 0.6%.

Operating Income Operating income in the third quarter of 2017 was $1,168 million, an increase of $526 million compared to the third quarter of 2016. The increase in operating income was driven by improvements in underlying operating performance of $58 million and the favourable year-over-year net impact of adjusting items totaling $468 million, as described below:

- the improvements in underlying operating performance of $58 million were driven by an increase in adjusted gross profit(2) and lower SG&A, partially offset by an increase in depreciation and amortization. The improvements in underlying operating performance also included the positive contribution from the consolidation of franchises; and
- the favourable year-over-year net impact of adjusting items totaling $468 million was primarily due to the following:
  - the gain on disposition of gas bar operations of $501 million; partially offset by
  - the change in fair value adjustment on fuel and foreign currency contracts of $29 million.

Adjusted Gross Profit(2) Adjusted gross profit(2) in the third quarter of 2017 was $3,874 million, an increase of $160 million compared to the third quarter of 2016. Adjusted gross profit percentage(2) of 27.8% increased by 110 basis points compared to the third quarter of 2016. Excluding the consolidation of franchises, adjusted gross profit(2) increased by $48 million. Adjusted gross profit percentage(2), excluding the consolidation of franchises, was 26.6%, an increase of 50 basis points compared to the third quarter of 2016. The increase in adjusted gross profit percentage(2) was primarily due to the favourable impact from the disposition of gas bar operations of approximately 50 basis points, as improvements in Drug retail margins were offset by a decrease in Food retail margins.

Adjusted EBITDA(2) Adjusted EBITDA(2) in the third quarter of 2017 was $1,159 million, an increase of $72 million, compared to the third quarter of 2016 and included the favourable impact of the consolidation of franchises of $20 million as well as the unfavourable impact of the disposition of gas bar operations of approximately $20 million. The increase in adjusted EBITDA(2) of $72 million was driven by an increase in adjusted gross profit(2) as described above, partially offset by an increase in SG&A of $88 million. SG&A as a percentage of sales was 19.5%, an increase of 60 basis points compared to the third quarter of 2016. Excluding the consolidation of franchises, SG&A decreased $4 million. SG&A as a percentage of sales, excluding the consolidation of franchises, was 18.3%, an increase of 10 basis points compared to the third quarter of 2016 mainly driven by:

- the unfavourable impact from the disposition of gas bar operations of approximately 50 basis points; partially offset by
- lower store support costs; and
- the favourable impact of foreign exchange.

Depreciation and Amortization Depreciation and amortization in the third quarter of 2017 was $467 million, an increase of $11 million compared to the third quarter of 2016 primarily driven by the consolidation of franchises and an increase in information technology (“IT”) assets. Included in depreciation and amortization is the amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation of $161 million (2016 – $164 million).

Other Retail Business Matters

Gas Bar Network On July 17, 2017, the Company sold its gas bar operations, for proceeds of approximately $540 million, to Brookfield Business Partners L.P. (“Brookfield”).The Company has recorded a pre-tax gain on sale of $501 million (post-tax gain of $432 million), net of related costs, in the third quarter of 2017. As a result of the transaction, Brookfield has 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, the gas bars operate at certain properties that are either owned by the Company or leased by the Company from Choice Properties or third-party landlords. As a result of the transaction Brookfield leases or sub-leases these properties from the Company. 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 earnings associated with the gas bar operations and the ongoing commitment of the Company to fund certain loyalty program costs, the expected annual impact will be a reduction in adjusted EBITDA(2) of approximately $80 million, based on 2016 information. The Company expects to use the proceeds from the sale for general corporate activities.

