Loblaw
Companies
Limited

ready

Q3

THIRD QUARTER REPORT TO SHAREHOLDERS

40 WEEKS ENDING OCTOBER 6, 2018

2018 Third Quarter Report to Shareholders

Management's Discussion and Analysis 1

Financial Results 45

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements 51

Financial Summary 79

Management's Discussion and Analysis

1.	Forward-Looking Statements	2
2.	Key Financial Performance Indicators	4
3.	Consolidated Results of Operations	5
4.	Reportable Operating Segments Results of Operations	11
	4.1 Retail Segment	11
	4.2 Financial Services Segment	14
	4.3 Choice Properties Segment	16
5.	Liquidity and Capital Resources	18
	5.1 Cash Flows	18
	5.2 Liquidity and Capital Structure	20
	5.3 Components of Total Debt	21
	5.4 Financial Condition	24
	5.5 Credit Ratings	24
	5.6 Share Capital	25
	5.7 Off-Balance Sheet Arrangements	27
6.	Financial Derivative Instruments	27
7.	Results by Quarter	27
8.	Internal Control over Financial Reporting	29
9.	Enterprise Risks and Risk Management	29
10.	Accounting Standards	30
11.	Outlook	36
12.	Non-GAAP Financial Measures	36
13.	Additional Information	44

The following Management's Discussion and Analysis ("MD&A") for Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") should be read in conjunction with the Company's third quarter 2018 unaudited interim period condensed consolidated financial statements and the accompanying notes included in this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 30, 2017 and the related annual MD&A included in the Company's 2017 Annual Report – Financial Review ("2017 Annual Report").

The Company's third quarter 2018 unaudited interim period condensed consolidated financial statements and the accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). These unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars.

Management uses non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying 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. See Section 12 "Non-GAAP Financial Measures" for more information on the Company's non-GAAP financial measures.

A glossary of terms used throughout this Quarterly Report can be found on page 127 of the Company's 2017 Annual Report.

The information in this MD&A is current to November 13, 2018, unless otherwise noted.

On May 4, 2018, Choice Properties Real Estate Investment Trust ("Choice Properties") completed the acquisition of Canadian Real Estate Investment Trust ("CREIT"), as described in Section 4.3 "Other Choice Properties' Business Matters" of this MD&A. The Company's third quarter 2018 results include the impacts of CREIT.

On November 1, 2018, the Company and its parent George Weston Limited ("Weston") completed a reorganization under which the Company distributed its approximate 61.6% effective interest in Choice Properties to Weston on a tax-free basis to the Company and its Canadian shareholders (the "reorganization"), as described in Section 3. "Consolidated Results of Operations" of this MD&A. Following the transaction, the Company no longer retains any equity interest in Choice Properties and will cease to consolidate its interest in Choice Properties from its consolidated financial statements.

1. Forward-Looking Statements

This Quarterly Report, including this MD&A, for the Company 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 Quarterly Report 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 information technology ("IT") systems implementations. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, in Section 4.1 "Retail Segment" Other Retail Business Matters, Section 4.3 "Choice Properties Segment" Other Choice Properties' Business Matters, Section 5 "Liquidity and Capital Resources", Section 10 "Accounting Standards" Future Accounting Standards, Section 11 "Outlook" and Section 12 "Non-GAAP Financial Measures" of this MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2018 is based on certain assumptions including assumptions about anticipated minimum wage increases, healthcare reform impacts, cost savings, operating efficiencies and anticipated benefits from strategic initiatives. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in Section 12 "Enterprise Risks and Risk Management" of the Company's 2017 Annual Report, and the Company's 2017 Annual Information Form ("AIF") (for the year ended December 30, 2017). Such risks and uncertainties include:

- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to effectively manage the Company's loyalty program;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to execute the Company's e-commerce initiative or to adapt its business model to the shifts in the retail landscape caused by digital advances;
- failure to realize benefits from investments in the Company's new IT systems;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business, including increases to minimum wage;
- public health events including those related to food and drug safety;
- failure to realize the anticipated benefits, including revenue growth, anticipated cost savings or operating efficiencies, associated with the Company's investment in major initiatives that support its strategic priorities, including the failure by the Company to realize the anticipated benefits from the Company's spin-out of Choice Properties;
- adverse outcomes of legal and regulatory proceedings and related matters;
- reliance on the performance and retention of third party service providers, including those associated with the Company's supply chain and apparel business, including issues with vendors in both advanced and developing markets;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink; and
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, political uncertainty, tariff disputes, which may include newly imposed surtaxes, interest rates, currency exchange rates or derivative and commodity prices.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities ("securities regulators") from time to time, including, without limitation, the section entitled "Risks" in the Company's 2017 AIF (for the year ended December 30, 2017). Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. 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.

2. Key Financial Performance Indicators[(1)]

The Company has identified key financial performance indicators to measure the progress of short and long term objectives. Certain key financial performance indicators are set out below:

As at or for the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	2018 (16 weeks)	2017[(4)(5)] (16 weeks)
Consolidated		
Revenue growth	**1.8%**	0.3%
Operating income	**$ 797**	$ 1,236
Adjusted EBITDA[(2)]	**1,321**	1,229
Adjusted EBITDA margin[(2)]	**9.1%**	8.7%
Net earnings	**$ 117**	$ 894
Net earnings attributable to shareholders of the Company	**109**	886
Net earnings available to common shareholders of the Company	**106**	883
Adjusted net earnings available to common shareholders of the Company[(2)]	**562**	549
Diluted net earnings per common share ($)	**$ 0.28**	$ 2.24
Adjusted diluted net earnings per common share[(2)] ($)	**$ 1.49**	$ 1.39
Cash and cash equivalents and short term investments	**$ 1,426**	$ 1,841
Cash flows from operating activities	**1,162**	872
Free cash flow[(2)]	**318**	340
Financial Measures		
Retail debt to rolling year retail adjusted EBITDA[(2)]	**1.5x**	1.7x
Rolling year adjusted return on equity[(2)]	**14.0%**	13.6%
Rolling year adjusted return on capital[(2)]	**9.3%**	9.5%
Retail Segment		
Food retail same-store sales growth	**0.9%**	1.4%
Drug retail same-store sales growth	**2.5%**	3.3%
Operating income	**$ 703**	$ 1,168
Adjusted gross profit[(2)]	**4,099**	3,944
Adjusted gross profit %[(2)]	**29.1%**	28.2%
Adjusted EBITDA[(2)]	**$ 1,189**	$ 1,159
Adjusted EBITDA margin[(2)]	**8.4%**	8.3%
Financial Services Segment		
Earnings before income taxes	**$ 22**	$ 43
Annualized yield on average quarterly gross credit card receivables	**13.1%**	13.3%
Annualized credit loss rate on average quarterly gross credit card receivables	**3.2%**	3.8%
Choice Properties Segment		
Net income	**$ 62**	$ 303
Funds from operations[(2)]	**170**	109

3. Consolidated Results of Operations

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (16 weeks)**	2017[4] (16 weeks)	$ Change	% Change	**2018 (40 weeks)**	2017[4] (40 weeks)	$ Change	% Change
Revenue	**$ 14,453**	$ 14,192	$ 261	1.8 %	**$ 35,743**	$ 35,676	$ 67	0.2 %
Operating income	**797**	1,236	(439)	(35.5)%	**1,838**	2,358	(520)	(22.1)%
Adjusted EBITDA[2]	**1,321**	1,229	92	7.5 %	**3,224**	3,083	141	4.6 %
Adjusted EBITDA margin[2]	**9.1%**	8.7%			**9.0%**	8.6%		
Depreciation and amortization	**$ 486**	$ 476	$ 10	2.1 %	**$ 1,227**	$ 1,196	$ 31	2.6 %
Net interest expense and other financing charges	**339**	119	220	184.9 %	**722**	407	315	77.4 %
Adjusted net interest expense and other financing charges[2]	**225**	152	73	48.0 %	**540**	405	135	33.3 %
Income taxes	**341**	223	118	52.9 %	**559**	458	101	22.1 %
Adjusted income taxes[2]	**198**	202	(4)	(2.0)%	**490**	505	(15)	(3.0)%
Adjusted income tax rate[2]	**25.7%**	26.5%			**26.4%**	26.8%		
Net earnings attributable to shareholders of the Company	**$ 109**	$ 886	$ (777)	(87.7)%	**$ 542**	$ 1,483	$ (941)	(63.5)%
Net earnings available to common shareholders of the Company[i]	**106**	883	(777)	(88.0)%	**533**	1,474	(941)	(63.8)%
Adjusted net earnings available to common shareholders of the Company[2]	**562**	549	13	2.4 %	**1,344**	1,361	(17)	(1.2)%
Diluted net earnings per common share ($)	**$ 0.28**	$ 2.24	$ (1.96)	(87.5)%	**$ 1.40**	$ 3.69	$ (2.29)	(62.1)%
Adjusted diluted net earnings per common share[2] ($)	**$ 1.49**	$ 1.39	$ 0.10	7.2 %	**$ 3.54**	$ 3.41	$ 0.13	3.8 %
Diluted weighted average common shares outstanding (millions)	**376.3**	395.0			**380.0**	399.2		

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

The Company's year-over-year financial performance will be negatively impacted by minimum wage increases and incremental healthcare reform. The disposition of the Company's gas bar operations, in the third quarter of 2017, had a negative year-over-year impact on financial performance.

Choice Properties completed the acquisition of CREIT in the second quarter of 2018. In the third quarter of 2018, the acquisition resulted in increases in revenue of $101 million, adjusted EBITDA[2] of approximately $73 million, adjusted net interest expense and other financing charges[2] of $68 million and adjusted net earnings available to common shareholders of the Company[2] of $3 million. Year-to-date, the acquisition resulted in increases in revenue of $170 million, adjusted EBITDA[2] of approximately $121 million, adjusted net interest expense and other financing charges[2] of $118 million and adjusted net earnings available to common shareholders of the Company[2] of $2 million. The acquisition had a nominal impact on adjusted net earnings per common share[2] in the third quarter of 2018 and year-to-date.

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

- the improvement in underlying operating performance of $13 million ($0.03 per common share) was primarily due to the following:
  - Retail segment (excluding the impact of the consolidation of franchises) driven by an increase in adjusted gross profit[2], partially offset by an increase in selling, general and administrative expenses ("SG&A") and depreciation and amortization and the unfavourable impact of the disposition of gas bar operations of approximately $4 million; and
  - a decrease in the adjusted income tax rate[2] attributable to the Company's proportionate interest in Choice Properties, which declined as a result of the acquisition of CREIT.
- the unfavourable year-over-year net impact of adjusting items totaling $790 million ($2.06 per common share) was primarily due to the following:
  - the prior year gain on the disposition of gas bars operations of $432 million ($1.10 per common share);
  - the charge related to Glenhuron Bank Limited ("Glenhuron") of $367 million ($0.98 per common share); and
  - the unfavourable change in fair value adjustment to investment properties of $29 million ($0.08 per common share);

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

Adjusted net earnings available to common shareholders of the Company[2] in the third quarter of 2018 were $562 million ($1.49 per common share), an increase of $13 million ($0.10 per common share), compared to the third quarter of 2017. Normalized for the disposition of gas bar operations, adjusted net earnings available to common shareholders of the Company[2] increased by approximately $17 million, as described above. Adjusted diluted net earnings per common share[2] also included the favourable impact of the repurchase of common shares over the last 12 months ($0.07 per common share). Normalized for the disposition of gas bar operations, adjusted diluted net earnings per common share[2] increased by approximately 8.0%.

Year-to-date net earnings available to common shareholders of the Company were $533 million ($1.40 per common share), a decrease of $941 million ($2.29 per common share) compared to the same period in 2017. The decrease in net earnings available to common shareholders of the Company included an improvement in underlying operating performance of $9 million, excluding the unfavourable impact of the disposition of gas bar operations of approximately $26 million, and the unfavourable year-over-year net impact of adjusting items totaling $924 million, as described below:

- the decline in underlying operating performance of $17 million ($0.04 per common share) was primarily due to the following:
  - the Retail segment (excluding the impact of the consolidation of franchises), driven by an increase in SG&A and depreciation and amortization, and the unfavourable impact of the disposition of gas bar operations of approximately $26 million partially offset by an increase in adjusted gross profit[2]; and
  - an increase in adjusted net interest expense and other financing charges[2], excluding the acquisition of CREIT, due to higher interest expense in the Choice Properties segment net of Consolidation and Eliminations and in the Financial Services segment;

  partially offset by,
  - the Financial Services segment, primarily due to the growth of the credit card portfolio;
  - the Choice Properties segment, excluding the acquisition of CREIT, was driven by the expansion of the property portfolio through acquisitions and completed development projects, as well as an increase in net operating income from existing properties; and
  - a decrease in the adjusted income tax rate[2] attributable to the Company's proportionate interest in Choice Properties, which declined as a result of the acquisition of CREIT.

- the unfavourable year-over-year net impact of adjusting items totaling $924 million ($2.42 per common share) was primarily due to the following:
  - the prior year gain on the disposition of gas bars operations of $432 million ($1.08 per common share);
  - the charge related to Glenhuron of $367 million ($0.97 per common share);
  - acquisition and other costs related to Choice Properties' acquisition of CREIT of $118 million ($0.31 per common share); and
  - the unfavourable change in fair value adjustment to investment properties of $37 million ($0.10 per common share);

  partially offset by,
  - the favourable change in fair value adjustment on fuel and foreign currency contracts of $26 million ($0.07 per common share).
- the decrease in diluted net earnings per common share also included the favourable impact of the repurchase of common shares ($0.17 per common share).

Year-to-date adjusted net earnings available to common shareholders of the Company[2] were $1,344 million ($3.54 per common share), a decrease of $17 million (increase of $0.13 per common share) compared to the same period in 2017. Normalized for the disposition of gas bar operations, adjusted net earnings available to common shareholders of the Company[2] increased by approximately $9 million, as described above. Adjusted diluted net earnings per common share[2] also included the favourable impact of the repurchase of common shares ($0.17 per common share). Normalized for the disposition of gas bar operations, adjusted diluted net earnings per common share[2] increased by approximately 5.7%.

Revenue

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (16 weeks)**	2017[4][5] (16 weeks)	$ Change	% Change	**2018 (40 weeks)**	2017[4][5] (40 weeks)	$ Change	% Change
Retail	**$ 14,105**	$ 13,993	$ 112	0.8%	**$ 34,860**	$ 35,072	$ (212)	(0.6)%
Financial Services	**274**	240	34	14.2%	**746**	679	67	9.9 %
Choice Properties	**315**	207	108	52.2%	**825**	619	206	33.3 %
Consolidation and Eliminations	**(241)**	(248)	7		**(688)**	(694)	6	
Revenue	**$ 14,453**	$ 14,192	$ 261	1.8%	**$ 35,743**	$ 35,676	$ 67	0.2 %

Revenue was $14,453 million in the third quarter of 2018, an increase of $261 million, or 1.8%, compared to the third quarter of 2017, primarily driven by an increase in the Choice Properties segment net of Consolidation and Eliminations due to the acquisition of CREIT and an increase in Retail segment sales of $112 million. Excluding the consolidation of franchises, Retail segment sales increased by $9 million, or 0.1%. The increase was primarily due to positive same-store sales growth, partially offset by the impact of the disposition of gas bar operations of $123 million. The increase also included revenue growth in the Financial Services segment driven by an increase in interest and interchange income attributable to the growth in the credit card portfolio.

Year-to-date revenue was $35,743 million in 2018, an increase of $67 million, or 0.2%, compared to the same period in 2017, primarily driven by an increase in Choice Properties segment net of Consolidation and Eliminations due to acquisition of CREIT and an increase in Financial Services segment driven by higher year-over-year interchange income, partially offset by a decrease in Retail segment sales of $212 million. Excluding the consolidation of franchises, Retail segment sales decreased by $472 million, or 1.4%. The decrease was primarily due to the impact of the disposition of gas bar operations of $843 million, partially offset by positive same-store sales growth and a net increase in Retail square footage.

Operating Income Operating income was $797 million in the third quarter of 2018, a decrease of $439 million compared to the third quarter of 2017. The decrease in operating income included an improvement in underlying operating performance of $82 million and the unfavourable year-over-year net impact of adjusting items totaling $521 million, as described below:

- improvements in underlying operating performance of $82 million were primarily due to the Choice Properties segment net of Consolidation and Eliminations, driven by the acquisition of CREIT, and the Retail segment, including the unfavourable impact of the disposition of gas bar operations, partially offset by the Financial Services segment. The Retail segment's year-over-year third quarter performance included the unfavourable contribution from the consolidation of franchises of $1 million; and
- the unfavourable year-over-year net impact of adjusting items totaling $521 million was primarily due to the following:
  - the prior year gain on the disposition of gas bars operations of $501 million; and
  - the unfavourable change in fair value adjustment to investment properties of $34 million;

  partially offset by,
  - the favourable change in fair value adjustment on fuel and foreign currency contracts of $20 million.

Year-to-date operating income was $1,838 million in 2018, a decrease of $520 million compared to the same period in 2017. The decrease in operating income included an improvement in underlying operating performance of $108 million and the unfavourable year-over-year net impact of adjusting items totaling $628 million, as described below:

- improvements in underlying operating performance of $108 million were primarily due to the Choice Properties segment net of Consolidation and Eliminations, driven by the acquisition of CREIT, and the Financial Services segment partially offset by the Retail segment, including the unfavourable impact of the disposition of gas bar operations. The Retail segment's year-over-year performance included the favourable contribution from the consolidation of franchises of $6 million; and
- the unfavourable year-over-year net impact of adjusting items totaling $628 million was primarily due to the following:
  - the prior year gain on the disposition of gas bars operations of $501 million;
  - acquisition and other costs related to Choice Properties' acquisition of CREIT of $130 million;
  - the unfavourable change in fair value adjustment to investment properties of $44 million; and

  partially offset by,
  - the favourable change in fair value adjustment on fuel and foreign currency contracts of $36 million.

Adjusted EBITDA[2]

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (16 weeks)**	2017[4][5] (16 weeks)	$ Change	% Change	**2018 (40 weeks)**	2017[4][5] (40 weeks)	$ Change	% Change
Retail	**$ 1,189**	$ 1,159	$ 30	2.6 %	**$ 2,892**	$ 2,900	$ (8)	(0.3)%
Financial Services	**43**	52	(9)	(17.3)%	**156**	139	17	12.2 %
Choice Properties	**223**	228	(5)	(2.2)%	**564**	605	(41)	(6.8)%
Consolidation and Eliminations	**(134)**	(210)	76		**(388)**	(561)	173	
Adjusted EBITDA[2]	**$ 1,321**	$ 1,229	$ 92	7.5 %	**$ 3,224**	$ 3,083	$ 141	4.6 %

Adjusted EBITDA[2] was $1,321 million in the third quarter of 2018, an increase of $92 million compared to the third quarter of 2017. The increase in adjusted EBITDA[2] in the third quarter of 2018 was primarily due to the Choice Properties segment net of Consolidation and Eliminations, driven by the acquisition of CREIT, and the Retail segment, which included the unfavourable impact of the disposition of gas bar operations of $5 million and the favourable contribution from the consolidation of franchises of $5 million. The increase was partially offset by the Financial Services segment.

Year-to-date adjusted EBITDA[2] was $3,224 million in 2018, an increase of $141 million compared to the same period in 2017. The year-to-date increase in adjusted EBITDA[2] was primarily due to the Choice Properties segment net of Consolidation and Eliminations, driven by the acquisition of CREIT, and the Financial Services segment. The increase was partially offset by the Retail segment which included the unfavourable impact of the disposition of gas bar operations of $45 million and the favourable contribution from the consolidation of franchises of $18 million.

Depreciation and Amortization Depreciation and amortization was $486 million in the third quarter of 2018, an increase of $10 million compared to the third quarter of 2017. Year-to-date depreciation and amortization was $1,227 million in 2018, an increase of $31 million compared to the same period in 2017. The increase in depreciation and amortization in the third quarter of 2018 and year-to-date was primarily driven by the consolidation of franchises and an increase in IT assets. Included in depreciation and amortization in the third quarter of 2018 and year-to-date was the amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") of $161 million (2017 – $161 million) and $401 million (2017 – $403 million), respectively.

Net Interest Expense and Other Financing Charges

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

Net interest expense and other financing charges were $339 million in the third quarter of 2018, an increase of $220 million compared to the third quarter of 2017. The increase in net interest and other financing charges for the third quarter of 2018 was primarily due to the charge related to Glenhuron of $176 million and higher interest expense in the Choice Properties segment, partially offset by the favourable change in the fair value adjustment to the Trust Unit Liability of $29 million.

Adjusted net interest expense and other financing charges[(2)] were $225 million in the third quarter of 2018, an increase of $73 million compared to the third quarter of 2017 driven by higher interest expense in the Choice Properties segment as a result of the issuance of new senior unsecured debentures, debt assumed on the acquisition of CREIT, higher distributions from newly issued Trust units to former CREIT unitholders as part of the acquisition consideration, partially offset by the repayment of Series A senior unsecured debentures and interest income on the joint ventures assumed on the acquisition of CREIT.