Consolidation of Franchises The Company has more than 500 franchise food retail stores in its network. As at the end of the third quarter of 2017, 273 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 October 7, 2017 and October 8, 2016 (millions of Canadian dollars unless where otherwise indicated)	**2017 (16 weeks)**	2016 (16 weeks)	**2017 (40 weeks)**	2016 (40 weeks)
Number of Consolidated Franchise stores, beginning of period	**241**	132	**200**	85
Add: Net number of Consolidated Franchise stores in the period	**32**	33	**73**	80
Number of Consolidated Franchise stores, end of period	**273**	165	**273**	165
Sales	**$ 228**	$ 125	**$ 524**	$ 264
Adjusted gross profit[(2)]	**232**	120	**531**	254
Adjusted EBITDA[(2)]	**20**	—	**39**	(7)
Depreciation and amortization	**13**	7	**32**	15
Operating income (loss)	**7**	(7)	**7**	(22)
Net income (loss) attributable to Non-Controlling Interests	**8**	(7)	**10**	(21)

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

Subsequent Events

Restructuring and other related costs Subsequent to the end of the third quarter of 2017, the Company eliminated approximately 500 corporate and store-support positions and finalized a plan that will result in the closure of 22 unprofitable retail locations across a range of banners and formats. The Company expects to record charges of approximately $135 million, the majority of which are expected in the fourth quarter of 2017, and to realize approximately $85 million in annualized savings. The Company also expects that the closures will be substantially complete by the end of the first quarter of 2018.

PC Optimum Program Subsequent to the end of the third quarter of 2017, the Company announced the creation of a new loyalty program starting February 1, 2018. The newly created *PC Optimum* program brings together the *Shoppers Optimum* and *PC Plus* programs. The Company expects to incur a one-time charge in the range of approximately $150 million to $200 million in relation to the revaluation of the existing liability for outstanding points to reflect a higher anticipated redemption rate under the new program. The Company also expects to record an impairment charge of approximately $20 million relating to certain IT assets that support the existing loyalty programs.

Financial Services Segment

For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars except where otherwise indicated)	2017 (16 weeks)	2016 (16 weeks)	$ Change	% Change	2017 (40 weeks)	2016 (40 weeks)	$ Change	% Change
Revenue	**$ 240**	$ 229	$ 11	4.8%	**$ 675**	$ 650	$ 25	3.8%
Earnings before income taxes	**43**	28	15	53.6%	**94**	85	9	10.6%

(millions of Canadian dollars except where otherwise indicated)	As at October 7, 2017	As at October 8, 2016	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,860**	$ 2,730	$ 130	4.8 %
Credit card receivables	**2,918**	2,769	149	5.4 %
Allowance for credit card receivables	**46**	53	(7)	(13.2)%
Annualized yield on average quarterly gross credit card receivables	**13.3%**	13.6%		
Annualized credit loss rate on average quarterly gross credit card receivables	**3.8%**	4.5%		

Earnings Before Income Taxes Earnings before income taxes in the third quarter of 2017 were $43 million, an increase of $15 million compared to the third quarter of 2016, primarily driven by:

- recognition of income of $7 million, net of certain costs incurred, relating to PC Bank's agreement to end its business relationship with a major Canadian chartered bank, which represented the personal banking services offered under the *President's Choice Financial* brand;
- lower credit losses due to the strong credit performance of the portfolio; and
- an increase in revenue attributable to growth in the credit card portfolio and The Mobile Shop; partially offset by
- higher operating costs and costs associated with the Financial Services' loyalty program.

Credit Card Receivables As at October 7, 2017, credit card receivables were $2,918 million, an increase of $149 million compared to October 8, 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 October 7, 2017, the allowance for credit card receivables was $46 million, a decrease of $7 million compared to October 8, 2016 due to the strong credit performance of the portfolio.

Other Financial Services Business Matters

Wind-down of PC Financial banking services In the third quarter of 2017, PC Bank entered into an agreement to end its business relationship with a major Canadian chartered bank, which represented the personal banking services offered under the *President's Choice Financial* brand. As a result of this agreement, PC Bank will receive a payment of approximately $43 million, net of certain costs incurred, $7 million of which was recognized in the third quarter of 2017. The remaining amounts will be recognized between the fourth quarter of 2017 and the second quarter of 2018.