Year-to-date net interest expense and other financing charges were $722 million in 2018, an increase of $315 million compared to the same period in 2017. The year-to-date increase in net interest and other financing charges was primarily due to the charge related to Glenhuron of $176 million, higher interest expense in the Choice Properties segment and the unfavourable change in the fair value adjustment to the Trust Unit Liability of $4 million.

Year-to-date adjusted net interest expense and other financing charges[(2)] were $540 million in 2018, an increase of $135 million compared to the same period in 2017 driven by higher interest expense in the Choice Properties segment net of Consolidation and Eliminations, as discussed above, and higher interest expense in the Financial Services segment due to an increase in borrowings related to credit receivables.

Income Taxes

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018** **(16 weeks)**	2017[4] (16 weeks)	**2018** **(40 weeks)**	2017[4] (40 weeks)
Income taxes	**$ 341**	$ 223	**$ 559**	$ 458
Add impact of the following:				
Tax impact of items included in adjusted earnings before taxes	**48**	(21)	**122**	47
Charge related to Glenhuron	**(191)**	—	**(191)**	—
Adjusted income taxes[2]	**$ 198**	$ 202	**$ 490**	$ 505
Effective tax rate	**74.5%**	20.0%	**50.1%**	23.5%
Adjusted income tax rate[2]	**25.7%**	26.5%	**26.4%**	26.8%

The effective tax rate in the third quarter of 2018 was 74.5% compared to 20.0% in the third quarter of 2017. The year-to-date effective tax rate in 2018 was 50.1% compared to 23.5% for the same period in 2017. The increase in the effective tax rate in the third quarter of 2018 and year-to-date was primarily attributable to a charge of $191 million related to Glenhuron, as described in "Other Business Matters" below, as well as the impact of other non-deductible items.

The adjusted income tax rate[2] in the third quarter of 2018 was 25.7% compared to 26.5% in the third quarter of 2017. The year-to-date adjusted income tax rate[2] in 2018 was 26.4% compared to 26.8% for the same period 2017. The decrease in the adjusted income tax rate[2] in the third quarter of 2018 and year-to-date was primarily attributable to the Company's proportionate interest in Choice Properties, which declined as a result of the acquisition of CREIT.

Other Business Matters

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

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

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

Spin-out of Choice Properties On November 1, 2018, the Company and its parent Weston completed a reorganization under which the Company distributed its approximate 61.6% effective interest in Choice Properties to Weston on a tax-free basis to the Company and its Canadian shareholders. In connection with the reorganization, the common shareholders of the Company, other than Weston and its subsidiaries, received 0.135 of a common share of Weston for each common share of the Company held, which was equivalent to the market value of their pro rata interest in Choice Properties as at the announcement date of the spin-out, and Weston received the Company's approximate 61.6% effective interest in Choice Properties.

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

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

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

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

4. Reportable Operating Segments Results of Operations

As at the end of the third quarter of 2018, the Company has three reportable operating segments with all material operations carried out in Canada:

- The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, which includes in-store pharmacies and other health and beauty products, apparel and other general merchandise, and provides the *PC Optimum* program. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base. Prior to July 17, 2017, the Retail segment also included gas bar operations.
- The Financial Services segment provides credit card services, the *PC Optimum* program, insurance brokerage services, Guaranteed Investment Certificates ("GICs") and telecommunication services. As a result of the wind-down of *PC Financial* banking services, the Financial Services segment no longer offers personal banking services.
- Choice Properties owns, manages and develops a high-quality portfolio of commercial retail, industrial, office and residential properties across Canada. The Choice Properties segment information presented below reflects the accounting policies of Choice Properties, which may differ from those of the consolidated Company. Differences in policies are eliminated in Consolidation and Eliminations. As of May 4, 2018, the Choice Properties segment includes the acquisition of CREIT.

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

4.1 Retail Segment

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

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

Sales, operating income, adjusted gross profit[2], adjusted gross profit percentage[2], adjusted EBITDA[2], adjusted EBITDA margin[2] and depreciation and amortization include the impacts of the consolidation of franchises and disposition of gas bar operations.

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

- Food retail same-store sales growth was 0.9% (2017 – 1.4%) for the quarter. Gas bar operations had no impact on same-store sales in the third quarter of 2018 and 2017.
    - Sales growth in food was modest;
    - Sales in pharmacy declined significantly; and
    - The Company's Food retail average quarterly internal food price index declined and was marginally lower than (2017 – marginally higher than) the average quarterly national food price inflation of 0.3% (2017 – inflation of 0.3%), as measured by The Consumer Price Index for Food Purchased from stores ("CPI"). CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in the Company's stores.
- Drug retail same-store sales growth was 2.5% (2017 – 3.3%) and was comprised of pharmacy same-store sales growth of 0.5% (2017 – 3.9%) and front store same-store sales growth of 4.3% (2017 – 2.8%).
    - Pharmacy same-store sales growth was 0.5% (2017 – 3.9%). The number of prescriptions dispensed increased by 3.3% (2017 – increased by 4.9%). On a same-store basis, the number of prescriptions dispensed increased by 3.2% (2017 – increased by 4.3%) and year-over-year, the average prescription value decreased by 3.0% (2017 – decreased by 0.6%).
- 12 food and drug stores were opened and 24 food and drug stores were closed in the last 12 months with Retail square footage remaining flat;

partially offset by,

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

On a year-to-date basis, retail sales were $34,860 million, a decrease of $212 million, or 0.6%, compared to the same period in 2017. Year-to-date Food retail sales of $25,219 million were lower by $446 million, or 1.7%. The decrease was primarily due to the impact of the disposition of gas bar operations of $843 million. Drug retail sales of $9,641 million were higher by $234 million, or 2.5%. Year-to-date Food retail same-store sales growth was 1.1% (2017 – 0.2%), after excluding gas bar operations. Including gas bar operations, same-store sales growth was 1.1% (2017 – 0.6%). Year-to-date Drug retail same-store sales growth was 2.6% (2017 – 2.7%), with pharmacy same-store sales growth of 1.3% (2017 – 2.8%) and front store same-store sales growth of 3.8% (2017 – 2.7%).

The redemption of Loblaw Cards resulted in the delivery of approximately $17 million of free products to customers in the third quarter of 2018 and $70 million year-to-date, which was provided for in the fourth quarter of 2017. The redemptions did not benefit sales or the Company's financial performance and Management does not believe it had a significant impact on Food retail same-store sales.

Operating Income Operating income in the third quarter of 2018 was $703 million, a decrease of $465 million compared to the third quarter of 2017. The decrease in operating income included an improvement in underlying operating performance of $18 million and the unfavourable year-over-year net impact of adjusting items totaling $483 million, as described below:

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

Year-to-date operating income was $1,670 million, a decrease of $522 million compared to the same period in 2017. The decrease in operating income was driven by a decline in underlying operating performance of $41 million and the unfavourable year-over-year net impact of adjusting items totaling $481 million, as described below:

- the decline in underlying operating performance of $41 million, including the unfavourable impact of the disposition of gas bar operations, was driven by an increase in SG&A and depreciation and amortization, partially offset by an increase in adjusted gross profit[2]. The decline in underlying operating performance also included the favourable contribution from the consolidation of franchises of $6 million; and
- the unfavourable year-over-year net impact of adjusting items totaling $481 million was primarily due to the following:
  - the prior year gain on the disposition of gas bars operations of $501 million; and
  - the unfavourable impact of healthcare reform on inventory balances of $19 million;

  partially offset by,
  - the favourable change in fair value adjustment on fuel and foreign currency contracts of $36 million; and
  - the favourable year-over-year impact of pension annuities and buy-outs in the prior year of $11 million.

Adjusted Gross Profit[2] Adjusted gross profit[2] in the third quarter of 2018 was $4,099 million, an increase of $155 million compared to the third quarter of 2017. Adjusted gross profit percentage[2] of 29.1% increased by 90 basis points compared to the third quarter of 2017. Excluding the consolidation of franchises, adjusted gross profit[2] increased by $46 million. Adjusted gross profit percentage[2], excluding the consolidation of franchises, was 27.3%, an increase of 30 basis points compared to the third quarter of 2017. The increase in adjusted gross profit percentage[2] was primarily due to the favourable impact from the disposition of gas bar operations of approximately 20 basis points. Margins were positively impacted by Food retail and negatively impacted by healthcare reform.

Year-to-date adjusted gross profit[2] was $10,205 million, an increase of $324 million compared to the same period of 2017. Adjusted gross profit percentage[2] of 29.3% increased by 110 basis points compared to 2017. Excluding the consolidation of franchises, adjusted gross profit[2] increased by $69 million. Adjusted gross profit percentage[2], excluding the consolidation of franchises, was 27.6%, an increase of 50 basis points compared to the same period of 2017. The increase in adjusted gross profit percentage[2] was mainly due to the favourable impact from the disposition of gas bar operations of approximately 50 basis points. Margins were positively impacted by Food retail and negatively impacted by healthcare reform.

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

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

partially offset by,

- cost saving initiatives.

Year-to-date adjusted EBITDA[2] was $2,892 million, a decrease of $8 million, compared to the same period of 2017 and included the favourable impact of the consolidation of franchises of $18 million as well as the unfavourable impact of the disposition of gas bar operations of approximately $45 million. The decrease in adjusted EBITDA[2] of $8 million was driven by an increase in SG&A of $332 million, partially offset by an increase in adjusted gross profit[2]. SG&A as a percentage of sales was 21.0%, an increase of 110 basis points compared to 2017. Excluding the consolidation of franchises, SG&A increased $95 million. SG&A as a percentage of sales, excluding the consolidation of franchises, was 19.3%, an unfavourable increase of 50 basis points compared to 2017 primarily driven by:

- the unfavourable impact from the disposition of gas bar operations of approximately 40 basis points;
- higher store costs driven by minimum wage increases and the launch of *PC Optimum*; and
- the unfavourable year-over-year impact of foreign exchange;

partially offset by,

- cost saving initiatives.

Depreciation and Amortization Depreciation and amortization in the third quarter of 2018 was $479 million, an increase of $12 million compared to the third quarter of 2017. Year-to-date depreciation and amortization was $1,203 million, an increase of $31 million compared to the same period of 2017. The increase in depreciation and amortization in the third quarter of 2018 and year-to-date was primarily driven by the consolidation of franchises and an increase in IT assets. Included in depreciation and amortization in the third quarter of 2018 and year-to-date was the amortization of intangible assets related to the acquisition of Shoppers Drug Mart of $161 million (2017 – $161 million) and $401 million (2017 – $403 million), respectively.

Other Retail Business Matters

Consolidation of Franchises The Company has more than 500 franchise food retail stores in its network. As at the end of the third quarter of 2018, 379 of these stores were consolidated for accounting purposes under a new, simplified franchise agreement ("Franchise Agreement") implemented in 2015.

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

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

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

The Company expects(3) that the estimated annual impact in 2018 of new and current consolidated franchises will be revenue of approximately $1,000 million, adjusted EBITDA(2) of approximately $100 million, depreciation and amortization of approximately $60 million and net earnings attributable to non-controlling interests of approximately $30 million.

4.2 Financial Services Segment

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

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

Revenue Revenue in the third quarter of 2018 was $274 million, an increase of $34 million compared to the third quarter of 2017. Year-to-date revenue was $746 million, an increase of $67 million compared to the same period in 2017. The increase in revenue in the third quarter of 2018 and year-to-date was primarily driven by:

- higher interest and net interchange income attributable to the growth in the credit card portfolio; and
- higher sales attributable to *The Mobile Shop.*

partially offset by,

- lower revenue from personal banking services attributable to the discontinuation of the services offered under the *PC Financial* brand. Normal operating income from the same personal banking services ended in April 2018.

The increase in year-to-date revenue was also driven by higher year-over-year interchange income due to an industry-wide reduction in interchange rates imposed on MasterCard International Incorporated® ("MasterCard®") issuers affecting the first half of 2017.

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

- increased provision for credit losses as a result of the application of the expected credit loss ("ECL") model under IFRS 9, "Financial Instruments" ("IFRS 9"), as set out in Section 10 "Accounting Standards";
- higher operating costs including costs due to investments in digital strategy;
- prior year income of $7 million, net of certain costs incurred, relating to President's Choice Bank's ("PC Bank's") agreement to end its business relationship with a major Canadian chartered bank, which provided the personal banking services offered under the *PC Financial* brand; and
- lower core banking income attributable to the discontinuation of the services offered under the *PC Financial* brand. Normal operating income from the same personal banking services ended in April 2018;

partially offset by,

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

Year-to-date earnings before income taxes was $119 million, an increase of $21 million, compared to the same period in 2017. The increase in earnings before income taxes in the third quarter of 2018 and year-to-date was primarily driven by:

- higher interest and net interchange income attributable to the growth in the credit card portfolio;
- recognition of income of $20 million, net of certain costs incurred, relating to PC Bank's agreement to end its business relationship with a major Canadian chartered bank, as discussed above; and
- certain year-to-date one-time gains including the sale of charged-off credit card receivables in the first quarter of 2018 and higher year-over-year interchange income due to an industry-wide reduction in interchange rates imposed on MasterCard® issuers affecting the first half of 2017;

partially offset by,

- higher customer acquisition costs;
- higher operating costs including costs due to investments in digital strategy;
- increased provision for credit losses as a result of the application of the ECL model under IFRS 9; and
- lower core banking income attributable to the discontinuation of the services offered under the *PC Financial* brand.

Credit Card Receivables As at October 6, 2018, credit card receivables were $3,102 million, an increase of $184 million compared to October 7, 2017. This increase was primarily driven by growth in the average customer balance and active customer base as a result of continued investments in customer acquisition, marketing and product initiatives, partially offset by an increase in allowances due to the adoption of IFRS 9. As at October 6, 2018, the allowance for credit card receivables was $163 million, an increase of $117 million compared to October 7, 2017, primarily due to the adoption of IFRS 9 as set out in Section 10 "Accounting Standards".

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 *PC Financial* brand. As a result of this agreement, PC Bank received a payment of approximately $44 million, net of certain costs incurred, $20 million of which was recognized in the first half of 2018 and $24 million which was recognized in 2017.

PC Bank will continue to operate the *PC* MasterCard® program and customers will earn *PC Optimum* points. PC Bank remains committed to providing payment products to its customers and continues to strengthen its credit card services and loyalty program.

4.3 Choice Properties Segment

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

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

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

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

Revenue Revenue in the third quarter of 2018 was $315 million, an increase of $108 million compared to the third quarter of 2017 and included $181 million (2017 – $178 million) generated from tenants within the Retail segment. Year-to-date revenue was $825 million, an increase of $206 million compared to the same period in 2017 and included $557 million (2017 – $538 million) generated from tenants within the Retail segment. The increase in revenue in the third quarter of 2018 and year-to-date was primarily driven by:

- additional revenue generated from the investment properties included in the CREIT acquisition of $105 million for the quarter and $175 million year-to-date;
- additional revenue generated from tenant openings in newly developed leasable space;
- revenue generated from other properties acquired in 2017 and 2018; and
- an increase in base rent and operating cost recoveries from existing properties.

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $117 million, an increase of $193 million compared to the third quarter of 2017, primarily driven by:

- higher interest expense resulting from the issuance of new debt related to the acquisition of CREIT, including senior unsecured debentures, term loans and draws on the syndicated credit facility and interest expense on the debt assumed on the acquisition of CREIT;
- an increase in interest expense due to higher distributions on Class B Limited Partnership units; and
- the unfavourable change in the fair value adjustment on Class B Limited Partnership units of $160 million.

Year-to-date net interest expense and other financing charges in the third quarter of 2018 were $23 million, a decrease of $212 million compared to the same period in 2017, primarily driven by:

- the favourable change in the fair value adjustment on Class B Limited Partnership units of $322 million;

partially offset by,

- higher interest expense as a result of the acquisition of CREIT, as described above;
- a one-time charge for the accelerated amortization of the debt discount related to the conversion of Class C LP Units; and
- an increase in interest expense due to higher distributions on Class B Limited Partnership units.

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

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

partially offset by,

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

Year-to-date net income was $368 million, a decrease of $1 million compared to the same period in 2017 driven by:

- the unfavourable change in fair value adjustment to investment properties of $233 million;
- acquisition and other costs related to the acquisition of CREIT of $130 million; and
- the increase in net interest expense and other financing charges;

partially offset by,

- an increase in net operating income from investment properties acquired as part of the acquisition of CREIT;
- 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 2018 were $170 million, an increase of $61 million compared to the third quarter of 2017, primarily driven by additional property operating income attributable to the acquired portfolio, partially offset by higher interest expense due to the acquisition of CREIT.

Year-to-date Funds from operations[(2)] were $432 million, an increase of $106 million compared to the same period in 2017 primarily driven by additional property operating income attributable to the acquired portfolio, partially offset by higher interest expense due to the acquisition of CREIT.

Other Choice Properties' Business Matters

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

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

The cash portion of the acquisition and other transactions in relation to CREIT was financed as follows:

- $1,300 million of proceeds from the issuance of senior unsecured debentures Series K and L; and
- $800 million was obtained through two unsecured term loan facilities, of which $175 million is due in four years and $625 million is due in five years.

Also, concurrent with the closing of the acquisition, the Company, Choice Properties' controlling unitholder, converted all of its outstanding Class C LP Units with the face value of $925 million into Class B LP Units of Choice Properties Limited Partnership. Choice Properties issued to the Company 70,881,226 Class B LP Units upon the conversion and the shortfall in value of approximately $99 million was paid in cash. In connection with this conversion, the Company recognized capital gains income tax expense of $8 million in contributed surplus.

The preliminary purchase equation is based on management's best estimate of fair value. The actual amount allocated to certain identifiable net assets could vary as the purchase equation is finalized. The preliminary purchase price allocation at the acquisition date is as follows:

(millions of Canadian dollars)		
Net Assets Acquired:		
Cash and cash equivalents	$	28
Accounts receivable and other assets		45
Mortgages, loans and notes receivable		204
Equity accounted joint ventures		683
Investment properties		4,730
Intangible assets		30
Goodwill		355
Trade payables and other liabilities		(171)
Long term debt		(1,841)
Deferred income tax liabilities		(355)
Total Net Assets Acquired	$	3,708

Choice Properties has one year to finalize the fair value of the assets acquired and the liabilities assumed and does not expect significant changes from the amounts presented above.

The goodwill is generated on consolidation of Choice Properties and is attributable to deferred income tax recorded on temporary differences arising between the fair value of the investment properties acquired and their respective income tax bases for the Company's effective ownership interest in Choice Properties. The goodwill arising from this acquisition is not deductible for tax purposes. Management has preliminarily allocated this goodwill to the Retail segment.

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

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

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

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

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

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

5. Liquidity and Capital Resources

5.1 Cash Flows

Major Cash Flow Components

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (16 weeks)**	2017 (16 weeks)	$ Change	% Change	**2018 (40 weeks)**	2017[(4)] (40 weeks)	$ Change	% Change
Cash and cash equivalents, beginning of period	**$ 1,187**	$ 1,276	$ (89)	(7.0)%	**$ 1,798**	$ 1,314	$ 484	36.8 %
Cash flows from (used in):								
Operating activities	**1,162**	872	290	33.3 %	**2,187**	2,123	64	3.0 %
Investing activities	**(536)**	283	(819)	(289.4)%	**(2,500)**	(286)	(2,214)	(774.1)%
Financing activities	**(501)**	(915)	414	45.2 %	**(169)**	(1,635)	1,466	89.7 %
Effect of foreign currency exchange rate changes on cash and cash equivalents	**2**	(6)	8	133.3 %	**(2)**	(6)	4	66.7 %
Cash and cash equivalents, end of period	**$ 1,314**	$ 1,510	$ (196)	(13.0)%	**$ 1,314**	$ 1,510	$ (196)	(13.0)%

Cash Flows from Operating Activities Cash flows from operating activities in the third quarter of 2018 were $1,162 million, an increase of $290 million compared to the third quarter of 2017. The increase was primarily due to an increase in cash earnings and a decrease in income taxes paid.

Year-to-date cash flows from operating activities were $2,187 million in 2018, an increase of $64 million compared to the same period in 2017. The increase was primarily due to an increase in cash earnings and a decrease in income taxes paid, partially offset by an unfavourable change in non-cash working capital and a decrease in provision balances.

Cash Flows used in Investing Activities Cash flows used in investing activities in the third quarter 2018 were $536 million, an increase of $819 million compared to the third quarter 2017. The increase was primarily due to proceeds received in the third quarter of 2017 from the disposal of gas bar operations and increase in security deposits, which relate to funds held by PC Bank to repay the Eagle notes, partially offset by a decline in short term investments.