PC Bank will continue to operate the PC Mastercard program and customers will continue to earn PC Points. PC Bank remains committed to providing payment products to its customers and continues to strengthen its credit card services and loyalty programs.

Choice Properties Segment

For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (16 weeks)**	2016 (16 weeks)	$ Change	% Change	**2017 (40 weeks)**	2016 (40 weeks)	$ Change	% Change
Revenue	**$ 207**	$ 196	$ 11	5.6 %	**$ 619**	$ 586	$ 33	5.6 %
Net interest expense and other financing charges(i)	**(76)**	(28)	(48)	(171.4)%	**235**	911	(676)	(74.2)%
Net income (loss)(ii)	**303**	213	90	42.3 %	**369**	(479)	848	177.0 %
Funds from operations(2)	**109**	102	7	6.9 %	**326**	307	19	6.2 %

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

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

Net income (loss) Net income in the third quarter of 2017 was $303 million, an increase of $90 million compared to the third quarter of 2016. The increase was primarily driven by:

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

Funds from Operations(2) Funds from Operations(2) in the third quarter of 2017 were $109 million, an increase of $7 million compared to the third quarter of 2016, primarily driven by higher contributions from property operations and lower interest expense due to the repayment of the Series 6 senior unsecured debentures in the first quarter of 2017, partially offset by an increase in interest expense due to higher drawings on credit facilities.

Other Matters In the third quarter of 2017, Choice Properties acquired six investment properties from third-party vendors for an aggregate purchase price of approximately $28 million, excluding acquisition costs, which was fully settled in cash.

DECLARATION OF DIVIDENDS

Subsequent to the end of the third 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 December 30, 2017 to shareholders of record on December 15, 2017
Second Preferred Shares, Series B	$0.33125 per share, payable on December 31, 2017 to shareholders of record on December 15, 2017

OUTLOOK(3)

Loblaw's outlook for 2017 remains unchanged. The Company 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, 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.

Since the end of the second quarter of 2017, the Company has made significant progress in mitigating the impact of both the minimum wage increase and the expected announcement of incremental drug reform, but until the full extent of healthcare reform becomes certain, the extent to which it will temper the Company's adjusted net earnings growth beyond 2017 cannot be determined.

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 Third Quarter Report to Shareholders.

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

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

					2017 (16 weeks)					2016 (16 weeks)
For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Choice Properties**	**Consolidation & Eliminations**	**Total**	Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Total
Revenue	**$13,923**	**$ 240**	**$ 207**	**$ (178)**	**$14,192**	$13,891	$ 229	$ 196	$ (173)	$14,143
Cost of Merchandise Inventories Sold	**10,049**	**25**	**—**	**—**	**10,074**	10,173	22	—	—	10,195
Gross Profit	**$ 3,874**	**$ 215**	**$ 207**	**$ (178)**	**$ 4,118**	$ 3,718	$ 207	$ 196	$ (173)	$ 3,948
Add (deduct) impact of the following:										
Charges related to retail locations in Fort McMurray, net of recoveries	**—**	**—**	**—**	**—**	**—**	(4)	—	—	—	(4)
Adjusted Gross Profit	**$ 3,874**	**$ 215**	**$ 207**	**$ (178)**	**$ 4,118**	$ 3,714	$ 207	$ 196	$ (173)	$ 3,944