Year-to-date cash flows used in investing activities were $2,500 million, an increase of $2,214 million compared to the same period in 2017. The increase was primarily driven by the acquisition of CREIT, proceeds received in the third quarter of 2017 from disposal of gas bar operations and an increase in security deposits, which relate to funds held by PC Bank to repay the Eagle notes, partially offset by a decline in short term investments.

Capital Investments and Store Activity

As at or for periods ended October 6, 2018 and October 7, 2017	**2018 (40 weeks)**	2017 (40 weeks)	% Change
Capital investments (millions of Canadian dollars)	**$ 852**	$ 772	10.4 %
Corporate square footage (in millions)	**35.5**	35.8	(0.8)%
Franchise square footage (in millions)	**16.2**	16.1	0.6 %
Associate-owned drug store square footage (in millions)	**18.5**	18.3	1.1 %
Total retail square footage (in millions)	**70.2**	70.2	— %
Number of corporate stores	**550**	565	(2.7)%
Number of franchise stores	**532**	531	0.2 %
Number of Associate-owned drug stores	**1,335**	1,333	0.2 %
Total number of stores	**2,417**	2,429	(0.5)%
Percentage of corporate real estate owned	**72%**	72%	
Percentage of franchise real estate owned	**49%**	47%	
Percentage of Associate-owned drug store real estate owned	**1%**	1%	
Average store size (square feet)			
Corporate	**64,500**	63,400	1.7 %
Franchise	**30,500**	30,300	0.7 %
Associate-owned drug store	**13,900**	13,700	1.5 %

Cash Flows used in Financing Activities Cash flows used in financing activities in the third quarter of 2018 were $501 million, a decrease of $414 million compared to the third quarter of 2017. The decline in cash flows used in financing activities was driven by fewer repurchases of common shares, higher net issuances of long term debt, partially offset by an increase in interest paid mainly driven by interest related to Glenhuron and on debt assumed on the acquisition of CREIT.

Year-to-date cash flows used in financing activities were $169 million, a decrease of $1,466 million compared to the same period in 2017. The year-to-date decrease in cash flows used in financing activities was driven by higher net issuances of long term debt primarily related to the acquisition of CREIT, partially offset by an increase in interest paid related to Glenhuron and interest on debt assumed on the acquisition of CREIT.

The Company's significant long term debt transactions are set out in Section "5.3 Components of Total Debt".

Free Cash Flow[(2)]

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (16 weeks)**	2017[(4)] (16 weeks)	$ Change	% Change	**2018 (40 weeks)**	2017[(4)] (40 weeks)	$ Change	% Change
Cash flows from operating activities	**$ 1,162**	$ 872	$ 290	33.3 %	**$ 2,187**	$ 2,123	$ 64	3.0 %
Less:								
Capital investments	**384**	364	20	5.5 %	**852**	772	80	10.4 %
Interest paid	**460**	168	292	173.8 %	**712**	387	325	84.0 %
Free cash flow[(2)]	**$ 318**	$ 340	$ (22)	(6.5)%	**$ 623**	$ 964	$ (341)	(35.4)%

Free cash flow[(2)] in the third quarter of 2018 was $318 million, a decrease of $22 million compared to the third quarter of 2017. The decrease in free cash flow[(2)] was primarily driven by higher interest paid mainly driven by interest related to Glenhuron and interest on debt assumed on the acquisition of CREIT, partially offset by higher cash flows from operating activities.

Year-to-date free cash flow[(2)] was $623 million in 2018, a decrease of $341 million compared to the same period in 2017, was primarily driven by higher interest paid, as mentioned above.

5.2 Liquidity and Capital Structure

The Company expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against committed credit facilities will enable the Company to finance its capital investment program and fund its ongoing business requirements over the next 12 months, including working capital, pension plan funding requirements and financial obligations.

PC Bank expects to obtain long term financing for the growth of its credit card portfolio through the issuance of *Eagle Credit Card Trust* ("*Eagle*") notes and GICs.

Choice Properties expects to obtain long term financing for the acquisition of properties primarily through the issuance of unsecured debentures and equity.

The Company manages its capital structure on a segmented basis to ensure that each of the reportable operating segments is employing a capital structure that is appropriate for the industry in which it operates. The following table presents total debt, as monitored by Management, by reportable operating segment:

				As at October 6, 2018				As at October 7, 2017				As at December 30, 2017
(millions of Canadian dollars)	**Retail**	**Financial Services**	**Choice Properties**	**Total**	Retail	Financial Services	Choice Properties	Total	Retail	Financial Services	Choice Properties	Total
Bank indebtedness	**$ 266**	**$ —**	**$ —**	**$ 266**	$ 279	$ —	$ —	$ 279	$ 110	$ —	$ —	$ 110
Short term debt	**—**	**690**	**—**	**690**	—	610	—	610	—	640	—	640
Long term debt due within one year	**1,386**	**609**	**380**	**2,375**	395	232	400	1,027	392	593	650	1,635
Long term debt [(i)]	**3,960**	**1,522**	**6,807**	**12,289**	5,619	1,307	2,909	9,835	5,622	1,159	2,761	9,542
Certain other liabilities	**48**	**—**	**—**	**48**	37	—	—	37	41	—	—	41
Total debt	**$ 5,660**	**$ 2,821**	**$ 7,187**	**$ 15,668**	$ 6,330	$ 2,149	$ 3,309	$ 11,788	$ 6,165	$ 2,392	$ 3,411	$ 11,968

(i) The Choice Properties segment repaid $47 million, net of issuances, on its Committed Syndicated Credit Facility between September 30, 2018 and October 6, 2018.

Retail The Company manages its capital structure with the objective of maintaining Retail segment credit metrics consistent with those of investment grade retailers. The Company monitors the Retail segment's debt to rolling year retail adjusted EBITDA[(2)] ratio as a measure of the leverage being employed.

	As at October 6, 2018	As at October 7, 2017	As at December 30, 2017
Retail debt to rolling year retail adjusted EBITDA[(2)]	**1.5x**	1.7x	1.6x

The Retail debt to retail adjusted EBITDA[(2)] ratio as at October 6, 2018 decreased compared to October 7, 2017 and December 30, 2017, primarily as a result of a decrease in Retail segment debt.

President's Choice Bank PC Bank's capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory requirements as defined by the Office of the Superintendent of Financial Institutions ("OSFI").

Choice Properties Choice Properties manages its capital structure with the objective of maintaining credit metrics consistent with those of investment grade real estate investment trusts ("REITs"). Choice Properties monitors metrics relevant to the REIT industry including targeting an appropriate debt to total assets ratio. In connection with the acquisition of CREIT, Choice Properties entered into $1.3 billion of senior unsecured debentures in the first quarter of 2018 and obtained $800 million through two unsecured term loan facilities in the second quarter of 2018.

Covenants and Regulatory Requirements The Company and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at October 6, 2018 and throughout 2018, the Company and Choice Properties were in compliance with their respective covenants. As at October 6, 2018 and throughout 2018, PC Bank and Choice Properties have met all applicable regulatory requirements.

Short Form Base Shelf Prospectus In the first quarter of 2018, Choice Properties filed a Short Form Base Shelf Prospectus, which allows for the potential issuance of up to $2 billion of Choice Properties' Trust Units ("Units") and debt securities, or any combination thereof, over a 25-month period. Under this prospectus, Choice Properties issued $650 million of senior unsecured debentures.

5.3 Components of Total Debt

Debentures and Medium Term Notes The following table summarizes the debentures and Medium Term Notes ("MTNs") issued or assumed during 2018. There were no MTNs issued in the third quarter of 2018 and in the comparative periods in 2017.

			October 6, 2018 (40 weeks)
(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	**Principal Amount**
Choice Properties Series senior unsecured debentures			
– Series I[(i)]	3.01%	March 21, 2022	**$ 300**
– Series J[(i)]	3.55%	January 10, 2025	**350**
– Series K[(ii)]	3.56%	September 9, 2024	**550**
– Series L[(ii)]	4.18%	March 8, 2028	**750**
– Series A-C[(iii)]	3.68%	July 24, 2018	**125**
– Series B-C[(iii)]	4.32%	January 15, 2021	**100**
– Series C-C[(iii)]	2.56%	November 30, 2019	**100**
– Series D-C[(iii)]	2.95%	January 18, 2023	**125**
Total Debentures and MTNs issued			**$ 2,400**

(i) Offerings were made under the Choice Properties' Short Form Base Shelf Prospectus filed in the first quarter of 2018.

(ii) In the first quarter of 2018, the net proceeds from the issuance of Series K and L were held in escrow as a part of the financing for the acquisition of CREIT. During the second quarter of 2018, the Company completed the acquisition of CREIT and the proceeds were released from escrow.

(iii) Assumed by the Company in connection with the acquisition of CREIT.

The following table summarizes the debentures, unsecured term loan facilities, and MTNs repaid during the periods ended as indicated.

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	**October 6, 2018 (16 weeks) Principal Amount**	October 7, 2017 (16 weeks) Principal Amount	**October 6, 2018 (40 weeks) Principal Amount**	October 7, 2017 (40 weeks) Principal Amount
Shoppers Drug Mart Corporation Notes	2.36%	May 24, 2018	**$ —**	$ —	**$ 275**	$ —
Loblaw Companies Limited – Term Loan(i)	Variable	Mar 28, 2019	**48**	—	**48**	—
Loblaw Companies Limited – Term Loan(ii)	Variable	Mar 28, 2019	**250**	—	**250**	—
Choice Properties senior unsecured debentures – Series A-C	3.68%	July 24, 2018	**125**	—	**125**	—
Choice Properties senior unsecured debentures – Series A	3.55%	July 5, 2018(iii)	**—**	—	**400**	—
Choice Properties senior unsecured debentures – Series 6	3.00%	April 20, 2017(iv)	**—**	—	**—**	200
Total Debentures, Unsecured Term Loan Facilities, and MTNs repaid			**$ 423**	$ —	**$ 1,098**	$ 200

(i) Loblaw unsecured term loan facility bearing interest at variable rates of either Prime plus 0.45% or Bankers' Acceptance rate plus 1.45% were redeemed on August 29, 2018.

(ii) Loblaw unsecured term loan facility bearing interest at variable rates of either Prime plus 0.13% or Bankers' Acceptance rate plus 1.13% were redeemed on August 29, 2018.

(iii) Choice Properties Series A unsecured debentures were redeemed on February 12, 2018.

(iv) Choice Properties Series 6 unsecured debentures were redeemed on January 23, 2017.

Unsecured Term Loan Facilities In the second quarter of 2018, Choice Properties obtained $800 million through two unsecured term loan facilities, one $175 million 4-year unsecured term loan provided by a syndicate of lenders maturing May 4, 2022 and one $625 million 5-year unsecured term loan provided by a syndicate of lenders maturing May 4, 2023. The term loans bear interest at variable rates of either Prime plus 0.45% or Bankers' Acceptance rate plus 1.45%. The pricing of these term loans is contingent on Choice Properties credit ratings from DBRS and S&P remaining at "BBB".

Committed Credit Facilities The components of the committed lines of credit as at October 6, 2018, October 7, 2017 and December 30, 2017 were as follows:

		As at October 6, 2018		As at October 7, 2017		As at December 30, 2017	
(millions of Canadian dollars)	Maturity Date	**Available Credit**	**Drawn**	Available Credit	Drawn	Available Credit	Drawn
Loblaw Committed Credit Facility	June 10, 2021	**$ 1,000**	**$ —**	$ 1,000	$ —	$ 1,000	$ —
Choice Properties Committed Bi-lateral Credit Facility	December 21, 2018	**—**	**—**	250	250	250	250
Choice Properties Committed Syndicated Credit Facility	July 5, 2022	**—**	**—**	500	215	500	311
Choice Properties Committed Syndicated Credit Facility	May 4, 2023	**1,500**	**340**	—	—	—	—
Total Committed Lines of Credit		**$ 2,500**	**$ 340**	$ 1,750	$ 465	$ 1,750	$ 561

In the first half of 2018, Choice Properties repaid and cancelled the $250 million Committed Bi-lateral Credit Facility and the $500 million Committed Syndicated Credit Facility.

During the second quarter of 2018, Choice properties entered into a new syndicated $1,500 million senior unsecured committed revolving credit facility maturing May 4, 2023. The credit facility bears interest at variable rates of either: Prime plus 0.45% or Bankers' Acceptance rate plus 1.45%. The pricing of this credit facility is contingent on Choice Properties credit ratings from DBRS and S&P remaining at "BBB".

Independent Securitization Trusts The Company, through PC Bank, participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors the co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle* and Other Independent Securitization Trusts, in accordance with its financing requirements.

The following table summarizes the amounts securitized to independent securitization trusts:

(millions of Canadian dollars)	**As at October 6, 2018**	As at October 7, 2017	As at December 30, 2017
Securitized to independent securitization trusts:			
Securitized to *Eagle*	**$ 1,150**	$ 650	$ 900
Securitized to Other Independent Securitization Trusts	**690**	610	640
Total securitized to independent securitization trusts	**$ 1,840**	$ 1,260	$ 1,540

During the third quarter of 2018, *Eagle* issued $250 million of senior and subordinated term notes with a maturity date of July 17, 2023 at a weighted average interest rate of 3.10%. In connection with this issuance, $250 million of bond forward agreements were settled, resulting in a realized fair value loss of $1 million and a net effective interest rate of 3.15% on the *Eagle* notes issued.

Subsequent to the third quarter of 2018, $400 million 2.91% senior and subordinated term notes issued by *Eagle* matured and were repaid.

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at October 6, 2018 and throughout 2018.

Independent Funding Trusts As at October 6, 2018, the independent funding trusts had drawn $545 million (October 7, 2017 – $551 million; December 30, 2017 – $551 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts. As at October 6, 2018, the Company has agreed to provide a credit enhancement of $64 million (October 7, 2017 and December 30, 2017 – $64 million) for the benefit of the independent funding trusts representing not less than 10% (2017 – not less than 10%) of the principal amount of loans outstanding.

5.4 Financial Condition

Rolling Year Adjusted Return on Equity[2] and Rolling Year Adjusted Return on Capital[2]

	As at October 6, 2018	As at October 7, 2017[4]	As at December 30, 2017[4]
Rolling year adjusted return on equity[2]	**14.0%**	13.6%	14.0%
Rolling year adjusted return on capital[2]	**9.3%**	9.5%	9.7%

The rolling year adjusted return on equity[2] as at October 6, 2018 increased compared to October 7, 2017, primarily due to improvements in underlying operating performance and common share repurchases. The rolling year adjusted return on equity[2] as at October 6, 2018 was flat compared to December 30, 2017.

The rolling year adjusted return on capital[2] as at October 6, 2018 decreased compared to October 7, 2017 and December 30, 2017, primarily due to an increase in long term debt due to the acquisition of CREIT, partially offset by common share repurchases.

5.5 Credit Ratings

In the third quarter of 2018, subsequent to the announcement of the spin out of Choice Properties, S&P and DBRS reaffirmed the credit ratings and outlook of the Company. The following table sets out the current credit ratings of the Company:

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Stable	BBB	Stable
MTNs	BBB	Stable	BBB	n/a
Other notes and debentures	BBB	Stable	BBB	n/a
Second Preferred Shares, Series B	Pfd-3	Stable	P-3 (high)	n/a

In the third quarter of 2018, subsequent to the announcement of the spin out of Choice Properties, S&P and DBRS reaffirmed the ratings and outlook of Choice Properties. The following table sets out the current credit ratings of Choice Properties:

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Stable	BBB	Stable
Senior unsecured debentures	BBB	Stable	BBB	n/a

5.6 Share Capital

Common Shares (authorized – unlimited) Common shares issued are fully paid and have no par value. The activity in the common shares issued and outstanding during the periods was as follows:

(millions of Canadian dollars except where otherwise indicated)	**October 6, 2018 (16 weeks)**		October 7, 2017 (16 weeks)		**October 6, 2018 (40 weeks)**		October 7, 2017 (40 weeks)	
	Number of Common Shares	**Common Share Capital**	Number of Common Shares	Common Share Capital	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	**374,582,150**	**$ 7,260**	395,248,907	$ 7,619	**386,293,941**	**$ 7,460**	400,829,870	$ 7,713
Issued for settlement of stock options	**666,171**	**34**	70,094	4	**1,621,089**	**80**	572,024	28
Purchased and cancelled	**—**	**—**	(7,193,156)	(139)	**(12,666,709)**	**(246)**	(13,276,049)	(257)
Issued and outstanding, end of period	**375,248,321**	**$ 7,294**	388,125,845	$ 7,484	**375,248,321**	**$ 7,294**	388,125,845	$ 7,484
Shares held in trust, beginning of period	**(271,777)**	**$ (5)**	(858,806)	$ (16)	**(780,938)**	**$ (15)**	(1,105,620)	$ (21)
Purchased for future settlement of RSUs and PSUs	**—**	**—**	—	—	**—**	**—**	(686,000)	(13)
Released for settlement of RSUs and PSUs	**33,726**	**—**	33,159	—	**542,887**	**10**	965,973	18
Shares held in trust, end of period	**(238,051)**	**$ (5)**	(825,647)	$ (16)	**(238,051)**	**$ (5)**	(825,647)	$ (16)
Issued and outstanding, net of shares held in trust, end of period	**375,010,270**	**$ 7,289**	387,300,198	$ 7,468	**375,010,270**	**$ 7,289**	387,300,198	$ 7,468
Weighted average outstanding, net of shares held in trust	**374,608,772**		392,384,392		**377,587,465**		395,701,411	

Dividends The following table summarizes the Company's cash dividends declared for the periods as indicated:

	October 6, 2018[i] (16 weeks)	October 7, 2017 (16 weeks)	October 6, 2018[i] (40 weeks)	October 7, 2017 (40 weeks)
Dividends declared per share ($):				
Common Share	**$ 0.295**	$ 0.270	**$ 0.860**	$ 0.800
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125	**$ 0.99375**	$ 0.99375

(i) The third quarter dividends for 2018 of $0.295 per share declared on common shares had a payment date of October 1, 2018. The third quarter dividends for 2018 of $0.33125 per share declared on Second Preferred Shares, Series B had a payment date of September 30, 2018.

(millions of Canadian dollars)	October 6, 2018 (16 weeks)	October 7, 2017 (16 weeks)	October 6, 2018 (40 weeks)	October 7, 2017 (40 weeks)
Dividends declared:				
Common Share	**$ 109**	$ 106	**$ 322**	$ 316
Second Preferred Share, Series B	**3**	3	**9**	9
Total dividends declared	**$ 112**	$ 109	**$ 331**	$ 325

Subsequent to the end of the third quarter of 2018, the Board of Directors ("Board") declared a quarterly dividend of $0.295 per common share, payable on December 30, 2018 to shareholders of record on December 15, 2018 and a dividend on the Second Preferred Shares, Series B of $0.33125 per share payable on December 31, 2018 to shareholders of record on December 15, 2018.

Normal Course Issuer Bid Activity under the Company's Normal Course Issuer Bid ("NCIB") during the periods was as follows:

(millions of Canadian dollars except where otherwise indicated)	October 6, 2018 (16 weeks)	October 7, 2017 (16 weeks)	October 6, 2018 (40 weeks)	October 7, 2017 (40 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)	**—**	7,193,156	**12,666,709**	13,276,049
Cash consideration paid	**$ —**	$ 485	**$ 844**	$ 937
Premium charged to Retained Earnings	**—**	346	**598**	680
Reduction in Common Share Capital	**—**	139	**246**	257
Common shares repurchased under the NCIB and held in trust (number of shares)	**—**	—	**—**	686,000
Cash consideration paid	**$ —**	$ —	**$ —**	$ 48
Premium charged to Retained Earnings	**—**	—	**—**	35
Reduction in Common Share Capital	**—**	—	**—**	13

In the first quarter of 2018, the Company entered into and completed an automatic share purchase plan ("ASPP") with a broker in order to facilitate repurchases of the Company's common shares under its current NCIB. Under the Company's ASPP, the Company's broker purchased common shares at times when the Company ordinarily would not be active in the market.

In the second quarter of 2018, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 18,952,573 of the Company's common shares, representing approximately 5% of outstanding common shares. In accordance with the rules and by-laws of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares. As at October 6, 2018, the Company has purchased 4,559,682 common shares under its current NCIB.

In the third quarter of 2018, the Company did not repurchase any common shares under its NCIB.

5.7 Off-Balance Sheet Arrangements

The Company uses off-balance sheet arrangements including letters of credit, guarantees and cash collateralization in connection with certain obligations. There were no significant changes to the Company's off-balance sheet arrangements during the third quarter of 2018. For a discussion of the Company's significant off-balance sheet arrangements see Section 7.7 "Off-Balance Sheet Arrangements" of the Company's 2017 Annual Report.

6. Financial Derivative Instruments

Interest Rate Swaps During the third quarter of 2018, Choice Properties held interest rate swap agreements with a notional value of $322 million to hedge its exposure to interest rate fluctuations associated with an equivalent amount of variable rate mortgages. These agreements qualify for hedge accounting as cash flow hedges. During the third quarter of 2018, Choice Properties recorded an unrealized fair value gain of $3 million (2017 – nil) net of tax in other comprehensive income related to these agreements.