For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars)	**2017 (40 weeks)** Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Total	2016 (40 weeks) Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Total
Revenue	**$34,916**	**$ 675**	**$ 619**	**$ (538)**	**$ 35,672**	$ 34,539	$ 650	$ 586	$ (520)	$35,255
Cost of Merchandise Inventories Sold	**25,191**	**65**	**—**	**—**	**25,256**	25,234	56	—	—	25,290
Gross Profit	**$ 9,725**	**$ 610**	**$ 619**	**$ (538)**	**$ 10,416**	$ 9,305	$ 594	$ 586	$ (520)	$ 9,965
Add impact of the following:										
Charges related to retail locations in Fort McMurray, net of recoveries	**—**	**—**	**—**	**—**	**—**	5	—	—	—	5
Net impairment (impairment reversals) related to Drug retail ancillary assets	**—**	**—**	**—**	**—**	**—**	4	—	—	—	4
Restructuring and other related costs	**—**	**—**	**—**	**—**	**—**	3	—	—	—	3
Adjusted Gross Profit	**$ 9,725**	**$ 610**	**$ 619**	**$ (538)**	**$ 10,416**	$ 9,317	$ 594	$ 586	$ (520)	$ 9,977

Adjusted Operating Income, Adjusted EBITDA and Adjusted EBITDA Margin The following tables reconcile adjusted operating income and adjusted EBITDA to operating income, which is reconciled to net earnings attributable to shareholders of the Company as reported in the condensed consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted EBITDA is useful in assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue.

	2017 (16 weeks)					2016 (16 weeks)				
For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Choice Properties**	**Consolidation & Eliminations**	**Consolidated**	Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Consolidated
Net earnings attributable to shareholders of the Company					**$ 886**					$ 422
Add (deduct) impact of the following:										
Non-Controlling Interests					**8**					(7)
Net interest expense and other financing charges					**119**					132
Income taxes					**223**					143
Operating income	**$ 1,168**	**$ 57**	**$ 227**	**$ (216)**	**$ 1,236**	$ 642	$ 41	$ 185	$ (178)	$ 690
Add (deduct) impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 161**	**$ —**	**$ —**	**$ —**	**$ 161**	$ 164	$ —	$ —	$ —	$ 164
Fair value adjustment on fuel and foreign currency contracts	**20**	**—**	**—**	**—**	**20**	(9)	—	—	—	(9)
Pension annuities and buy-outs	**5**	**—**	**—**	**—**	**5**	—	—	—	—	—
Asset impairments, net of recoveries	**—**	**—**	**—**	**—**	**—**	3	—	—	—	3
Charges related to retail locations in Fort McMurray, net of recoveries	**—**	**—**	**—**	**—**	**—**	(5)	—	—	—	(5)
Wind-down of PC Financial banking services	**—**	**(7)**	**—**	**—**	**(7)**	—	—	—	—	—
Gain on disposition of gas bar operations	**(501)**	**—**	**—**	**—**	**(501)**	—	—	—	—	—
Adjusting Items	**$ (315)**	**$ (7)**	**$ —**	**$ —**	**$ (322)**	$ 153	$ —	$ —	$ —	$ 153
Adjusted operating income	**$ 853**	**$ 50**	**$ 227**	**$ (216)**	**$ 914**	$ 795	$ 41	$ 185	$ (178)	$ 843
Depreciation and amortization	**467**	**2**	**1**	**6**	**476**	456	3	1	4	464
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(161)**	**—**	**—**	**—**	**(161)**	(164)	—	—	—	(164)
Adjusted EBITDA	**$ 1,159**	**$ 52**	**$ 228**	**$ (210)**	**$ 1,229**	$ 1,087	$ 44	$ 186	$ (174)	$ 1,143