The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. For further details on the impact of these instruments during 2018 see Section 12 "Non-GAAP Financial Measures" of the MD&A.

7. Results by Quarter

Under an accounting convention common in the retail industry, the Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks. Fiscal years 2018, 2017 and 2016 were 52 weeks. The next 53-week year will occur in 2020. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration.

Summary of Consolidated Quarterly Results The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period condensed consolidated financial statements for each of the eight most recently completed quarters:

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2018 (16 weeks)**	**2017[4] (16 weeks)**	2018 (12 weeks)	2017[4] (12 weeks)	2018 (12 weeks)	2017[4] (12 weeks)	2017[4] (12 weeks)	2016 (12 weeks)
Revenue	**$ 14,453**	**$ 14,192**	$ 10,923	$ 11,080	$ 10,367	$ 10,404	$ 11,023	$ 11,130
Net earnings available to common shareholders of the Company	**106**	**883**	50	359	377	232	31	201
Adjusted net earnings available to common shareholders of the Company[2]	**562**	**549**	421	446	361	366	436	393
Net earnings per common share:								
Basic ($)	**$ 0.28**	**$ 2.25**	$ 0.13	$ 0.91	$ 0.99	$ 0.58	$ 0.08	$ 0.50
Diluted ($)	**$ 0.28**	**$ 2.24**	$ 0.13	$ 0.90	$ 0.98	$ 0.58	$ 0.08	$ 0.50
Adjusted diluted net earnings per common share [2] ($)	**$ 1.49**	**$ 1.39**	$ 1.11	$ 1.11	$ 0.94	$ 0.91	$ 1.12	$ 0.97
Average national food price inflation (deflation) (as measured by CPI)	**0.3%**	**0.3%**	0.1%	(1.4)%	1.2%	(3.9)%	1.0%	(2.3)%
Food retail same-store sales growth (decline)	**0.9%**	**1.4%**	0.8%	1.2 %	1.9%	(1.2)%	0.5%	1.1 %
Drug retail same-store sales growth	**2.5%**	**3.3%**	1.7%	3.7 %	3.7%	0.9 %	3.6%	3.4 %

Revenue Revenue for the last eight quarters was impacted by various factors including the following:

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- macro-economic conditions impacting food and drug retail prices;
- the changes in the price of fuel sold at the Company's gas bars;
- Choice Properties' acquisition of CREIT in the second quarter of 2018;
- the disposition of gas bar operations in the third quarter of 2017;
- consolidation of franchises; and
- changes in net retail square footage. Over the past eight quarters, net retail square footage increased by 0.4 million square feet to 70.2 million square feet.

Net Earnings Available to Common Shareholders of the Company and Diluted Net Earnings Per Common Share Net earnings available to common shareholders of the Company and diluted net earnings per common share for the last eight quarters were impacted by the following items:

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- the disposition of gas bar operations in the third quarter of 2017;
- Shoppers Drug Mart acquisition-related net synergies;
- changes in the underlying operating performance of the Company;
- the favourable impact of the repurchase of common shares for cancellation; and
- the impact of certain adjusting items, as set out in Section 12 "Non-GAAP Financial Measures", including:
    - the gain on disposition of gas bar operations;
    - the charge related to Glenhuron Bank;
    - the PC Optimum program;
    - the Loblaw Card Program;
    - restructuring and other related charges;
    - the wind-down of *PC Financial* banking service;
    - the impact of healthcare reform on inventory balances;
    - CREIT acquisition and other related costs;
    - the remeasurement of deferred tax balances;
    - asset impairments, net of recoveries; and
    - the change in fair value adjustment to the Trust Unit Liability.

The consolidation of franchises does not significantly impact net earnings available to common shareholders of the Company as the related earnings are largely attributable to non-controlling interests.

8. Internal Control over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in Internal Control over Financial Reporting There were no changes in the Company's internal controls over financial reporting in the third quarter of 2018 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting, except as noted below:

As permitted by the provisions of National Instrument 52-109, "Certification of Disclosures in Issuers' Annual and Interim Filings", management, including the CEO and CFO, have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of CREIT. Choice Properties acquired the assets and liabilities of CREIT and its subsidiaries on May 4, 2018. The assessment on CREIT's design effectiveness of disclosure controls and procedures and the harmonization of the internal controls over financial reporting frameworks is expected to be completed by the first quarter of 2019.

Further details related to the acquisition of CREIT are set out in Section 4.3. "Choice Properties Segment" Other Business Matters and in Note 3. Business Acquisitions of the Company's unaudited interim period condensed consolidated financial statements for the third quarter of 2018.

9. Enterprise Risks and Risk Management

A detailed full set of risks inherent in the Company's business are included in the Company's AIF for the year ended December 30, 2017 and the Company's MD&A in the Company's 2017 Annual Report, which are hereby incorporated by reference. The Company's 2017 Annual Report and AIF are available online on www.sedar.com. Those risks and risk management strategies remain unchanged, inclusive of the acquisition of CREIT.

10. Accounting Standards

Accounting Standards Implemented in 2018

On December 31, 2017, the Company implemented IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") and IFRS 9, "Financial Instruments" in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors". The impacts on implementation of IFRS 15 and IFRS 9 on the Company's consolidated financial statements are described below.

IFRS 15 In 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, "Revenue from Contracts with Customers", replacing IAS 18, "Revenue" ("IAS 18"), IAS 11, "Construction Contracts", and related interpretations. IFRS 15 provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

The Company adopted the standard on December 31, 2017 and applied the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening retained earnings on January 1, 2017 and with the restatement of comparative periods. IFRS 15 permits the use of exemptions and practical expedients. The Company applied the practical expedient in which contracts that began and were completed within the same annual reporting period before December 30, 2017 or were completed on or before January 1, 2017 do not require restatement.

The implementation of IFRS 15 did not have a significant impact on the Company's Retail, Financial Services or Choice Properties segment revenue streams, including its franchise arrangements with non-consolidated stores. IFRS 15 impacted the allocation of revenue that is deferred in relation to the Company's customer loyalty award programs. Under IAS 18 and related interpretations, revenue was allocated to the customer loyalty awards using the residual fair value method. Under this method, a portion of the consideration equaling the fair value of the points was allocated to the loyalty awards and deferred until the points were ultimately redeemed. The residual consideration was allocated to the goods and services sold and recognized as revenue. Under IFRS 15, consideration will be allocated between the loyalty awards and the goods and services on which the awards were earned, based on their relative stand-alone selling prices. Using this relative fair value approach, the amount allocated to the loyalty points and recorded as deferred revenue will be, on average, lower than the amounts allocated under the residual value method. The majority of the Company's loyalty liability, which is a contract liability, is expected to be redeemed and recognized as revenue within one year of issuance.

In addition, in the fourth quarter of 2017, the Company recorded a charge before income taxes of $189 million under IAS 18 and related interpretations, related to the revaluation of the existing loyalty liability for outstanding points to reflect a higher anticipated redemption rate under the new *PC Optimum* program. Under IFRS 15, using the relative fair value approach, this revaluation of the loyalty liability decreased by $24 million, resulting in a charge before income taxes of $165 million.

The impact of the above changes on retained earnings as at January 1, 2017 and December 30, 2017 is as follows:

Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at January 1, 2017	As at December 30, 2017
Loyalty liability	$ (43)	$ (64)
Income taxes payable	12	11
Deferred income tax liabilities	—	7
Retained earnings	31	46

The impact of this change on the comparative periods as at October 7, 2017, and for 16 weeks and 40 weeks ended October 7, 2017 is as follows:

Condensed Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at October 7, 2017
Loyalty liability	$ (47)
Income taxes payable	13
Retained earnings	34

Condensed Consolidated Statements of Earnings

Increase (Decrease) (millions of Canadian dollars)	October 7, 2017 (16 weeks)	October 7, 2017 (40 weeks)
Revenue	$ —	$ 4
Income taxes	—	1

The implementation of IFRS 15 had a nominal impact on earnings per share for the comparative periods.

The quarterly and annual impacts of this change in 2017 are as follows:

Summary of Condensed Consolidated Quarterly Statement of Earnings

Increase (Decrease) (millions of Canadian dollars)	March 25, 2017 (12 weeks)	June 17, 2017 (12 weeks)	October 7, 2017 (16 weeks)	December 30, 2017 (12 weeks)	December 30, 2017 (52 weeks)
Revenue	$ 3	$ 1	$ —	$ (7)	$ (3)
SG&A	—	—	—	(24)	(24)
Income taxes	1	—	—	5	6
Net earnings available to common shareholders of the Company	2	1	—	12	15

IFRS 9 In 2014, the IASB issued IFRS 9, "Financial Instruments", replacing IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company implemented the new requirements for classification and measurement, impairment and general hedging on December 31, 2017 by applying the requirements for classification and measurement, including impairment, retrospectively with the cumulative effects of initial application recorded in opening retained earnings as at December 31, 2017 with no restatement of comparative periods. The Company also applied related amendments to IFRS 7, "Financial Instruments: Disclosures".

Classification and measurement IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income, and fair value through profit and loss. Financial liabilities are classified and measured based on two categories: amortized cost or fair value through profit and loss. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification impacts upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities, with the exception of credit card receivables as noted below.

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Fair value through profit and loss(i)	Amortized cost
Short term investments	Fair value through profit and loss(i)	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Credit card receivables	Loans and receivables	Amortized cost
Security deposits	Fair value through profit and loss(i)	Fair value through profit and loss
Franchise loans receivable	Loans and receivables	Amortized cost
Certain other assets(ii)	Loans and receivables	Amortized cost / fair value through profit and loss
Certain long term investments	Available-for-sale	Fair value through other comprehensive income
Bank indebtedness	Other liabilities	Amortized cost
Trade payables and other liabilities	Other liabilities	Amortized cost
Short term debt	Other liabilities	Amortized cost
Long term debt	Other liabilities	Amortized cost
Trust Unit Liability	Fair value through profit and loss(iii)	Fair value through profit and loss
Certain other liabilities	Other liabilities	Amortized cost
Derivatives	Fair value through profit and loss(iii)	Fair value through profit and loss

(i) Financial instruments designated at fair value through profit and loss.

(ii) Certain other assets include mortgages, notes and loans receivable which are classified as either amortized cost or fair value through profit and loss.

(iii) Financial instruments required to be classified at fair value through profit and loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Company identifies changes in its business model in managing financial assets.

Impairment IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking ECL model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each balance sheet date, to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments.

IFRS 9 outlines a three-stage approach to recognizing ECL which is intended to reflect the increase in credit risks of a financial instrument. The Company applies the ECL model to assess for impairment on its financial assets at each balance sheet date. The Company, through PC Bank, recognizes loss allowances based on ECL on credit card receivables, which are measured at amortized cost. Credit card receivables are assessed collectively for impairment, applying the three-stage approach on assessing the impairment on credit card receivables as described below.

- Stage 1 is comprised of all financial instruments that have not had a significant increase in credit risks since initial recognition or that have low credit risk at the reporting date. PC Bank is required to recognize impairment for Stage 1 financial instruments based on the expected losses over the expected life of the instrument arising from loss events that could occur during the 12 months following the reporting date.
- Stage 2 is comprised of all financial instruments that have had a significant increase in credit risks since initial recognition but that do not have objective evidence of a credit loss event. For Stage 2 financial instruments the impairment is recognized based on the expected losses over the expected life of the instrument arising from loss events that could occur over the expected life. PC Bank is required to recognize a lifetime ECL for Stage 2 financial instruments.
- Stage 3 is comprised of all financial instruments that have objective evidence of impairment at the reporting date. PC Bank is required to recognize impairment based on a lifetime ECL for Stage 3 financial instruments.

In each stage of the impairment model, impairment is determined based on the probability of default, loss given default, and expected exposures at default on drawn and undrawn exposures on credit card receivables, discounted using an average portfolio yield rate. The application of the ECL model required PC Bank to apply the following significant judgments, assumptions and estimations:

- Movement of impairment measurement between the three stages of the ECL model, based on the assessment of increase in credit risks on credit card receivables. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- Thresholds for significant increase in credit risks based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- Forecasts of future economic conditions.

The ECL model had a significant impact on PC Bank's impairment of credit card receivables. The Company revised certain inputs of the ECL model since the implementation of IFRS 9 in the first quarter of 2018 and has retrospectively applied the impact of these revisions with no impact to earnings. As a result of the refinements, the cumulative impact arising from the ECL model on the impairment of credit card receivables as at December 31, 2017 was as follows:

Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at December 31, 2017
Credit card receivables	$ (98)
Deferred income tax assets	26
Income taxes payable	4
Deferred income tax liabilities	(4)
Retained earnings	(72)

The Company also applied ECL models to the assessment of impairment on trade receivables and other financial assets of the Company. The Company adopted the practical expedient to determine ECL on trade receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL models applied to other financial assets also required judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The provision matrix and ECL models applied do not have a material impact on trade receivables and other financial assets of the Company.

Impairment losses are recorded in SG&A in the consolidated statement of earnings with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed through the consolidated statement of earnings. The impairment reversal is limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

General hedging IFRS 9 requires the Company to ensure that hedge accounting relationships are aligned with the Company's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company's risk management strategy and hedging activities are disclosed in the Company's 2017 Annual Report, Note 30 "Financial Risk Management" and in this Quarterly Report, Note 17 "Financial Instruments".

Changes to Significant Accounting Policies

The following significant accounting policies reflect certain impacts to the presentation and measurement of the Company's unaudited interim period condensed consolidated financial statements, resulting from the acquisition of CREIT. Upon closing the acquisition, the significant accounting policies of CREIT were aligned to those of the Company.

Investment Properties Investment properties are properties owned by the Company that are held to either earn rental income, for capital appreciation, or both. The Company's investment properties include single tenant properties held to earn rental income and certain multiple tenant properties.

In conjunction with the acquisition of CREIT, the Company elected to change the measurement of investment properties from the cost model to the fair value model retrospectively with restatement. Prior to the second quarter of 2018, the Company recognized investment properties at cost less accumulated depreciation and any accumulated impairment losses.

Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Fair value is determined based on available market evidence. If market evidence is not readily available in less active markets, the Company uses alternative valuation methods such as discounted cash flow projections or recent transaction prices. Under the discounted cash flow methodology, discount rates are applied to the projected annual operating cash flows, generally over a minimum term of ten years, including a terminal value of the investment properties based on a capitalization rate applied to the estimated net operating income, a non-GAAP measure, in the terminal year. Gains and losses on fair value are recognized in operating income in the period in which they are incurred. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

The Company applied this change in accounting policy retrospectively in the second quarter of 2018. The impacts to the Company's comparative consolidated balance sheets are as follows:

Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at October 7, 2017	As at December 30, 2017	As at January 1, 2017
Investment properties	$ 41	$ 41	$ 41
Deferred income tax liabilities	5	5	5
Retained earnings	36	36	36

The change in accounting policy had no impact on net earnings for the comparative periods.

Joint Arrangements The Company, through Choice Properties, owns investments under joint arrangements. Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures depending on Choice Properties' rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

Joint Ventures A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

Choice Properties' investment in a joint venture is recorded using the equity method and is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize Choice Properties' share of the profit or loss and other comprehensive income of the joint venture. The Company's share of the joint venture's profit or loss is recognized in the Company's operating income and other comprehensive income.

The financial statements of the equity-accounted investment are prepared for the same reporting period as Choice Properties. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company's.

A joint venture is considered to be impaired if there is objective evidence of impairment, as a result of one or more events that occurred after initial recognition of the joint venture, and that event has a negative impact on the future cash flows of the joint venture that can be reliably estimated.

Joint Operations A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The financial statements of the joint operations are prepared for the same reporting period as Choice Properties. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company's. The Company recognizes its proportionate share of assets, liabilities, revenues and expenses of the joint operations.

Unit-Based Compensation Unit-Settled Restricted Units ("URUs") are accounted for as cash-settled awards. URUs entitle certain employees to receive the value of the URU award in Units at the end of the applicable vesting period, which is generally three to five years in length. The URUs are subject to vesting conditions and disposition restrictions. The fair value of each URU granted is measured based on the market value of a Unit at the balance sheet date, less a discount to account for the disposition restrictions.

Critical Accounting Estimates and Judgments

The following critical accounting estimate and judgment reflects the Company's election to change the measurement of investment properties from the cost model to the fair value model in the second quarter of 2018.

Investment Properties

Judgments Made in Relation to Accounting Policies Applied Judgment is applied in determining whether certain costs are additions to the carrying value of investment properties, identifying the point at which substantial completion of the property occurs, and identifying the directly attributable borrowing costs to be included in the carrying value of the development property.

The Company, through Choice Properties, also applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations.

Key Sources of Estimation The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period, discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions relating to occupancy, rental rates and residual value. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors, which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

Future Accounting Standards

IFRS 16 In 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"), replacing IAS 17, "Leases" ("IAS 17") and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance or operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019. For leases where the Company is the lessee, it has the option of adopting a full retrospective approach or a modified retrospective approach on transition to IFRS 16. While early adoption is permitted if IFRS 15 has been adopted, the Company does not intend to early adopt IFRS 16.

The Company intends to adopt the standard on December 30, 2018 by applying the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening retained earnings as at December 30, 2018 using a modified retrospective approach with no restatement of the comparative period. IFRS 16 permits the use of exemptions and practical expedients. The Company intends to measure the cumulative effect of initial application by applying the use of hindsight in the determination of the lease term if the contract contains options to extend or terminate a lease and continues to evaluate the election of other available practical expedients.

During 2018, the Company has continued to assess the impact of the standard on the Company's business processes, internal controls over financial reporting, data systems, IT, and financing and compensation arrangements. The Company has implemented a lease management system and continues to refine and validate the inputs and key assumptions used in its IFRS 16 calculation. Based on a preliminary assessment, the adoption of IFRS 16 will result in a material increase in total assets, long term debt, and deferred income taxes, with any difference between the recognition of right-of-use assets and associated lease liabilities impacting opening retained earnings. On a go-forward basis, there will be a decrease in rent expense and an increase in depreciation and amortization and net interest expense and other financing charges. The Company expects to disclose its preliminary financial impacts of IFRS 16 in its 2018 Annual Report.

Subsequent to the completion of the spin-out of Choice Properties on November 1, 2018, leases between Loblaw, as the lessee, and Choice Properties, as the lessor, will be included in the scope of IFRS 16. The inclusion of these leases will materially increase the impact of the standard on the Company's consolidated financial statements.

11. Outlook[3]

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

Headwinds from minimum wage increases and healthcare reform continue to negatively impact the Company's financial performance in 2018. The first half of the year was characterized by incremental cost headwinds and a very competitive retail market. In the second half, the Company is experiencing increased cost pressures, including from the surtax imposed on certain US imports. Management continues to focus on overcoming these headwinds.

In 2018, on a full-year comparative basis, normalized for the disposition of the gas bar business, the impact of the CREIT acquisition and spin-out of Choice Properties in the fourth quarter, the Company expects to:

- deliver positive same-store sales and stable gross margin in its Retail segment in a highly competitive market;
- deliver essentially flat adjusted net earnings growth with positive adjusted earnings per share growth based on our share buyback program;
- invest approximately $1.3 billion in capital expenditures, including $1.0 billion in its Retail segment; and
- return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

12. Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: Retail segment gross profit; Retail segment adjusted gross profit; Retail segment adjusted gross profit percentage; adjusted earnings before income taxes, net interest expense and other financing charges and depreciation and amortization ("adjusted EBITDA"); adjusted EBITDA margin; adjusted operating income; adjusted net interest expense and other financing charges; adjusted income taxes; adjusted income tax rate; adjusted net earnings available to common shareholders; adjusted diluted net earnings per common share, free cash flow; retail debt to rolling year retail adjusted EBITDA; rolling year adjusted return on equity; rolling year adjusted return on capital 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.

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

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

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

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

Impact of healthcare reform on inventory balances In the first quarter of 2018, the Company recorded an inventory provision for the write-down of inventories below cost to net realizable value, related to its generic drug inventory, as a result of healthcare reform announced in the first quarter of 2018, effective April 1, 2018.

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

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

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

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

In addition to the items described in the Retail segment adjusted gross profit section above, adjusted EBITDA was impacted by the following:

Amortization of intangible assets acquired with Shoppers Drug Mart The acquisition of Shoppers Drug Mart in 2014 included approximately $6,050 million of definite life intangible assets, which are being amortized over their estimated useful lives. Annual amortization associated with the acquired intangibles will be approximately $525 million until 2024, and will decrease thereafter.