For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars)	**2017 (40 weeks)** Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Consolidated	2016 (40 weeks) Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Consolidated
Net earnings attributable to shareholders of the Company					**$ 1,480**					$ 779
Add (deduct) impact of the following:										
Non-Controlling Interests					**10**					(21)
Net interest expense and other financing charges					**407**					525
Income taxes					**457**					360
Operating income	**$ 2,192**	**$ 135**	**$ 604**	**$ (577)**	**$ 2,354**	$ 1,510	$ 123	$ 432	$ (422)	$ 1,643
Add (deduct) impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 403**	**$ —**	**$ —**	**$ —**	**$ 403**	$ 411	$ —	$ —	$ —	$ 411
Fair value adjustment on fuel and foreign currency contracts	**25**	**—**	**—**	**—**	**25**	11	—	—	—	11
Pension annuities and buy-outs	**12**	**—**	**—**	**—**	**12**	2	—	—	—	2
Restructuring and other related costs	**—**	**—**	**—**	**—**	**—**	44	—	—	—	44
Prior year land transfer tax assessment	**—**	**—**	**—**	**—**	**—**	10	—	—	—	10
Charges related to retail locations in Fort McMurray, net of recoveries	**—**	**—**	**—**	**—**	**—**	7	—	—	—	7
Asset impairments, net of recoveries	**—**	**—**	**—**	**—**	**—**	5	—	—	—	5
Net impairment (impairment reversals) related to Drug retail ancillary assets	**—**	**—**	**—**	**—**	**—**	(4)	—	—	—	(4)
Wind-down of PC Financial banking services	**—**	**(7)**	**—**	**—**	**(7)**	—	—	—	—	—
Gain on disposition of gas bar operations	**(501)**	**—**	**—**	**—**	**(501)**	—	—	—	—	—
Adjusting Items	**$ (61)**	**$ (7)**	**$ —**	**$ —**	**$ (68)**	$ 486	$ —	$ —	$ —	$ 486
Adjusted operating income	**$ 2,131**	**$ 128**	**$ 604**	**$ (577)**	**$ 2,286**	$ 1,996	$ 123	$ 432	$ (422)	$ 2,129
Depreciation and amortization	**1,172**	**7**	**1**	**16**	**1,196**	1,157	9	1	11	1,178
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(403)**	**—**	**—**	**—**	**(403)**	(411)	—	—	—	(411)
Adjusted EBITDA	**$ 2,900**	**$ 135**	**$ 605**	**$ (561)**	**$ 3,079**	$ 2,742	$ 132	$ 433	$ (411)	$ 2,896

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

Wind-down of PC Financial banking services In the third quarter of 2017, PC Bank entered into an agreement to end its business relationship with a major Canadian chartered bank which represented the personal banking services offered under the *President's Choice Financial* brand. As a result of this agreement, PC Bank will receive payments of approximately $43 million, net of related costs, which will be recognized between the third quarter of 2017 and the second quarter of 2018.

Gain on disposition of gas bar operations On July 17, 2017, the Company sold its gas bar operations, for proceeds of approximately $540 million. The Company has recorded a pre-tax gain on sale of $501 million (post-tax gain of $432 million), net of related costs, in the third quarter of 2017.

Adjusted Net Interest Expense and Other Financing Charges The following table reconciles adjusted net interest expense and other financing charges to net interest expense and other financing charges as reported in the condensed consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted net interest expense and other financing charges is useful in assessing the Company's underlying financial performance and in making decisions regarding the financial operations of the business.

For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars)	**2017 (16 weeks)**	2016 (16 weeks)	**2017 (40 weeks)**	2016 (40 weeks)
Net interest expense and other financing charges	**$ 119**	$ 132	**$ 407**	$ 525
Add (deduct) impact of the following:				
Fair value adjustment to the Trust Unit Liability	**33**	20	**(2)**	(120)
Adjusted net interest expense and other financing charges	**$ 152**	$ 152	**$ 405**	$ 405

Adjusted Income Taxes and Adjusted Income Tax Rate The following table reconciles adjusted income taxes to income taxes as reported in the condensed consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted income taxes is useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

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

For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017 (16 weeks)**	2016 (16 weeks)	**2017 (40 weeks)**	2016 (40 weeks)
Adjusted operating income(i)	**$ 914**	$ 843	**$ 2,286**	$ 2,129
Adjusted net interest expense and other financing charges(i)	**152**	152	**405**	405
Adjusted earnings before taxes	**$ 762**	$ 691	**$ 1,881**	$ 1,724
Income taxes	**$ 223**	$ 143	**$ 457**	$ 360
Add (deduct) impact of the following:				
Tax impact of items included in adjusted earnings before taxes(ii)	**(21)**	40	**47**	117
Statutory corporate income tax rate change	**—**	—	**—**	(3)
Adjusted income taxes	**$ 202**	$ 183	**$ 504**	$ 474
Effective tax rate	**20.0%**	25.6%	**23.5%**	32.2%
Adjusted income tax rate	**26.5%**	26.5%	**26.8%**	27.5%

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

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

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

For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars except where otherwise indicated)	**2017** **(16 weeks)**	2016 (16 weeks)	**2017** **(40 weeks)**	2016 (40 weeks)
Net earnings attributable to shareholders of the Company	**$ 886**	$ 422	**$ 1,480**	$ 779
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(9)**	(9)
Net earnings available to common shareholders of the Company	**$ 883**	$ 419	**$ 1,471**	$ 770
Net earnings attributable to shareholders of the Company	**$ 886**	$ 422	**$ 1,480**	$ 779
Adjusting items (refer to the following table)	**(334)**	93	**(113)**	492
Adjusted net earnings attributable to shareholders of the Company	**$ 552**	$ 515	**$ 1,367**	$ 1,271
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(9)**	(9)
Adjusted net earnings available to common shareholders of the Company	**$ 549**	$ 512	**$ 1,358**	$ 1,262
Diluted weighted average common shares outstanding (millions)	**395.0**	407.0	**399.2**	410.0

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

	2017 (16 weeks)		2016 (16 weeks)		**2017 (40 weeks)**		2016 (40 weeks)	
For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars/Canadian dollars)	**Net Earnings Available to Common Shareholders of the Company**	**Diluted Net Earnings Per Common Share**	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	**Net Earnings Available to Common Shareholders of the Company**	**Diluted Net Earnings Per Common Share**	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share
As reported	**$ 883**	**$ 2.24**	$ 419	$ 1.03	**$ 1,471**	**$ 3.68**	$ 770	$ 1.88
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 118**	**$ 0.30**	$ 122	$ 0.30	**$ 295**	**$ 0.74**	$ 305	$ 0.74
Fair value adjustment on fuel and foreign currency contracts	**14**	**0.03**	(7)	(0.01)	**18**	**0.05**	8	0.02
Pension annuities and buy-outs	**4**	**0.01**	—	—	**9**	**0.02**	2	—
Fair value adjustment to the Trust Unit Liability[(i)]	**(33)**	**(0.08)**	(20)	(0.05)	**2**	**—**	120	0.30
Restructuring and other related costs	**—**	**—**	—	—	**—**	**—**	41	0.10
Prior year land transfer tax assessment	**—**	**—**	—	—	**—**	**—**	7	0.02
Charges related to retail locations in Fort McMurray, net of recoveries	**—**	**—**	(4)	(0.01)	**—**	**—**	5	0.01
Asset impairments, net of recoveries	**—**	**—**	2	—	**—**	**—**	4	0.01
Statutory corporate income tax rate change	**—**	**—**	—	—	**—**	**—**	3	0.01
Net impairment (impairment reversals) related to Drug retail ancillary assets	**—**	**—**	—	—	**—**	**—**	(3)	(0.01)
Wind-down of PC Financial banking services	**(5)**	**(0.01)**	—	—	**(5)**	**(0.01)**	—	—
Gain on disposition of gas bar operations	**(432)**	**(1.10)**	—	—	**(432)**	**(1.08)**	—	—
Adjusting items	**$ (334)**	**$ (0.85)**	$ 93	$ 0.23	**$ (113)**	**$ (0.28)**	$ 492	$ 1.20
Adjusted	**$ 549**	**$ 1.39**	$ 512	$ 1.26	**$ 1,358**	**$ 3.40**	$ 1,262	$ 3.08

(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 one of its non-GAAP earnings metric. Choice Properties calculates Funds from Operations in accordance with the Real Property Association of Canada's White Paper on Funds from Operations and Adjusted Funds from Operations for IFRS issued in February 2017.