Fair value adjustment to investment properties In conjunction with the acquisition of CREIT, the Company elected to change the measurement of investment properties from cost model to fair value model. Prior to the second quarter of 2018, the Company recognized investment properties at cost less accumulated depreciation and any accumulated impairment losses. Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Fair value is determined based on available market evidence. If market evidence is not readily available in less active markets, the Company uses alternative valuation methods such as discounted cash flow projections or recent transaction prices. Gains and losses on fair value are recognized in operating income in the period in which they are incurred. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

CREIT acquisition and other related costs As at the end of the third quarter of 2018, the Company has recorded acquisition and other related costs in connection with the acquisition of CREIT.

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

Restructuring and other related costs The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Restructuring activities related to these initiatives are ongoing.

Fair value adjustment on fuel and foreign currency contracts The Company is exposed to commodity price and U.S. dollar exchange rate fluctuations. In accordance with the Company's commodity risk management policy, the Company enters into exchange traded futures contracts and forward contracts to minimize cost volatility relating to fuel prices and the U.S. dollar exchange rate. These derivatives are not acquired for trading or speculative purposes. Pursuant to the Company's derivative instruments accounting policy, changes in the fair value of these instruments, which include realized and unrealized gains and losses, are recorded in operating income. Despite the impact of accounting for these commodity and foreign currency derivatives on the Company's reported results, the derivatives have the economic impact of largely mitigating the associated risks arising from price and exchange rate fluctuations in the underlying commodities and U.S. dollar commitments.

Pension annuities and buy-outs The Company is undertaking annuity purchases and pension buy-outs in respect of former employees designed to reduce its defined benefit pension plan obligation and decrease future pension volatility and risks.

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 *PC Financial* brand. As a result of this agreement, PC Bank received payments of approximately $44 million, net of related costs, which was 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.

Loblaw Card Program In the fourth quarter of 2017, the Company and Weston acknowledged their involvement in an industry wide price-fixing arrangement. In connection with the arrangement, the Company offered customers a $25 Loblaw Card, which can be used to purchase items sold in Loblaw grocery stores across Canada. The Company recorded a charge of $107 million associated with the Loblaw Card Program in the fourth quarter of 2017. In the first quarter of 2018, the Company recorded an additional charge of $19 million, the Company recorded a reversal of $11 million in the second quarter of 2018 and a reversal of $4 million in the third quarter of 2018.

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

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

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

Fair value adjustment to the Trust Unit Liability The Company is exposed to market price fluctuations as a result of the Units held by unitholders other than the Company. These Units are presented as a liability on the Company's condensed consolidated balance sheets as they are redeemable for cash at the option of the holder, subject to certain restrictions. This liability is recorded at fair value at each reporting date based on the market price of Units at the end of each period. An increase (decrease) in the market price of Units results in a charge (reduction) to net interest expense and other financing charges.

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

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

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

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

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

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

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

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

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018** **(16 weeks)**	2017[(4)] (16 weeks)	**2018** **(40 weeks)**	2017[(4)] (40 weeks)
Net earnings attributable to shareholders of the Company	**$ 109**	$ 886	**$ 542**	$ 1,483
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(9)**	(9)
Net earnings available to common shareholders of the Company	**$ 106**	$ 883	**$ 533**	$ 1,474
Net earnings attributable to shareholders of the Company	**$ 109**	$ 886	**$ 542**	$ 1,483
Adjusting items (refer to the following table)	**456**	(334)	**811**	(113)
Adjusted net earnings attributable to shareholders of the Company	**$ 565**	$ 552	**$ 1,353**	$ 1,370
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(9)**	(9)
Adjusted net earnings available to common shareholders of the Company	**$ 562**	$ 549	**$ 1,344**	$ 1,361
Diluted weighted average common shares outstanding (millions)	**376.3**	395.0	**380.0**	399.2

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

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

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

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

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars)	**2018 (16 weeks)**	2017[(4)] (16 weeks)	**2018 (40 weeks)**	2017[(4)] (40 weeks)
Cash flows from operating activities	**$ 1,162**	$ 872	**$ 2,187**	$ 2,123
Less:				
Capital investments	**384**	364	**852**	772
Interest paid	**460**	168	**712**	387
Free cash flow	**$ 318**	$ 340	**$ 623**	$ 964

Retail Debt to Rolling Year Retail Adjusted EBITDA, Rolling Year Adjusted Return on Equity and Rolling Year Adjusted Return on Capital The Company uses the following metrics to measure its leverage and profitability. The definitions of these ratios are presented below.

- ***Retail Debt to Rolling Year Retail Adjusted EBITDA*** Retail segment total debt divided by Retail segment adjusted EBITDA for the last four quarters.
- ***Rolling Year Adjusted Return on Equity*** Adjusted net earnings available to common shareholders of the Company for the last four quarters divided by average total equity attributable to common shareholders of the Company.
- ***Rolling Year Adjusted Return on Capital*** Tax-effected adjusted operating income for the last four quarters divided by average capital where capital is defined as total debt, plus equity attributable to shareholders of the Company, less cash and cash equivalents, and short term investments.

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

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

13. Additional Information

Additional information about the Company has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at sedar.com and with OSFI as the primary regulator for the Company's subsidiary, PC Bank.

November 13, 2018
Toronto, Canada

MD&A Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 127 of the Company's 2017 Annual Report.
(2) See Section 12 "Non-GAAP Financial Measures", which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.
(3) To be read in conjunction with Section 1 "Forward-Looking Statements".
(4) Comparative figures have been restated as a result of the implementation of IFRS 15, "Revenue from Contracts with Customers". See note 2 in the Company's 2018 third quarter unaudited interim period condensed consolidated financial statements.
(5) Comparative figures have been restated to conform with current year presentation.

Financial Results

Condensed Consolidated Statements of Earnings **46**

Condensed Consolidated Statements of Comprehensive Income **47**

Condensed Consolidated Statements of Changes in Equity **48**

Condensed Consolidated Balance Sheets **49**

Condensed Consolidated Statements of Cash Flows **50**

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements **51**

Note 1. Nature and Description of the Reporting Entity 51
Note 2. Significant Accounting Policies and Critical Accounting Estimates and Judgments 51
Note 3. Business Acquisitions 58
Note 4. Net Interest Expense and Other Financing Charges 60
Note 5. Income Taxes 60
Note 6. Basic and Diluted Net Earnings per Common Share 61
Note 7. Cash and Cash Equivalents, Short Term Investments and Security Deposits 61
Note 8. Credit Card Receivables 62
Note 9. Inventories 62
Note 10. Assets Held for Sale 62
Note 11. Other Assets 63
Note 12. Long Term Debt 63
Note 13. Other Liabilities 66
Note 14. Share Capital 67
Note 15. Equity-Based Compensation 68
Note 16. Post-Employment and Other Long Term Employee Benefits 70
Note 17. Financial Instruments 71
Note 18. Contingent Liabilities 73
Note 19. Segment Information 74
Note 20. Subsequent Events 78

Financial Summary **79**

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**October 6, 2018 (16 weeks)**	October 7, 2017[(i)] (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017[(i)] (40 weeks)
Revenue	**$ 14,453**	$ 14,192	**$ 35,743**	$ 35,676
Cost of Merchandise Inventories Sold	**10,041**	10,074	**24,757**	25,256
Selling, General and Administrative Expenses	**3,615**	2,882	**9,148**	8,062
Operating Income	**$ 797**	$ 1,236	**$ 1,838**	$ 2,358
Net interest expense and other financing charges (note 4)	**339**	119	**722**	407
Earnings Before Income Taxes	**$ 458**	$ 1,117	**$ 1,116**	$ 1,951
Income taxes (note 5)	**341**	223	**559**	458
Net Earnings	**$ 117**	$ 894	**$ 557**	$ 1,493
Attributable to:				
Shareholders of the Company (note 6)	**$ 109**	$ 886	**$ 542**	$ 1,483
Non-Controlling Interests	**8**	8	**15**	10
Net Earnings	**$ 117**	$ 894	**$ 557**	$ 1,493
Net Earnings per Common Share ($) (note 6)				
Basic	**$ 0.28**	$ 2.25	**$ 1.41**	$ 3.73
Diluted	**$ 0.28**	$ 2.24	**$ 1.40**	$ 3.69
Weighted Average Common Shares Outstanding (millions) (note 6)				
Basic	**374.6**	392.4	**377.6**	395.7
Diluted	**376.3**	395.0	**380.0**	399.2

(i) Certain comparative figures have been restated (note 2).

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	October 6, 2018 (16 weeks)	October 7, 2017[(i)] (16 weeks)	October 6, 2018 (40 weeks)	October 7, 2017[(i)] (40 weeks)
Net Earnings	**$ 117**	$ 894	**$ 557**	$ 1,493
Other comprehensive income (loss), net of taxes				
Items that are or may be subsequently reclassified to profit or loss:				
Foreign currency translation adjustment (loss) gain	**$ (2)**	$ 1	**$ (2)**	$ 2
Gain on cash flow hedges (note 17)	**3**	1	**4**	2
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial gains (losses) (note 16)	**60**	20	**74**	(23)
Other comprehensive income (loss), net of taxes	**$ 61**	$ 22	**$ 76**	$ (19)
Total Comprehensive Income	**$ 178**	$ 916	**$ 633**	$ 1,474
Attributable to:				
Shareholders of the Company	**$ 170**	$ 908	**$ 618**	$ 1,464
Non-Controlling Interests	**8**	8	**15**	10
Total Comprehensive Income	**$ 178**	$ 916	**$ 633**	$ 1,474

(i) Certain comparative figures have been restated (note 2).

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance at December 30, 2017[i]	$ 7,445	$ 221	$ 7,666	$ 5,280	$ 110	$ 36	$ 2	$ 38	$ 40	$13,134
Impact of adopting IFRS 9[i]	—	—	—	(72)	—	—	—	—	—	(72)
Restated balance as at December 31, 2017	$ 7,445	$ 221	$ 7,666	$ 5,208	$ 110	$ 36	$ 2	$ 38	$ 40	$13,062
Net earnings	—	—	—	542	—	—	—	—	15	557
Other comprehensive income (loss)	—	—	—	74	—	(2)	4	2	—	76
Total Comprehensive Income (Loss)	$ —	$ —	$ —	$ 616	$ —	$ (2)	$ 4	$ 2	$ 15	$ 633
Common shares purchased and cancelled (note 14)	(246)	—	(246)	(598)	—	—	—	—	—	(844)
Net effect of equity-based compensation (notes 14 and 15)	80	—	80	(11)	(8)	—	—	—	—	61
Shares released from trust (notes 15)	10	—	10	23	—	—	—	—	—	33
Dividends declared per common share – $0.860 (note 14)	—	—	—	(322)	—	—	—	—	—	(322)
Dividends declared per preferred share – $0.99375 (note 14)	—	—	—	(9)	—	—	—	—	—	(9)
Tax impact on conversion of Class C LP Units[ii] (note 3)	—	—	—	—	(8)	—	—	—	—	(8)
Net distribution to non-controlling interests	—	—	—	—	—	—	—	—	(8)	(8)
	$ (156)	$ —	$ (156)	$ (301)	$ (16)	$ (2)	$ 4	$ 2	$ 7	$ (464)
Balance at October 6, 2018	$ 7,289	$ 221	$ 7,510	$ 4,907	$ 94	$ 34	$ 6	$ 40	$ 47	$12,598

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance at December 31, 2016[i]	$ 7,692	$ 221	$ 7,913	$ 4,980	$ 112	$ 33	$ —	$ 33	$ 26	$13,064
Impact of adopting IFRS 15[i]	—	—	—	31	—	—	—	—	—	31
Restated balance as at January 1, 2017	$ 7,692	$ 221	$ 7,913	$ 5,011	$ 112	$ 33	$ —	$ 33	$ 26	$13,095
Net earnings[i]	—	—	—	1,483	—	—	—	—	10	1,493
Other comprehensive (loss) income	—	—	—	(23)	—	2	2	4	—	(19)
Total Comprehensive Income (Loss)	$ —	$ —	$ —	$ 1,460	$ —	$ 2	$ 2	$ 4	$ 10	$ 1,474
Common shares purchased and cancelled (note 14)	(257)	—	(257)	(680)	—	—	—	—	—	(937)
Net effect of equity-based compensation (notes 14 and 15)	28	—	28	—	(6)	—	—	—	—	22
Shares purchased and held in trust (note 14)	(13)	—	(13)	(35)	—	—	—	—	—	(48)
Shares released from trust (note 15)	18	—	18	27	—	—	—	—	—	45
Dividends declared per common share – $0.80 (note 14)	—	—	—	(316)	—	—	—	—	—	(316)
Dividends declared per preferred share – $0.99375 (note 14)	—	—	—	(9)	—	—	—	—	—	(9)
Net distribution to non-controlling interests	—	—	—	—	—	—	—	—	(12)	(12)
	$ (224)	$ —	$ (224)	$ 447	$ (6)	$ 2	$ 2	$ 4	$ (2)	$ 219
Balance at October 7, 2017	$ 7,468	$ 221	$ 7,689	$ 5,458	$ 106	$ 35	$ 2	$ 37	$ 24	$13,314

(i) Certain opening retained earnings adjustments have been made to reflect the implementation of IFRS 9 and 15 and a change in accounting policy (note 2).

(ii) Tax impact recorded in connection with the acquisition of CREIT (note 3).

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	**As at October 6, 2018**	As at October 7, 2017[(i)]	As at December 30, 2017[(i)]
Assets			
Current Assets			
Cash and cash equivalents (note 7)	**$ 1,314**	$ 1,510	$ 1,798
Short term investments (note 7)	**112**	331	546
Security deposits (note 7)	**402**	—	—
Accounts receivable	**1,085**	1,043	1,188
Credit card receivables (note 8)	**3,102**	2,918	3,100
Inventories (note 9)	**4,623**	4,379	4,438
Prepaid expenses and other assets	**335**	276	224
Assets held for sale (note 10)	**34**	30	33
Total Current Assets	**$ 11,007**	$ 10,487	$ 11,327
Fixed Assets	**10,630**	10,499	10,669
Equity Accounted Joint Ventures (note 3)	**735**	10	19
Investment Properties (note 3)	**4,998**	269	276
Intangible Assets	**7,933**	8,375	8,251
Goodwill (note 3)	**4,288**	3,920	3,922
Deferred Income Tax Assets	**147**	140	134
Franchise Loans Receivable (note 17)	**108**	147	166
Other Assets (note 11)	**506**	393	383
Total Assets	**$ 40,352**	$ 34,240	$ 35,147
Liabilities			
Current Liabilities			
Bank indebtedness	**$ 266**	$ 279	$ 110
Trade payables and other liabilities	**5,195**	4,580	5,233
Loyalty liability (note 2)	**267**	224	349
Provisions	**159**	97	283
Income taxes payable	**75**	129	128
Short term debt (note 8)	**690**	610	640
Long term debt due within one year (note 12)	**2,375**	1,027	1,635
Associate interest	**238**	245	263
Total Current Liabilities	**$ 9,265**	$ 7,191	$ 8,641
Provisions	**146**	100	169
Long Term Debt (note 12)	**12,289**	9,835	9,542
Trust Unit Liability (note 17)	**3,039**	978	972
Deferred Income Tax Liabilities	**2,375**	2,122	1,989
Other Liabilities (note 13)	**640**	700	700
Total Liabilities	**$ 27,754**	$ 20,926	$ 22,013
Equity			
Share Capital	**$ 7,510**	$ 7,689	$ 7,666
Retained Earnings	**4,907**	5,458	5,280
Contributed Surplus	**94**	106	110
Accumulated Other Comprehensive Income	**40**	37	38
Total Equity Attributable to Shareholders of the Company	**$ 12,551**	$ 13,290	$ 13,094
Non-Controlling Interests	**47**	24	40
Total Equity	**$ 12,598**	$ 13,314	$ 13,134
Total Liabilities and Equity	**$ 40,352**	$ 34,240	$ 35,147

(i) Certain comparative figures have been restated (note 2).

Contingent Liabilities (note 18). Subsequent Events (note 20).

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	**October 6, 2018 (16 weeks)**	October 7, 2017[i] (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017[i] (40 weeks)
Operating Activities				
Net earnings	**$ 117**	$ 894	**$ 557**	$ 1,493
Add (Deduct):				
Income taxes (note 5)	**341**	223	**559**	458
Net interest expense and other financing charges (note 4)	**339**	119	**722**	407
Adjustment to fair value of investment properties	**34**	—	**44**	—
Depreciation and amortization	**486**	476	**1,227**	1,196
Gain on disposition of gas bar operations	**—**	(501)	**—**	(501)
Asset impairments, net of recoveries	**15**	1	**17**	8
	$ 1,332	$ 1,212	**$ 3,126**	$ 3,061
Change in:				
Non-cash working capital	**37**	(42)	**(269)**	(185)
Credit card receivables (note 8)[ii]	**(73)**	(10)	**(100)**	8
Provisions	**(46)**	(19)	**(147)**	(22)
Other	**50**	(15)	**22**	(1)
	$ 1,300	$ 1,126	**$ 2,632**	$ 2,861
Income taxes paid	**(149)**	(259)	**(470)**	(749)
Interest received	**11**	5	**25**	11
Cash Flows from Operating Activities	**$ 1,162**	$ 872	**$ 2,187**	$ 2,123
Investing Activities				
Fixed asset purchases	**$ (282)**	$ (295)	**$ (600)**	$ (574)
Intangible asset additions	**(102)**	(69)	**(252)**	(198)
Acquisition of CREIT, net of cash acquired (note 3)	**—**	—	**(1,624)**	—
Cash assumed on initial consolidation of franchises (note 3)	**5**	6	**14**	18
Change in short term investments (note 7)	**257**	66	**434**	(90)
Change in security deposits (note 7)	**(402)**	—	**(402)**	—
Proceeds from disposal of assets	**26**	5	**43**	7
Proceeds from disposition of gas bar operations	**—**	540	**—**	540
Other	**(38)**	30	**(113)**	11
Cash Flows (used in) from Investing Activities	**$ (536)**	$ 283	**$ (2,500)**	$ (286)
Financing Activities				
Change in bank indebtedness	**$ 18**	$ (41)	**$ 156**	$ 164
Change in short term debt	**100**	50	**50**	(55)
Long Term Debt (note 12)				
Issued	**955**	53	**3,860**	320
Retired	**(927)**	(121)	**(2,241)**	(378)
Interest paid	**(460)**	(168)	**(712)**	(387)
Dividends paid on common and preferred shares	**(227)**	(217)	**(440)**	(327)
Common Share Capital				
Issued (note 15)	**24**	3	**62**	24
Purchased and held in trust (note 14)	**—**	—	**—**	(48)
Purchased and cancelled (note 14)	**—**	(485)	**(844)**	(937)
Other	**16**	11	**(60)**	(11)
Cash Flows (used in) from Financing Activities	**$ (501)**	$ (915)	**$ (169)**	$ (1,635)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 2**	$ (6)	**$ (2)**	$ (6)
Change in cash and cash equivalents	**$ 127**	$ 234	**$ (484)**	$ 196
Cash and cash equivalents, beginning of period	**1,187**	1,276	**1,798**	1,314
Cash and Cash Equivalents, End of Period	**$ 1,314**	$ 1,510	**$ 1,314**	$ 1,510

(i) Certain comparative figures have been restated (note 2).

(ii) Change in credit card receivables includes impact of IFRS 9 implementation (note 2).

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Note 1. Nature and Description of the Reporting Entity

Loblaw Companies Limited is a Canadian public company incorporated in 1956 and is Canada's food and pharmacy leader, the nation's largest retailer. Prior to November 1, 2018, Loblaw was the majority unitholder of Choice Properties Real Estate Investment Trust ("Choice Properties"). Loblaw Companies Limited provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, financial services, and wireless mobile products and services. Its registered office is located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S7. Loblaw Companies Limited and its subsidiaries are together referred to, in these unaudited interim period condensed consolidated financial statements, as the "Company" or "Loblaw".

The Company's controlling shareholder is George Weston Limited ("Weston"), which owns approximately 50.1% of the Company's outstanding common shares. The Company's ultimate parent is Wittington Investments, Limited ("Wittington"). The remaining common shares are widely held.

As at October 6, 2018, the Company has three reportable operating segments: Retail, Financial Services and Choice Properties, as described in Note 19 "Segment Information". As at October 6, 2018, the Company held an effective interest in Choice Properties of approximately 61.6% (2017 – 82.4%). During the second quarter of 2018, Choice Properties completed the acquisition of Canadian Real Estate Investment Trust ("CREIT"), as described in Note 3 "Business Acquisitions". The Company's effective interest reflects the issuance of 182,836,481 new Trust units to Trust Unitholders other than the Company in connection with the acquisition of CREIT.

On November 1, 2018, the Company and Weston completed a reorganization under which the Company spun out its approximate 61.6% effective interest in Choice Properties, as described in Note 20, "Subsequent Events". Following the reorganization, the Company will not hold any interest in Choice Properties.

The Company's business is affected by seasonality and timing of holidays, relative to the Company's interim periods. Accordingly, quarterly performance is not necessarily indicative of annual performance. Historically, the Company has earned more revenue in the fourth quarter relative to the preceding quarters in the Company's fiscal year.

Note 2. Significant Accounting Policies and Critical Accounting Estimates and Judgements

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company's 2017 audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements, with the exception of the accounting standards implemented in 2018 and other changes to significant accounting policies described below. These unaudited interim period condensed consolidated financial statements are presented in Canadian dollars.

Statement of Compliance These unaudited interim period condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2017 audited annual consolidated financial statements and accompanying notes.

These unaudited interim period condensed consolidated financial statements were approved for issuance by the Company's Board of Directors ("Board") on November 13, 2018.

Accounting Standards Implemented in 2018

On December 31, 2017, the Company implemented IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”) and IFRS 9, “Financial Instruments” (“IFRS 9”), in accordance with IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”. The impacts on implementation of IFRS 15 and IFRS 9 on the Company’s consolidated financial statements are described below.

IFRS 15 In 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers”, replacing IAS 18, “Revenue” (“IAS 18”), IAS 11, “Construction Contracts”, and related interpretations. IFRS 15 provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

The Company adopted the standard on December 31, 2017 and applied the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening retained earnings on January 1, 2017 and with the restatement of comparative periods. IFRS 15 permits the use of exemptions and practical expedients. The Company applied the practical expedient in which contracts that began and were completed within the same annual reporting period before December 30, 2017 or were completed on or before January 1, 2017 do not require restatement.

Under IFRS 15, the Company recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, including variable consideration to the extent that it is highly probable that a significant reversal will not occur.

Retail segment revenue includes the sale of goods and services to customers through corporate stores and consolidated franchise stores and Shoppers Drug Mart licensees (“Associates”), and sales to non-consolidated franchise stores and independent wholesale account customers. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, net of estimated returns and sales incentives. The Company recognizes revenue at the time the sale is made or service is delivered to its customers and at the time of delivery of inventory to non-consolidated franchises. Revenue also includes service fees from non-consolidated franchises and independent wholesale account customers, which are recognized when services are rendered.

On the initial sale of franchising arrangements, the Company offered products and services as part of an arrangement with multiple performance obligations. Prior to the implementation of the new, simplified franchise agreement (“Franchise Agreement”) implemented in 2015, the initial sale to non-consolidated franchise stores were recorded using a relative fair value approach.

For certain sale of goods in which the Company earns commissions, the Company records net revenue as an agent on the basis that the Company does not control pricing or bear inventory risk.

Financial Services segment revenue includes interest income on credit card loans, service fees, commissions, and other revenue related to financial services. Interest income is recognized using the effective interest method. Service fees are recognized when services are rendered. Commission revenue is recorded on a net basis. Other revenue is recognized periodically or according to contractual provisions.

Choice Properties segment revenue includes rental revenue on base rents earned from tenants under lease agreements, realty tax and operating cost recoveries and other incidental income, including intersegment revenue earned from the Retail segment. The rental revenue is recognized on a straight-line basis over the terms of the respective leases. Property tax and operating cost recoveries are recognized in the period that recoverable costs are chargeable to tenants. Percentage participation rents are recognized when tenants’ specified sales targets have been met as set out in the lease agreements.

The implementation of IFRS 15 did not have a significant impact on the Company’s Retail, Financial Services or Choice Properties segment revenue streams, including its franchise arrangements with non-consolidated stores. IFRS 15 impacted the allocation of revenue that is deferred in relation to the Company’s customer loyalty award programs. Under IAS 18 and related interpretations, revenue was allocated to the customer loyalty awards using the residual fair value method. Under this method, a portion of the consideration equaling the fair value of the points was allocated to the loyalty awards and deferred until the points were ultimately redeemed. The residual consideration was allocated to the goods and services sold and recognized as revenue. Under IFRS 15, consideration will be allocated between the loyalty awards and the goods and services on which the awards were earned, based on their relative stand-alone selling prices. Using this relative fair value approach, the amount allocated to the loyalty points and recorded as deferred revenue will be, on average, lower than the amounts allocated under the residual value method. The majority of the Company’s loyalty liability, which is a contract liability, is expected to be redeemed and recognized as revenue within one year of issuance.

In addition, in the fourth quarter of 2017, the Company recorded a charge before income taxes of $189 million under IAS 18 and related interpretations, related to the revaluation of the existing loyalty liability for outstanding points to reflect a higher anticipated redemption rate under the new *PC Optimum* program. Under IFRS 15, using the relative fair value approach, this revaluation of the loyalty liability decreased by $24 million, resulting in a charge before income taxes of $165 million.

The impact of the above changes on retained earnings as at January 1, 2017 and December 30, 2017 is as follows:

Consolidated Balance Sheets Increase (Decrease) (millions of Canadian dollars)	As at January 1, 2017	As at December 30, 2017
Loyalty liability	$ (43)	$ (64)
Income taxes payable	12	11
Deferred income tax liabilities	—	7
Retained earnings	31	46

The impact of this change on the comparative periods as at October 7, 2017, and for 16 weeks and 40 weeks ended October 7, 2017 is as follows:

Condensed Consolidated Balance Sheets Increase (Decrease) (millions of Canadian dollars)	As at October 7, 2017
Loyalty liability	$ (47)
Income taxes payable	13
Retained earnings	34

Condensed Consolidated Statements of Earnings Increase (Decrease) (millions of Canadian dollars)	 October 7, 2017 (16 weeks)	 (40 weeks)
Revenue	$ —	$ 4
Income taxes	—	1

The implementation of IFRS 15 had a nominal impact on earnings per share for the comparative periods.

IFRS 9 In 2014, the IASB issued IFRS 9, "Financial Instruments", replacing IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"), and related interpretations. IFRS 9 includes revised guidance on the classification and measurement of financial assets, including impairment and a new general hedge accounting model. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company implemented the new requirements for classification and measurement, impairment and general hedging on December 31, 2017 by applying the requirements for classification and measurement, including impairment, retrospectively with the cumulative effects of initial application recorded in opening retained earnings as at December 31, 2017 with no restatement of comparative periods. The Company also applied related amendments to IFRS 7, "Financial Instruments: Disclosures".

Classification and measurement IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income, and fair value through profit and loss. Financial liabilities are classified and measured based on two categories: amortized cost or fair value through profit and loss. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table summarizes the classification impacts upon adoption of IFRS 9. The adoption of the new classification requirements under IFRS 9 did not result in significant changes in measurement or the carrying amount of financial assets and liabilities, with the exception of credit card receivables as noted below.

Asset/Liability	Classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Fair value through profit and loss(i)	Amortized cost
Short term investments	Fair value through profit and loss(i)	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Credit card receivables	Loans and receivables	Amortized cost
Security deposits	Fair value through profit and loss(i)	Fair value through profit and loss
Franchise loans receivable	Loans and receivables	Amortized cost
Certain other assets(ii)	Loans and receivables	Amortized cost / fair value through profit and loss
Certain long term investments	Available-for-sale	Fair value through other comprehensive income
Bank indebtedness	Other liabilities	Amortized cost
Trade payables and other liabilities	Other liabilities	Amortized cost
Short term debt	Other liabilities	Amortized cost
Long term debt	Other liabilities	Amortized cost
Trust Unit Liability	Fair value through profit and loss(iii)	Fair value through profit and loss
Certain other liabilities	Other liabilities	Amortized cost
Derivatives	Fair value through profit and loss(iii)	Fair value through profit and loss

(i) Financial instruments designated at fair value through profit and loss.

(ii) Certain other assets include mortgages, notes and loans receivable which are classified as either amortized cost or fair value through profit and loss.

(iii) Financial instruments required to be classified at fair value through profit and loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Company identifies changes in its business model in managing financial assets.

Impairment IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (“ECL”) model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each balance sheet date, to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments.

IFRS 9 outlines a three-stage approach to recognizing ECL which is intended to reflect the increase in credit risks of a financial instrument. The Company applies the ECL model to assess for impairment on its financial assets at each balance sheet date. The Company, through President’s Choice Bank (“PC Bank”), recognizes loss allowances based on ECL on credit card receivables, which are measured at amortized cost. Credit card receivables are assessed collectively for impairment, applying the three-stage approach on assessing the impairment on credit card receivables as described below.

- Stage 1 is comprised of all financial instruments that have not had a significant increase in credit risks since initial recognition or that have low credit risk at the reporting date. PC Bank is required to recognize impairment for Stage 1 financial instruments based on the expected losses over the expected life of the instrument arising from loss events that could occur during the 12 months following the reporting date.
- Stage 2 is comprised of all financial instruments that have had a significant increase in credit risks since initial recognition but that do not have objective evidence of a credit loss event. For Stage 2 financial instruments the impairment is recognized based on the expected losses over the expected life of the instrument arising from loss events that could occur over the expected life. PC Bank is required to recognize a lifetime ECL for Stage 2 financial instruments.
- Stage 3 is comprised of all financial instruments that have objective evidence of impairment at the reporting date. PC Bank is required to recognize impairment based on a lifetime ECL for Stage 3 financial instruments.

In each stage of the impairment model, impairment is determined based on the probability of default, loss given default, and expected exposures at default on drawn and undrawn exposures on credit card receivables, discounted using an average portfolio yield rate. The application of the ECL model required PC Bank to apply the following significant judgments, assumptions and estimations:

- Movement of impairment measurement between the three stages of the ECL model, based on the assessment of increase in credit risks on credit card receivables. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- Thresholds for significant increase in credit risks based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- Forecasts of future economic conditions.

The ECL model had a significant impact on PC Bank's impairment of credit card receivables. The Company revised certain inputs of the ECL model since the implementation of IFRS 9 in the first quarter of 2018 and has retrospectively applied the impact of these revisions with no impact to earnings. As a result of the refinements, the cumulative impact arising from the ECL model on the impairment of credit card receivables as at December 31, 2017 was as follows:

Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at December 31, 2017
Credit card receivables	$ (98)
Deferred income tax assets	26
Income taxes payable	4
Deferred income tax liabilities	(4)
Retained earnings	(72)

The Company also applied ECL models to the assessment of impairment on trade receivables and other financial assets of the Company. The Company adopted the practical expedient to determine ECL on trade receivables using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL models applied to other financial assets also required judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. The provision matrix and ECL models applied do not have a material impact on trade receivables and other financial assets of the Company.

Impairment losses are recorded in selling, general and administrative expenses ("SG&A") in the consolidated statement of earnings with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed through the consolidated statement of earnings. The impairment reversal is limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

General hedging IFRS 9 requires the Company to ensure that hedge accounting relationships are aligned with the Company's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company's risk management strategy and hedging activities are disclosed in the Company's 2017 Annual Report – Financial Review, Note 30 "Financial Risk Management" and in this Quarterly Report, Note 17 "Financial Instruments".

Changes to Significant Accounting Policies

The following significant accounting policies reflect certain impacts to the presentation and measurement of the Company's unaudited interim period condensed consolidated financial statements, resulting from the acquisition of CREIT. Upon closing the acquisition, the significant accounting policies of CREIT were aligned to those of the Company.

Investment Properties Investment properties are properties owned by the Company that are held to either earn rental income, for capital appreciation, or both. The Company's investment properties include single tenant properties held to earn rental income and certain multiple tenant properties.

In conjunction with the acquisition of CREIT, the Company elected to change the measurement of investment properties from the cost model to the fair value model retrospectively with restatement. Prior to the second quarter of 2018, the Company recognized investment properties at cost less accumulated depreciation and any accumulated impairment losses.

Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Fair value is determined based on available market evidence. If market evidence is not readily available in less active markets, the Company uses alternative valuation methods such as discounted cash flow projections or recent transaction prices. Under the discounted cash flow methodology, discount rates are applied to the projected annual operating cash flows, generally over a minimum term of ten years, including a terminal value of the investment properties based on a capitalization rate applied to the estimated net operating income, a non-GAAP measure, in the terminal year. Gains and losses on fair value are recognized in operating income in the period in which they are incurred. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

The Company applied this change in accounting policy retrospectively in the second quarter of 2018. The impacts to the Company's comparative consolidated balance sheets are as follows:

Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at October 7, 2017	As at December 30, 2017	As at January 1, 2017
Investment properties	$ 41	$ 41	$ 41
Deferred income tax liabilities	5	5	5
Retained earnings	36	36	36

The change in accounting policy had no impact on net earnings for the comparative periods.

Joint Arrangements The Company, through Choice Properties, owns investments under joint arrangements. Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either joint operations or joint ventures depending on Choice Properties' rights and obligations in the arrangement based on factors such as the structure, legal form and contractual terms of the arrangement.

Joint Ventures A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

Choice Properties' investment in a joint venture is recorded using the equity method and is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize Choice Properties' share of the profit or loss and other comprehensive income of the joint venture. The Company's share of the joint venture's profit or loss is recognized in the Company's operating income and other comprehensive income.

The financial statements of the equity-accounted investment are prepared for the same reporting period as Choice Properties. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company's.

A joint venture is considered to be impaired if there is objective evidence of impairment, as a result of one or more events that occurred after initial recognition of the joint venture, and that event has a negative impact on the future cash flows of the joint venture that can be reliably estimated.

Joint Operations A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The financial statements of the joint operations are prepared for the same reporting period as Choice Properties. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company's. The Company recognizes its proportionate share of assets, liabilities, revenues and expenses of the joint operations.

Unit-Based Compensation Unit-Settled Restricted Units ("URUs") are accounted for as cash-settled awards. URUs entitle certain employees to receive the value of the URU award in Choice Properties' Trust Units ("Units") at the end of the applicable vesting period, which is generally three to five years in length. The URUs are subject to vesting conditions and disposition restrictions. The fair value of each URU granted is measured based on the market value of a Unit at the balance sheet date, less a discount to account for the disposition restrictions.

Critical Accounting Estimates and Judgments

The following critical accounting estimate and judgment reflects the Company's election to change the measurement of investment properties from the cost model to the fair value model in the second quarter of 2018.

Investment Properties

Judgments Made in Relation to Accounting Policies Applied Judgment is applied in determining whether certain costs are additions to the carrying value of investment properties, identifying the point at which substantial completion of the property occurs, and identifying the directly attributable borrowing costs to be included in the carrying value of the development property.

The Company, through Choice Properties, also applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations.

Key Sources of Estimation The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period, discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions relating to occupancy, rental rates and residual value. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors, which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

Future Accounting Standards

IFRS 16 In 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"), replacing IAS 17, "Leases" ("IAS 17") and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance or operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019. For leases where the Company is the lessee, it has the option of adopting a full retrospective approach or a modified retrospective approach on transition to IFRS 16. While early adoption is permitted if IFRS 15 has been adopted, the Company does not intend to early adopt IFRS 16.

The Company intends to adopt the standard on December 30, 2018 by applying the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening retained earnings as at December 30, 2018 using a modified retrospective approach with no restatement of the comparative period. IFRS 16 permits the use of exemptions and practical expedients. The Company intends to measure the cumulative effect of initial application by applying the use of hindsight in the determination of the lease term if the contract contains options to extend or terminate a lease and continues to evaluate the election of other available practical expedients.

During 2018, the Company has continued to assess the impact of the standard on the Company's business processes, internal controls over financial reporting, data systems, information technology, and financing and compensation arrangements. The Company has implemented a lease management system and continues to refine and validate the inputs and key assumptions used in its IFRS 16 calculation. Based on a preliminary assessment, the adoption of IFRS 16 will result in a material increase in total assets, long term debt, and deferred income taxes, with any difference between the recognition of right-of-use assets and associated lease liabilities impacting opening retained earnings. On a go-forward basis, there will be a decrease in rent expense and an increase in depreciation and amortization and net interest expense and other financing charges. The Company expects to disclose its preliminary financial impacts of IFRS 16 in its 2018 Annual Report.

Subsequent to the completion of the spin-out of Choice Properties on November 1, 2018, leases between Loblaw, as the lessee, and Choice Properties, as the lessor, will be included in the scope of IFRS 16. The inclusion of these leases will materially increase the impact of the standard on the Company's consolidated financial statements.

Note 3. Business Acquisitions

Consolidation of Franchises The Company accounts for the consolidation of existing franchises as business acquisitions and consolidates its franchises as of the date the franchisee enters into a Franchise Agreement with the Company. The assets acquired and liabilities assumed through the consolidation are valued at the acquisition date using fair values, which approximate the franchise carrying values at the date of acquisition. The results of operations of the acquired franchises are included in the Company's results of operations from the date of acquisition.

The following table summarizes the amounts recognized for the assets acquired, the liabilities assumed and the non-controlling interests recognized at the acquisition dates:

(millions of Canadian dollars)	**October 6, 2018 (16 weeks)**	October 7, 2017 (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017 (40 weeks)
Net Assets Acquired:				
Cash and cash equivalents	**$ 5**	$ 6	**$ 14**	$ 18
Inventories	**20**	20	**53**	51
Fixed assets	**26**	22	**67**	55
Trade payables and other liabilities[(i)]	**(12)**	(12)	**(28)**	(30)
Other liabilities[(i)]	**(37)**	(40)	**(97)**	(93)
Non-controlling interests	**(2)**	4	**(9)**	(1)
Total Net Assets Acquired	**$ —**	$ —	**$ —**	$ —

(i) On consolidation, Trade payables and other liabilities and Other Liabilities eliminate against existing Accounts receivable, Franchise Loans Receivable and franchise investments held by the Company.

Choice Properties' Acquisition of CREIT

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

In connection with the acquisition, Choice Properties arranged a new $1,500 million committed revolving credit facility. Concurrent with closing of the acquisition, Choice Properties repaid and cancelled its existing credit facilities and those acquired from CREIT (note 12).

Also, concurrent with the closing of the acquisition, the Company, Choice Properties' controlling unitholder, converted all of its outstanding Class C LP Units with the face value of $925 million into Class B LP Units of Choice Properties Limited Partnership. Choice Properties issued to the Company 70,881,226 Class B LP Units upon the conversion and the shortfall in value of approximately $99 million was paid in cash. In connection with this conversion, the Company recognized capital gains income tax expense of $8 million in contributed surplus.

The cash portion of the acquisition and other transactions in relation to CREIT was financed as follows:

- $1,300 million of proceeds from the issuance of senior unsecured debentures Series K and L (note 12); and
- $800 million unsecured term loan facilities (note 12).

The preliminary purchase equation is based on management's best estimate of fair value. The actual amount allocated to certain identifiable net assets could vary as the purchase equation is finalized. The preliminary purchase price allocation at the acquisition date is as follows:

(millions of Canadian dollars)		As at May 4, 2018
Net Assets Acquired:		
Cash and cash equivalents	$	28
Accounts receivable and other assets		45
Mortgages, loans and notes receivable[(i)]		204
Equity accounted joint ventures		683
Investment properties		4,730
Intangible assets		30
Goodwill		355
Trade payables and other liabilities		(171)
Long term debt		(1,841)
Deferred income tax liabilities		(355)
Total Net Assets Acquired	$	3,708

(i) Included in Other Assets on the unaudited interim period condensed consolidated balance sheets.

Choice Properties has one year to finalize the fair value of the assets acquired and the liabilities assumed and does not expect significant changes from the amounts presented above.

The goodwill is generated on consolidation of Choice Properties and is attributable to deferred income tax recorded on temporary differences arising between the fair value of the investment properties acquired and their respective income tax bases for the Company's effective ownership interest in Choice Properties. The goodwill arising from this acquisition is not deductible for tax purposes. Management has preliminarily allocated this goodwill to the Retail segment.

As at October 6, 2018, on a year-to-date basis, the Company, through Choice Properties incurred costs totaling $130 million related to the acquisition of CREIT which were recorded in SG&A. Of this amount, $108 million was recognized during the second quarter of 2018 and $10 million was recognized in the third quarter of 2018.

Included in the unaudited interim period condensed consolidated financial statements, on a year-to-date basis, is approximately $170 million in revenue and $121 million of operating income related to CREIT since the date of acquisition, excluding the impact of acquisition transaction costs and any adjustment to the fair value of the investment properties acquired.

On a year-to-date pro forma basis, the impact of the CREIT acquisition on the Company's revenue and net income in 2018 would have amounted to approximately $306 million and $5 million, respectively, excluding the impact of acquisition transaction costs and other related expenses and any adjustment to the fair value of the investment properties acquired. This pro forma information incorporates the effect of the preliminary purchase equation as if the acquisition had been effective December 31, 2017.

Investment Properties As part of the acquisition of CREIT, the Company acquired investment properties of $4.7 billion, of which a sample of 78 investment properties and equity accounted investments, representing $2.7 billion of the value, were independently appraised. In addition, Choice Properties has engaged independent nationally-recognized valuation firms to appraise the investment properties such that substantially all of the portfolio will be independently appraised at least once over a five-year period. As at October 6, 2018, the Company recognized a fair value loss before income taxes of $43 million, of which $34 million was recorded in the third quarter of 2018, related to these investment properties.

Joint Ventures Choice Properties accounts for its investments in joint ventures using the equity method. These investments hold development properties and some income-producing properties. As part of the acquisition of CREIT, Choice Properties acquired 23 equity accounted joint ventures.