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

For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars)	**2017 (16 weeks)**	2016 (16 weeks)	**2017 (40 weeks)**	2016 (40 weeks)
Net income (loss)	**$ 303**	$ 213	**$ 369**	$ (479)
Add (deduct) impact of the following:				
Fair value adjustments on Class B Limited Partnership units	**(175)**	(124)	**(57)**	637
Fair value adjustments on investment properties	**(78)**	(44)	**(163)**	(7)
Fair value adjustments on unit-based compensation	**(1)**	—	**—**	5
Fair value adjustments of investment property held in equity accounted joint venture	**—**	—	**1**	(14)
Distributions on Class B Limited Partnership units	**58**	57	**173**	163
Amortization of tenant improvement allowances	**1**	—	**1**	—
Internal expenses for leasing	**1**	—	**2**	2
Funds from Operations	**$ 109**	$ 102	**$ 326**	$ 307

SEGMENT INFORMATION

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

Information for each reportable operating segment is included below:

For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars)	**2017 (16 weeks)** Retail	Financial Services	Choice Properties	Consolidation & Eliminations(i)	Total	2016 (16 weeks) Retail	Financial Services	Choice Properties	Consolidation & Eliminations(i)	Total
Revenue(ii)	**$ 13,923**	**$ 240**	**$ 207**	**$ (178)**	**$ 14,192**	$ 13,891	$ 229	$ 196	$ (173)	$ 14,143
Operating income	$ 1,168	$ 57	$ 227	$ (216)	$ 1,236	$ 642	$ 41	$ 185	$ (178)	$ 690
Net interest expense and other financing charges	99	14	(76)	82	119	99	13	(28)	48	132
Earnings before Income Taxes	**$ 1,069**	**$ 43**	**$ 303**	**$ (298)**	**$ 1,117**	$ 543	$ 28	$ 213	$ (226)	$ 558
Operating Income	**$ 1,168**	**$ 57**	**$ 227**	**$ (216)**	**$ 1,236**	$ 642	$ 41	$ 185	$ (178)	$ 690
Depreciation and Amortization	467	2	1	6	476	456	3	1	4	464
Adjusting items(iii)	(315)	(7)	—	—	(322)	153	—	—	—	153
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(161)	—	—	—	(161)	(164)	—	—	—	(164)
Adjusted EBITDA(iii)	$ 1,159	$ 52	$ 228	$ (210)	$ 1,229	$ 1,087	$ 44	$ 186	$ (174)	$ 1,143
Depreciation and Amortization(iv)	306	2	1	6	315	292	3	1	4	300
Adjusted Operating Income	**$ 853**	**$ 50**	**$ 227**	**$ (216)**	**$ 914**	$ 795	$ 41	$ 185	$ (178)	$ 843

(i) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $131 million (2016 – $130 million) of rental revenue and $47 million (2016 – $43 million) of cost recovery recognized by Choice Properties, generated from the Retail segment.
- Adjusted operating income includes the elimination of the $131 million (2016 – $130 million) impact of rental revenue described above; the elimination of a $78 million gain (2016 – $44 million gain) recognized by Choice Properties related to the fair value adjustments on investment properties, which are classified as Fixed Assets or Investment Properties by the Company and measured at cost, the recognition of $6 million (2016 – $4 million) of depreciation expense for certain investment properties recorded by Choice Properties; and the elimination of intercompany charges of $1 million in 2017.
- Net interest expense and other financing charges includes the elimination of $73 million (2016 – $69 million) of interest expense included in Choice Properties related to debt owing to the Company and a fair value gain of $175 million (2016 – gain of $124 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 – $13 million), which excludes distributions paid to the Company and a $33 million fair value gain (2016 – gain of $20 million) on the Company's Trust Unit Liability.

(ii) Included in Financial Services revenue is $100 million (2016 – $97 million) of interest income.

(iii) Certain items are excluded from operating income to derive adjusted EBITDA(2). Adjusted EBITDA(2) is used internally by management when analyzing segment underlying performance.

(iv) Depreciation and amortization for the calculation of adjusted EBITDA(2) excludes $161 million (2016 – $164 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

For the periods ended October 7, 2017 and October 8, 2016 (millions of Canadian dollars)	**2017 (40 weeks)** Retail	Financial Services	Choice Properties	Consolidation & Eliminations(i)	Total	2016 (40 weeks) Retail	Financial Services	Choice Properties	Consolidation & Eliminations(i)	Total
Revenue(ii)	**$ 34,916**	**$ 675**	**$ 619**	**$ (538)**	**$ 35,672**	$ 34,539	$ 650	$ 586	$ (520)	$ 35,255
Operating income	$ 2,192	$ 135	$ 604	$ (577)	$ 2,354	$ 1,510	$ 123	$ 432	$ (422)	$ 1,643
Net interest expense and other financing charges	244	41	235	(113)	407	256	38	911	(680)	525
Earnings before Income Taxes	**$ 1,948**	**$ 94**	**$ 369**	**$ (464)**	**$ 1,947**	$ 1,254	$ 85	$ (479)	$ 258	$ 1,118
Operating Income	**$ 2,192**	**$ 135**	**$ 604**	**$ (577)**	**$ 2,354**	$ 1,510	$ 123	$ 432	$ (422)	$ 1,643
Depreciation and Amortization	1,172	7	1	16	1,196	1,157	9	1	11	1,178
Adjusting items(iii)	(61)	(7)	—	—	(68)	486	—	—	—	486
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(403)	—	—	—	(403)	(411)	—	—	—	(411)
Adjusted EBITDA(iii)	$ 2,900	$ 135	$ 605	$ (561)	$ 3,079	$ 2,742	$ 132	$ 433	$ (411)	$ 2,896
Depreciation and Amortization(iv)	769	7	1	16	793	746	9	1	11	767
Adjusted Operating Income	**$ 2,131**	**$ 128**	**$ 604**	**$ (577)**	**$ 2,286**	$ 1,996	$ 123	$ 432	$ (422)	$ 2,129

(i) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $397 million (2016 – $387 million) of rental revenue and $141 million (2016 – $133 million) of cost recovery recognized by Choice Properties, generated from the Retail segment.
- Adjusted operating income includes the elimination of the $397 million (2016 – $387 million) impact of rental revenue described above; the elimination of a $163 million gain (2016 – $7 million gain) recognized by Choice Properties related to the fair value adjustments on investment properties, which are classified as Fixed Assets or Investment Properties by the Company and measured at cost, the elimination of a $1 million loss (2016 – $14 million gain) recognized by Choice Properties related to the fair value adjustments on investment properties in the joint venture; the recognition of $16 million (2016 – $11 million) of depreciation expense for certain investment properties recorded by Choice Properties; and the elimination of intercompany charges of $2 million (2016 – $3 million).
- Net interest expense and other financing charges includes the elimination of $211 million (2016 – $199 million) of interest expense included in Choice Properties related to debt owing to the Company and a $57 million fair value gain (2016 – loss of $637 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 $39 million (2016 – $36 million), which excludes distributions paid to the Company and a $2 million fair value loss (2016 – loss of $120 million) on the Company's Trust Unit Liability.

(ii) Included in Financial Services revenue is $292 million (2016 – $286 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 $403 million (2016 – $411 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

FORWARD-LOOKING STATEMENTS

This News Release contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this News Release include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including minimum wage increases and further healthcare reform, future liquidity, planned capital investments, and the status and impact of IT systems implementations. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the "Outlook" section of this News Release. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "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 2017 is based on certain assumptions including assumptions about anticipated cost savings, operating efficiencies and continued growth from 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 cyber security 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 Third Quarter Report to Shareholders

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

Investor Relations

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

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on November 15, 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 three hours after the event at (416) 849-0833 or (855) 859-2056, access code: 96466859. 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.