Co-Ownership Property Interests Choice Properties acquired 45 co-owned property interests, joint operations, as of part of the acquisition of CREIT. The Company's proportionate share of the related assets, liabilities, revenue and expenses of these properties are included in the unaudited interim period condensed consolidated financial statements.

Note 4. Net Interest Expense and Other Financing Charges

The components of net interest expense and other financing charges were as follows:

(millions of Canadian dollars)	**October 6, 2018 (16 weeks)**	October 7, 2017 (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017 (40 weeks)
Interest expense and other financing charges:				
Long term debt[(i)]	**$ 165**	$ 134	**$ 416**	$ 343
Borrowings related to credit card receivables	**12**	6	**30**	21
Trust Unit distributions[(ii)]	**48**	13	**97**	39
Post-employment and other long term employee benefits (note 16)	**3**	3	**8**	7
Independent funding trusts	**6**	5	**14**	12
Bank indebtedness	**2**	2	**6**	5
Capitalized interest	**(1)**	—	**(3)**	(2)
	$ 235	$ 163	**$ 568**	$ 425
Interest income:				
Accretion income	**$ (1)**	$ (3)	**$ (4)**	$ (8)
Short term interest income	**(9)**	(8)	**(24)**	(12)
	$ (10)	$ (11)	**$ (28)**	$ (20)
Fair value adjustment to the Trust Unit Liability (note 17)	**$ (62)**	$ (33)	**$ 6**	$ 2
Charge related to Glenhuron Bank Limited (note 5)	**176**	—	**176**	—
Net interest expense and other financing charges	**$ 339**	$ 119	**$ 722**	$ 407

(i) Includes interest on debt assumed from the acquisition of CREIT.
(ii) Choice Properties issued 182,836,481 new Trust units to Trust Unitholders other than the Company in connection with the acquisition of CREIT (note 3).

Note 5. Income Taxes

Income tax expense in the third quarter of 2018 was $341 million (2017 – $223 million) and the effective income tax rate was 74.5% (2017 – 20.0%). Year-to-date income tax expense was $559 million (2017 – $458 million) and the effective income tax rate was 50.1% (2017 – 23.5%). The increase in the effective tax rate in the third quarter of 2018 and year-to-date was primarily attributable to a charge of $191 million related to Glenhuron Bank Limited ("Glenhuron"), as well as the impact of other non-deductible items.

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

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

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

In the first quarter of 2018, voting control of the Company was acquired by a related group, which included Weston and Wittington, which resulted in certain adjustments for tax purposes during the first quarter of 2018.

Note 6. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**October 6, 2018 (16 weeks)**	October 7, 2017 (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017[(i)] (40 weeks)
Net earnings attributable to shareholders of the Company	**$ 109**	$ 886	**$ 542**	$ 1,483
Dividends on Preferred Shares in Equity (note 14)	**(3)**	(3)	**(9)**	(9)
Net earnings available to common shareholders	**$ 106**	$ 883	**$ 533**	$ 1,474
Weighted average common shares outstanding (in millions) (note 14)	**374.6**	392.4	**377.6**	395.7
Dilutive effect of equity-based compensation (in millions)	**1.7**	2.1	**1.7**	3.0
Dilutive effect of certain other liabilities (in millions)	**—**	0.5	**0.7**	0.5
Diluted weighted average common shares outstanding (in millions)	**376.3**	395.0	**380.0**	399.2
Basic net earnings per common share ($)	**$ 0.28**	$ 2.25	**$ 1.41**	$ 3.73
Diluted net earnings per common share ($)	**$ 0.28**	$ 2.24	**$ 1.40**	$ 3.69

(i) Certain comparative figures have been restated (note 2).

In the third quarter of 2018, 4,623,484 (2017 – 2,681,082) and year-to-date 3,874,887 (2017 – 2,681,082) potentially dilutive instruments were excluded from the computation of diluted net earnings per common share as they were anti-dilutive.

Note 7. Cash and Cash Equivalents, Short Term Investments and Security Deposits

The components of cash and cash equivalents and short term investments were as follows:

Cash and Cash Equivalents

(millions of Canadian dollars)	**As at October 6, 2018**	As at October 7, 2017	As at December 30, 2017
Cash	**$ 670**	$ 462	$ 516
Cash equivalents:			
Government treasury bills	**281**	469	232
Bankers' acceptances	**312**	420	649
Corporate commercial paper	**51**	159	401
Total cash and cash equivalents	**$ 1,314**	$ 1,510	$ 1,798

Short Term Investments

(millions of Canadian dollars)	**As at October 6, 2018**	As at October 7, 2017	As at December 30, 2017
Government treasury bills	**$ 36**	$ 53	$ 40
Bankers' acceptances	**47**	209	295
Corporate commercial paper	**29**	67	209
Other	**—**	2	2
Total short term investments	**$ 112**	$ 331	$ 546

Security Deposits

(millions of Canadian dollars)	**As at October 6, 2018[i]**	As at October 7, 2017	As at December 30, 2017
Bankers' acceptances	**$ 269**	$ —	$ —
Government treasury bills	**133**	—	—
Total security deposits	**$ 402**	$ —	$ —

(i) Security deposits relate to funds held by PC Bank for the repayment of *Eagle* 2013-1 notes repaid on October 17, 2018 (note 12).

Note 8. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	**As at October 6, 2018**	As at October 7, 2017	As at December 30, 2017
Gross credit card receivables	**$ 3,265**	$ 2,964	$ 3,147
Allowance on credit card receivables[i]	**(163)**	(46)	(47)
Credit card receivables	**$ 3,102**	$ 2,918	$ 3,100
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust* (note 12)	**$ 1,150**	$ 650	$ 900
Securitized to Other Independent Securitization Trusts	**690**	610	640
Total securitized to independent securitization trusts	**$ 1,840**	$ 1,260	$ 1,540

(i) Allowance on credit card receivables as at October 6, 2018 includes the impact of the implementation of IFRS 9 (note 2).

The Company, through PC Bank, participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors the co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle Credit Card Trust ("Eagle")* and Other Independent Securitization Trusts, in accordance with its financing requirements.

The associated liability of *Eagle* is recorded in long term debt (note 12). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt.

As at October 6, 2018, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was $62 million (October 7, 2017 – $66 million; December 30, 2017 – $62 million), which represented 9% (October 7, 2017 – 11% and December 30, 2017 – 10%) of the securitized credit card receivables amount.

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at October 6, 2018 and throughout 2018.

Note 9. Inventories

For inventories recorded as at October 6, 2018, the Company recorded an inventory provision of $35 million (October 7, 2017 – $27 million; December 30, 2017 – $39 million), for the write-down of inventories below cost to net realizable value. The write-down was included in cost of merchandise inventories sold. There were no reversals of previously recorded write-downs of inventories during the quarter and year-to-date ended October 6, 2018 and October 7, 2017.

Note 10. Assets Held for Sale

The Company classifies certain assets, primarily land and buildings, that it intends to dispose of in the next 12 months, as assets held for sale. These assets were previously used in the Company's retail business segment. In the third quarter of 2018, the Company recorded a nominal loss (2017 – nil) from the sale of these assets. Nominal impairment charges were recognized on these assets during the third quarter of 2018 (2017 – nil).

Note 11. Other Assets

The components of other assets were as follows:

(millions of Canadian dollars)	**As at October 6, 2018**	As at October 7, 2017	As at December 30, 2017
Sundry investments and other receivables	**$ 65**	$ 68	$ 56
Accrued benefit plan asset	**208**	147	147
Mortgages, loans and notes receivable[(i)]	**197**	30	29
Other	**95**	175	177
Total Other Assets	**$ 565**	$ 420	$ 409
Current portion of mortgages, loans and notes receivable[(ii)]	**59**	27	26
Other Assets	**$ 506**	$ 393	$ 383

(i) In connection with the acquisition of CREIT, the Company assumed Mortgages, loans and notes receivable of $204 million (note 3).

(ii) Current portion of mortgages, loans and notes receivable are included in prepaid expenses and other assets in the unaudited interim period condensed consolidated balance sheets.

Note 12. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	**As at October 6, 2018**	As at October 7, 2017	As at December 30, 2017
Debentures and Medium Term Notes[(i)]	**$ 8,992**	$ 7,377	$ 7,387
Unsecured Term Loan Facilities	**800**	298	298
Long Term Debt Secured by Mortgage[(i)]	**1,329**	75	81
Construction Loans[(i)]	**18**	—	—
Guaranteed Investment Certificates	**981**	889	852
Independent Securitization Trust (note 8)	**1,150**	650	900
Independent Funding Trusts	**545**	551	551
Finance Lease Obligations	**546**	577	568
Committed Credit Facilities[(i)]	**340**	465	561
Transaction costs and other	**(37)**	(20)	(21)
Total Long Term Debt	**$ 14,664**	$ 10,862	$ 11,177
Long Term Debt due within one year	**2,375**	1,027	1,635
Long Term Debt	**$ 12,289**	$ 9,835	$ 9,542

(i) In connection with the acquisition of CREIT, on May 4, 2018 the Company assumed Mortgages of $1.3 billion, Medium Term Notes of $450 million and Construction loans of $10 million. The Company also assumed a credit facility of $70 million, which was repaid in the second quarter of 2018 (note 3).

The Company and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at October 6, 2018 and throughout the year, the Company and Choice Properties were in compliance with their respective covenants.

Debentures and Medium Term Notes The following table summarizes the debentures and Medium Term Notes ("MTNs") issued or assumed in 2018. There were no MTNs issued in the third quarter of 2018 and in the comparative periods in 2017.

			October 6, 2018 (40 weeks)
(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	Principal Amount
Choice Properties senior unsecured debentures			
– Series I(i)	3.01%	March 21, 2022	$ 300
– Series J(i)	3.55%	January 10, 2025	350
– Series K(ii)	3.56%	September 9, 2024	550
– Series L(ii)	4.18%	March 8, 2028	750
– Series A-C(iii)	3.68%	July 24, 2018	125
– Series B-C(iii)	4.32%	January 15, 2021	100
– Series C-C(iii)	2.56%	November 30, 2019	100
– Series D-C(iii)	2.95%	January 18, 2023	125
Total Debentures and MTNs issued			$ 2,400

(i) Offerings were made under the Choice Properties' Short Form Base Shelf Prospectus filed in the first quarter of 2018.

(ii) The net proceeds from the issuance of Series K and L were held in escrow as a part of the financing for the acquisition of CREIT. During the second quarter of 2018, the Company completed the acquisition of CREIT and the proceeds were released from escrow (note 3).

(iii) Assumed by the Company in connection with the acquisition of CREIT (note 3).

The following table summarizes the debentures, unsecured term loan facilities, and MTNs repaid in 2018 and 2017:

			October 6, 2018 (16 weeks)	October 7, 2017 (16 weeks)	October 6, 2018 (40 weeks)	October 7, 2017 (40 weeks)
(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	Principal Amount	Principal Amount	Principal Amount	Principal Amount
Shoppers Drug Mart Corporation Notes	2.36%	May 24, 2018	$ —	$ —	$ 275	$ —
Loblaw Companies Limited – Term Loan(i)	Variable	Mar 28, 2019	48	—	48	—
Loblaw Companies Limited – Term Loan(ii)	Variable	Mar 28, 2019	250	—	250	—
Choice Properties senior unsecured debentures – Series A-C	3.68%	July 24, 2018	125	—	125	—
Choice Properties senior unsecured debentures – Series A	3.55%	July 5, 2018(iii)	—	—	400	—
Choice Properties senior unsecured debentures – Series 6	3.00%	April 20, 2017(iv)	—	—	—	200
Total Debentures, Unsecured Term Loan Facilities, and MTNs repaid			$ 423	$ —	$ 1,098	$ 200

(i) Loblaw unsecured term loan facility bearing interest at variable rates of either Prime plus 0.45% or Bankers' Acceptance rate plus 1.45% were redeemed on August 29, 2018.

(ii) Loblaw unsecured term loan facility bearing interest at variable rates of either Prime plus 0.13% or Bankers' Acceptance rate plus 1.13% were redeemed on August 29, 2018.

(iii) Choice Properties Series A unsecured debentures were redeemed on February 12, 2018.

(iv) Choice Properties Series 6 unsecured debentures were redeemed on January 23, 2017.

Unsecured Term Loan Facilities In the second quarter of 2018, Choice Properties obtained $800 million through two unsecured term loan facilities, one $175 million 4-year unsecured term loan provided by a syndicate of lenders maturing May 4, 2022 and one $625 million 5-year unsecured term loan provided by a syndicate of lenders maturing May 4, 2023. The term loans bear interest at variable rates of either Prime plus 0.45% or Bankers' Acceptance rate plus 1.45%. The pricing of these term loans is contingent on Choice Properties credit ratings from DBRS and S&P remaining at "BBB".

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates activity, before commissions, during 2018 and 2017:

(millions of Canadian dollars)	**October 6, 2018 (16 weeks)**	October 7, 2017 (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017 (40 weeks)
Balance, beginning of period	**$ 950**	$ 923	**$ 852**	$ 928
Guaranteed Investment Certificates issued	**117**	1	**269**	8
Guaranteed Investment Certificates matured	**(86)**	(35)	**(140)**	(47)
Balance, end of period	**$ 981**	$ 889	**$ 981**	$ 889

Independent Securitization Trust The notes issued by *Eagle* are MTNs, which are collateralized by PC Bank's credit card receivables (see note 8). As at October 6, 2018, the aggregate gross potential liability under letters of credit for the benefit of *Eagle* was $36 million (October 7, 2017 and December 30, 2017 – $36 million), which represented 9% (October 7, 2017 and December 30, 2017 – 9%) of the outstanding *Eagle* notes issued prior to 2015.

During the third quarter of 2018, *Eagle* issued $250 million of senior and subordinated term notes with a maturity date of July 17, 2023 at a weighted average interest rate of 3.10%. In connection with this issuance, $250 million of bond forward agreements were settled, resulting in a realized fair value loss of $1 million and a net effective interest rate of 3.15% on the *Eagle* notes issued.

Subsequent to the third quarter of 2018, $400 million 2.91% senior and subordinated term notes issued by *Eagle* matured and were repaid.

Independent Funding Trusts The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts. As at October 6, 2018, the Company has agreed to provide a credit enhancement of $64 million (October 7, 2017 and December 30, 2017 – $64 million) for the benefit of the independent funding trusts, representing not less than 10% (October 7, 2017 and December 30, 2017 – not less than 10%) of the principal amount of loans outstanding.

Committed Credit Facilities The components of the committed lines of credit as of October 6, 2018, October 7, 2017 and December 30, 2017 were as follows:

		As at October 6, 2018		As at October 7, 2017		As at December 30, 2017	
(millions of Canadian dollars)	Maturity Date	**Available Credit**	**Drawn**	Available Credit	Drawn	Available Credit	Drawn
Loblaw Committed Credit Facility	June 10, 2021	**$ 1,000**	**$ —**	$ 1,000	$ —	$ 1,000	$ —
Choice Properties Committed Bi-lateral Credit Facility	December 21, 2018	**—**	**—**	250	250	250	250
Choice Properties Committed Syndicated Credit Facility	July 5, 2022	**—**	**—**	500	215	500	311
Choice Properties Committed Syndicated Credit Facility	May 4, 2023	**1,500**	**340**	—	—	—	—
Total Committed Lines of Credit		**$ 2,500**	**$ 340**	$ 1,750	$ 465	$ 1,750	$ 561

In the first half of 2018, Choice Properties repaid and cancelled the $250 million Committed Bi-lateral Credit Facility and the $500 million Committed Syndicated Credit Facility.

During the second quarter of 2018, Choice properties entered into a new syndicated $1,500 million senior unsecured committed revolving credit facility maturing May 4, 2023. The credit facility bears interest at variable rates of either: Prime plus 0.45% or Bankers' Acceptance rate plus 1.45%. The pricing of this credit facility is contingent on Choice Properties credit ratings from DBRS and S&P remaining at "BBB".

Long Term Debt Due Within One Year The following table summarizes long term debt due within one year:

(millions of Canadian dollars)	**As at October 6, 2018**	As at October 7, 2017	As at December 30, 2017
Debentures and MTNs	**$ 800**	$ —	$ —
Choice Properties Debentures	**200**	400	400
Shoppers Drug Mart Corporation Notes	**—**	275	275
Guaranteed Investment Certificates	**209**	232	193
Independent Securitization Trust	**400**	—	400
Independent Funding Trust	**545**	—	—
Finance Lease Obligations	**41**	46	44
Long term debt secured by mortgage	**180**	74	73
Choice Properties Credit Facility	**—**	—	250
Long term debt due within one year	**$ 2,375**	$ 1,027	$ 1,635

Reconciliation of Long term debt The following table reconciles the changes in cash flows from financing activities for long term debt:

(millions of Canadian dollars)	**October 6, 2018 (16 weeks)**	October 7, 2017 (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017 (40 weeks)
Total Long Term Debt, beginning of period	**$ 14,626**	$ 10,919	**$ 11,177**	$ 10,870
Total debt assumed on acquisition of CREIT (note 3)	**$ —**	$ —	**$ 1,840**	$ —
Long Term Debt issuances(i)	**$ 955**	$ 53	**$ 3,860**	$ 320
Long Term Debt repayments(ii)	**(927)**	(121)	**(2,241)**	(378)
Total cash flow from Long Term Debt Financing Activities	**$ 28**	$ (68)	**$ 1,619**	$ (58)
Finance Lease additions	**$ 6**	$ 1	**$ 13**	$ 13
Other non-cash changes	**4**	10	**15**	37
Total non-cash Long Term Debt activity	**$ 10**	$ 11	**$ 28**	$ 50
Total Long Term Debt, end of period	**$ 14,664**	$ 10,862	**$ 14,664**	$ 10,862

(i) Includes net issuances from Choice Properties' credit facilities and the Independent Funding Trust, which are revolving debt instruments.
(ii) Includes repayments on Finance Lease Obligations of $25 million (2017 – $29 million) and $64 million year-to-date (2017 – $73 million).

Note 13. Other Liabilities

The components of other liabilities were as follows:

(millions of Canadian dollars)	**As at October 6, 2018**	As at October 7, 2017	As at December 30, 2017
Net defined benefit plan obligation	**$ 294**	$ 324	$ 325
Other long term employee benefit obligation	**102**	99	108
Deferred lease obligation	**144**	135	140
Fair value of acquired leases	**57**	68	65
Equity-based compensation liability (note 15)	**5**	4	4
Other	**38**	70	58
Other liabilities	**$ 640**	$ 700	$ 700

Note 14. Share Capital

Common Shares (authorized – unlimited) Common shares issued are fully paid and have no par value. The activity in the common shares issued and outstanding during the periods was as follows:

	October 6, 2018 (16 weeks)		October 7, 2017 (16 weeks)		**October 6, 2018 (40 weeks)**		October 7, 2017 (40 weeks)	
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	**374,582,150**	**$ 7,260**	395,248,907	$ 7,619	**386,293,941**	**$ 7,460**	400,829,870	$ 7,713
Issued for settlement of stock options	**666,171**	**34**	70,094	4	**1,621,089**	**80**	572,024	28
Purchased and cancelled	**—**	**—**	(7,193,156)	(139)	**(12,666,709)**	**(246)**	(13,276,049)	(257)
Issued and outstanding, end of period	**375,248,321**	**$ 7,294**	388,125,845	$ 7,484	**375,248,321**	**$ 7,294**	388,125,845	$ 7,484
Shares held in trust, beginning of period	**(271,777)**	**$ (5)**	(858,806)	$ (16)	**(780,938)**	**$ (15)**	(1,105,620)	$ (21)
Purchased for future settlement of RSUs and PSUs	**—**	**—**	—	—	**—**	**—**	(686,000)	(13)
Released for settlement of RSUs and PSUs (note 15)	**33,726**	**—**	33,159	—	**542,887**	**10**	965,973	18
Shares held in trust, end of period	**(238,051)**	**$ (5)**	(825,647)	$ (16)	**(238,051)**	**$ (5)**	(825,647)	$ (16)
Issued and outstanding, net of shares held in trust, end of period	**375,010,270**	**$ 7,289**	387,300,198	$ 7,468	**375,010,270**	**$ 7,289**	387,300,198	$ 7,468
Weighted average outstanding, net of shares held in trust (note 6)	**374,608,772**		392,384,392		**377,587,465**		395,701,411	

Dividends The following table summarizes the Company's cash dividends declared for the periods as indicated:

	October 6, 2018(i) (16 weeks)	October 7, 2017 (16 weeks)	**October 6, 2018(i) (40 weeks)**	October 7, 2017 (40 weeks)
Dividends declared per share ($):				
Common Share	**$ 0.295**	$ 0.270	**$ 0.860**	$ 0.800
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125	**$ 0.99375**	$ 0.99375

(i) The third quarter dividends for 2018 of $0.295 per share declared on common shares had a payment date of October 1, 2018. The third quarter dividends for 2018 of $0.33125 per share declared on Second Preferred Shares, Series B had a payment date of September 30, 2018.

(millions of Canadian dollars)	**October 6, 2018 (16 weeks)**	October 7, 2017 (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017 (40 weeks)
Dividends declared:				
Common Share	**$ 109**	$ 106	**$ 322**	$ 316
Second Preferred Share, Series B (note 6)	**3**	3	**9**	9
Total dividends declared	**$ 112**	$ 109	**$ 331**	$ 325

Subsequent to the end of the third quarter of 2018, the Board declared a quarterly dividend of $0.295 per common share, payable on December 30, 2018 to shareholders of record on December 15, 2018 and a dividend on the Second Preferred Shares, Series B of $0.33125 per share payable on December 31, 2018 to shareholders of record on December 15, 2018.

Normal Course Issuer Bid Activity under the Company's Normal Course Issuer Bid ("NCIB") during the periods was as follows:

(millions of Canadian dollars except where otherwise indicated)	**October 6, 2018 (16 weeks)**	October 7, 2017 (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017 (40 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)	**—**	7,193,156	**12,666,709**	13,276,049
Cash consideration paid	**$ —**	$ 485	**$ 844**	$ 937
Premium charged to Retained Earnings	**—**	346	**598**	680
Reduction in Common Share Capital	**—**	139	**246**	257
Common shares repurchased under the NCIB and held in trust (number of shares)	**—**	—	**—**	686,000
Cash consideration paid	**$ —**	$ —	**$ —**	$ 48
Premium charged to Retained Earnings	**—**	—	**—**	35
Reduction in Common Share Capital	**—**	—	**—**	13

In the first quarter of 2018, the Company entered into and completed an automatic share purchase plan ("ASPP") with a broker in order to facilitate repurchases of the Company's common shares under its current NCIB. Under the Company's ASPP, the Company's broker purchased common shares at times when the Company ordinarily would not be active in the market.

In the second quarter of 2018, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 18,952,573 of the Company's common shares, representing approximately 5% of outstanding common shares. In accordance with the rules and by-laws of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares. As at October 6, 2018, the Company has purchased 4,559,682 common shares under its current NCIB.

In the third quarter of 2018, the Company did not repurchase any common shares under its NCIB.

Note 15. Equity-Based Compensation

The Company's equity-based compensation expense, which includes Loblaw Stock Option, Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), Director Deferred Share Unit, Executive Deferred Share Unit plans, and the unit-based compensation plans of Choice Properties, was $16 million for the third quarter of 2018 (2017 – $15 million) and $38 million year-to-date (2017 – $45 million). The expense was recognized in operating income.

The carrying amount of the Company's equity-based compensation arrangements are recorded on the condensed consolidated balance sheets as follows:

(millions of Canadian dollars)	**As at October 6, 2018**	As at October 7, 2017	As at December 30, 2017
Trade payables and other liabilities	**$ 8**	$ 10	$ 11
Other liabilities (note 13)	**5**	4	4
Contributed surplus	**102**	106	110

The following are details related to the equity-based compensation plans of the Company:

Stock Option Plan The following is a summary of the Company's stock option plan activity:

(number of options)	**October 6, 2018 (16 weeks)**	October 7, 2017 (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017 (40 weeks)
Outstanding options, beginning of period	**7,917,849**	8,131,926	**7,487,774**	7,322,358
Granted	**8,140**	116,125	**1,643,933**	1,569,782
Exercised	**(666,171)**	(70,094)	**(1,621,089)**	(572,024)
Forfeited/cancelled	**(517,622)**	(70,867)	**(768,422)**	(213,026)
Outstanding options, end of period	**6,742,196**	8,107,090	**6,742,196**	8,107,090

During the third quarter of 2018, the Company granted stock options with a weighted average exercise price of $68.43 (2017 – $67.81) and $66.20 year-to-date (2017 – $70.04). In addition, the Company issued common shares on the exercise of stock options with a weighted average share price during the third quarter of 2018 of $67.49 (2017 – $69.14) and $66.73 year-to-date (2017 – $73.18) and received cash consideration of $24 million (2017 – $3 million) and $62 million year-to-date (2017 – $24 million).

The fair value of stock options granted during the third quarter of 2018 was nominal (2017 – $1 million) and $15 million year-to-date (2017 – $15 million). The assumptions used to measure the fair value of options granted during 2018 and 2017 under the Black-Scholes valuation model at date of grant were as follows:

	October 6, 2018 (16 weeks)	October 7, 2017 (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017 (40 weeks)
Expected dividend yield	**1.7%**	1.6%	**1.7%**	1.5%
Expected share price volatility	**15.2% – 17.1%**	16.0% – 17.9%	**15.2% – 17.2%**	16.0% – 18.2%
Risk-free interest rate	**2.2% – 2.3%**	1.4% – 1.7%	**1.9% – 2.3%**	0.9% – 1.7%
Expected life of options	**3.9 – 6.3 years**	3.8 – 6.3 years	**3.9 – 6.3 years**	3.8 – 6.3 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at October 6, 2018 was 8.0% (October 7, 2017 – 10.0%).

Restricted Share Unit Plan The following is a summary of the Company's RSU plan activity:

(number of awards)	**October 6, 2018 (16 weeks)**	October 7, 2017 (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017 (40 weeks)
RSUs, beginning of period	**887,704**	829,074	**824,705**	858,106
Granted	**38,476**	71,995	**338,562**	337,846
Reinvested	**5,466**	2,267	**7,954**	3,153
Settled	**(23,449)**	(24,320)	**(243,217)**	(294,694)
Forfeited	**(23,907)**	(7,387)	**(43,714)**	(32,782)
RSUs, end of period	**884,290**	871,629	**884,290**	871,629

The fair value of RSUs granted during the third quarter of 2018 was $2 million (2017 – $5 million) and $22 million year-to-date (2017 – $24 million).

Performance Share Unit Plan The following is a summary of the Company's PSU plan activity:

(number of awards)	**October 6, 2018 (16 weeks)**	October 7, 2017 (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017 (40 weeks)
PSUs, beginning of period	**638,403**	656,387	**631,528**	965,863
Granted	**2,753**	16,416	**311,941**	404,150
Reinvested	**3,630**	1,600	**5,409**	2,339
Settled	**(11,151)**	(8,839)	**(300,544)**	(671,279)
Forfeited	**(17,203)**	(5,071)	**(31,902)**	(40,580)
PSUs, end of period	**616,432**	660,493	**616,432**	660,493

The fair value of PSUs granted during the third quarter of 2018 was nominal (2017 – $2 million) and $14 million year-to-date (2017 – $16 million).

Settlement of Awards from Shares Held in Trust During the third quarter of 2018, the Company settled RSUs and PSUs totaling 34,600 (2017 – 33,159) and 543,761 year-to-date (2017 – 965,973), of which 33,726 (2017 – 33,159) and 542,887 (2017 – 965,973) respectively, were settled through the trusts established for settlement of each of the RSU and PSU plans (see note 14).

The settlements in the third quarter of 2018 resulted in an increase of $2 million and $23 million year-to-date to retained earnings (2017 – $2 million and $27 million, respectively) and a nominal and $10 million increase to common share capital, respectively (2017 – nominal and $18 million, respectively).

Note 16. Post-Employment and Other Long Term Employee Benefits

The costs and actuarial gains and losses related to the Company's post-employment and other long term employee benefits during the periods were as follows:

(millions of Canadian dollars)	**October 6, 2018 (16 weeks)**	October 7, 2017 (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017 (40 weeks)
Post-employment benefit costs recognized in operating income(i)	**$ 42**	$ 50	**$ 114**	$ 128
Other long term employee benefits costs recognized in operating income(ii)	**8**	6	**19**	15
Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 4)	**3**	3	**8**	7
Actuarial gains (losses) before income taxes recognized in other comprehensive income	**82**	27	**101**	(32)

(i) Includes costs related to the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates. Also includes settlement charges in the third quarter of 2017 of $5 million and the year-to-date of 2018 of $1 million (2017 – $12 million).

(ii) Includes costs related to the Company's long term disability plans.

The actuarial gains recognized in the third quarter of 2018 and year-to-date were primarily driven by increases in discount rates, partially offset by lower than expected returns on assets. The actuarial gains recognized in the third quarter of 2017 were primarily driven by higher than expected returns on assets, while year-to-date losses were primarily driven by declines in discount rates, partially offset by higher than expected returns on assets.

The Company is undertaking annuity purchases and pension buy-outs in respect of former employees designed to reduce its defined benefit pension plan obligation and decrease future pension volatility and risks.

In the second quarter of 2018, the Company completed an annuity purchase and paid $228 million from the impacted plans' assets to settle $227 million of pension obligations.

In the first three quarters of 2017, the Company completed several annuity purchases with respect to former employees. In the third quarter of 2017 and year-to-date, the Company paid $119 million and $229 million, respectively, from the impacted plans' assets to settle $114 million and $217 million, respectively, of pension obligations.

Note 17. Financial Instruments

The following table presents the fair value hierarchy of financial assets and financial liabilities, excluding those classified as amortized cost that are short term in nature. The carrying values of the Company's financial instruments approximate their fair values except for long term debt.

				As at October 6, 2018				As at October 7, 2017				As at December 30, 2017
(millions of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Amortized cost:												
Franchise loans receivable	**$ —**	**$ —**	**$ 108**	**$ 108**	$ —	$ —	$ 147	$ 147	$ —	$ —	$ 166	$ 166
Certain other assets(i)	**—**	**—**	**133**	**133**	—	3	22	25	—	3	23	26
Fair value through other comprehensive income:												
Certain long term investments(i)	**50**	**—**	**—**	**50**	21	—	—	21	20	—	—	20
Derivatives included in prepaid expenses and other assets	**—**	**2**	**—**	**2**	—	6	—	6	—	—	—	—
Fair value through profit and loss:												
Certain other assets(i)	**—**	**—**	**73**	**73**	—	—	—	—	—	—	—	—
Derivatives included in prepaid expenses and other assets	**6**	**2**	**—**	**8**	2	—	4	6	6	—	2	8
Financial liabilities												
Amortized cost:												
Long term debt	**—**	**15,313**	**—**	**15,313**	—	11,679	—	11,679	—	12,103	—	12,103
Certain other liabilities(i)	**—**	**—**	**14**	**14**	—	—	21	21	—	—	18	18
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	**—**	**1**	**—**	**1**	—	2	—	2	—	1	—	1
Fair value through profit and loss:												
Trust Unit Liability	**3,039**	**—**	**—**	**3,039**	978	—	—	978	972	—	—	972
Derivatives included in trade payables and other liabilities	**—**	**—**	**—**	**—**	—	12	—	12	—	10	—	10

(i) Certain other assets, certain long term investments, and certain other liabilities are included in the condensed consolidated balance sheets in Other Assets and Other Liabilities, respectively.

There were no transfers between levels of the fair value hierarchy during the periods presented.

During the third quarter of 2018, the Company recognized a loss of \$2 million (2017 – loss of \$6 million) and a gain of \$2 million (2017 – loss of \$6 million) year-to-date in operating income on financial instruments classified as amortized cost. In addition, during the third quarter of 2018, a net gain of \$64 million (2017 – gain of \$12 million) and a net gain of \$11 million (2017 – net loss of \$26 million) year-to-date was recorded in earnings before income taxes related to financial instruments classified as fair value through profit or loss. This amount was primarily related to the fair value loss on the Trust Unit Liability.

Franchise Loans Receivable and Franchise Investments The value of Loblaw franchise loans receivable of \$108 million (October 7, 2017 – \$147 million; December 30, 2017 – \$166 million) was recorded in the condensed consolidated balance sheet. In the third quarter of 2018 the Company recorded a gain of \$1 million (2017 – nil) and a gain of \$3 million (2017 – nil) year-to-date in operating income related to these loans receivable.

The value of Loblaw franchise investments of \$10 million (October 7, 2017 – \$19 million; December 30, 2017 – \$20 million) was recorded in other assets. During the third quarter of 2018, the Company recorded a gain of \$1 million (2017 – loss of \$1 million) and a gain of \$2 million (2017 – loss of \$3 million) year-to-date in operating income related to these investments.

Embedded Derivatives The Company's level 3 financial instruments classified as fair value through profit or loss consist of embedded derivatives on purchase orders placed in neither Canadian dollars, nor the functional currency of the vendor. These derivatives are valued using a market approach based on the differential in exchange rates and timing of settlement. The significant unobservable input used in the fair value measurement is the cost of purchase orders. Significant increases (decreases) in any one of the inputs could result in a significantly higher (lower) fair value measurement.

During the third quarter of 2018, a gain of $2 million (2017 – nominal gain) and a loss of $2 million (2017 – gain of $5 million) year-to-date was recorded in operating income related to these derivatives. In addition, a corresponding nominal asset was included in prepaid expenses and other assets as at October 6, 2018 (October 7, 2017 – $4 million asset included in prepaid expenses and other assets; December 30, 2017 – $2 million asset included in prepaid expenses and other assets). As at October 6, 2018, a 1% increase (decrease) in foreign currency exchange rates would result in a $1 million gain (loss) in fair value.

Trust Unit Liability During the third quarter of 2018, the Company recorded a fair value gain of $62 million (2017 – gain of $33 million) and a loss of $6 million (2017 – loss of $2 million) year-to-date in net interest expense and other financing charges related to Choice Properties' Trust Units (see note 4).

As at October 6, 2018, 256,385,757 Units were held by unitholders other than the Company (October 7, 2017 – 72,353,648; December 30, 2017 – 72,800,965). During the third quarter of 2018, Choice Properties issued no units (2017 – 456,562) and 125,749 units (2017 – 1,284,820) year-to-date, to eligible unitholders under its distribution reinvestment plan at an average price of nil (2017 – $12.72) and $11.82 (2017 – $13.23) year-to-date. During the third quarter of 2018, Choice Properties issued 39,798 new Trust units to Trust unitholders other than the Company average price of $11.56. In the second quarter of 2018, Choice Properties issued 182,836,481 new Trust units to Trust unitholders other than the Company in connection with the acquisition of CREIT (note 3).

Securities Investments PC Bank holds investments which are considered part of the liquid securities required to be held to meet its Liquidity Coverage Ratio. As at October 6, 2018, the fair value of these investments of $50 million (October 7, 2017 – $21 million; December 30, 2017 – $20 million) was included in other assets. During the third quarter of 2018, PC Bank recorded a nominal unrealized fair value gain (2017 – nominal unrealized fair value loss) and a nominal unrealized fair value gain (2017 – nominal unrealized fair value loss) year-to-date in other comprehensive income related to these investments.

Other Derivatives The Company uses bond forwards and interest rate swaps, to manage its anticipated exposure to fluctuations in interest rates on future debt issuances. The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. The following is a summary of the fair values recognized in the condensed consolidated balance sheets and the net realized and unrealized gains (losses) before income taxes related to the Company's other derivatives:

					October 6, 2018
			(16 weeks)		(40 weeks)
(millions of Canadian dollars)	Net Asset/ (Liability) Fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges(i)					
Foreign Exchange Currency Risk – Foreign Exchange Forwards(ii)	$ —	$ —	$ —	$ 2	$ —
Interest Rate Risk – Bond Forwards(iii)	—	—	—	(1)	—
Interest Rate Risk – Interest Rate Swaps(iv)	1	3	—	3	—
Total derivatives designated as cash flow hedges	$ 1	$ 3	$ —	$ 4	$ —
Derivatives not designated in a formal hedging relationship					
Foreign Exchange and Other Forwards	$ 2	$ —	$ (4)	$ —	$ 10
Other Non-Financial Derivatives	4	—	3	—	7
Total derivatives not designated in a formal hedging relationship	$ 6	$ —	$ (1)	$ —	$ 17
Total derivatives	$ 7	$ 3	$ (1)	$ 4	$ 17

(i) Includes interest rate swap agreements with a notional value of $100 million that matured during the first quarter of 2018. A nominal unrealized fair value loss was recorded in OCI relating to these agreements.

(ii) PC Bank uses foreign exchange forwards, with a notional value of $16 million USD, to manage its foreign exchange currency risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid and other assets.

(iii) PC Bank uses bond forwards, with a notional value of $53 million, which were entered into during the first quarter of 2018, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and liabilities.

(iv) Choice Properties uses interest rate swaps, with a notional value of $322 million, which were assumed during the second quarter of 2018 in connection with the acquisition of CREIT, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in other assets and other liabilities.

				October 7, 2017	
			(16 weeks)		(40 weeks)
(millions of Canadian dollars)	Net Asset/ (Liability) Fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges[i]					
Foreign Exchange Currency Risk – Foreign Exchange Forwards[ii]	$ (2)	$ (1)	$ —	$ (2)	$ 1
Interest Rate Risk – Bond Forward[iii]	6	2	—	4	$ —
Total derivatives designated as cash flow hedges	$ 4	$ 1	$ —	$ 2	$ 1
Derivatives not designated in a formal hedging relationship					
Foreign Exchange and Other Forwards	$ (12)	$ —	$ (21)	$ —	$ (25)
Other Non-Financial Derivatives	—	—	—	—	(4)
Total derivatives not designated in a formal hedging relationship	$ (12)	$ —	$ (21)	$ —	$ (29)
Total derivatives	$ (8)	$ 1	$ (21)	$ 2	$ (28)

(i) Includes interest rate swap agreements with a notional value of $100 million. During the third quarter of 2017, a nominal unrealized fair value gain was recorded in OCI relating to these arrangements.

(ii) PC Bank uses foreign exchange forwards, with a notional value of $15 million USD, to manage its foreign exchange currency risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid and other assets.

(iii) PC Bank uses bond forwards, with a notional value of $200 million, which were entered into during the second quarter of 2017, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and liabilities.

Note 18. Contingent Liabilities

In the ordinary course of business, the Company is involved in and potentially subject to, legal actions and proceedings. In addition, the Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of these events could lead to reassessments.

There are a number of uncertainties involved in such matters, individually or in aggregate, and as such, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect on the Company's reputation, operations, financial condition or performance in future periods. It is not currently possible to predict the outcome of the Company's legal actions and proceedings with certainty. Management regularly assesses its position on the adequacy of such accruals or provisions and will make any necessary adjustments.

The following is a description of the Company's significant legal proceedings:

On August 26, 2015, the Company was served with a proposed class action, which was commenced in the Ontario Superior Court of Justice against the Company and certain subsidiaries, Weston and others in connection with the collapse of the Rana Plaza complex in Dhaka, Bangladesh in 2013. The claim seeks approximately $2 billion in damages. The Company believes this proceeding is without merit and is vigorously defending it. The Company does not currently have any significant accruals or provisions for this matter recorded in the unaudited interim period condensed consolidated financial statements.

Shoppers Drug Mart Corporation ("Shoppers Drug Mart") has been served with an Amended Statement of Claim in a class action proceeding that has been filed in the Ontario Superior Court of Justice by two Associates, claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement, in the amount of $500 million. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who are parties to Shoppers Drug Mart's 2002 and 2010 forms of the Associate Agreement. On July 9, 2013, the Ontario Superior Court of Justice certified as a class proceeding portions of the action. The Court imposed a class closing date based on the date of certification. New Associates after July 9, 2013 are not members of the class. The Company believes this claim is without merit and is vigorously defending it. The Company does not currently have any significant accruals or provisions for this matter recorded in the unaudited interim period condensed consolidated financial statements.

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

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

The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in the third quarter of 2018 on the basis that a reliable estimate of the liability cannot be determined at this time. The Company will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated and will record an amount in the period at the earlier of when a reliable estimate of liability can be determined or the matter is ultimately resolved.

In 2017, the Company and George Weston Limited acknowledged their involvement in an industry wide price-fixing arrangement. In connection with the arrangement, the Company offered customers a $25 Loblaw Card, which can be used to purchase items sold in Loblaw grocery stores across Canada. The Company recorded a charge of $107 million associated with the Loblaw Card Program in the fourth quarter of 2017 and in 2018, on a year-to-date basis, the Company recorded an additional charge of $4 million. The Company expects that Loblaw Cards issued to customers will be an offset against civil liability. The charge recorded for the Loblaw Card Program should not be viewed as an estimate of damages.

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

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including the Company and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks damages (unquantified) for the expenses incurred by the province in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in British Columbia. The Company believes this proceeding is without merit and is vigorously defending it. The Company does not currently have any significant accruals or provisions for this matter recorded in the unaudited interim period condensed consolidated financial statements.

Indemnification Provisions The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements, lease agreements in connection with business or asset acquisitions or dispositions, and other types of commercial agreements. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representations and warranties or in respect of future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. In addition, the terms of these indemnification provisions vary in amount and certain indemnification provisions do not provide for a maximum potential indemnification amount. Indemnity amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. As a result, the Company is unable to reasonably estimate its total maximum potential liability in respect of indemnification provisions. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Note 19. Segment Information

As at the end of the third quarter of 2018, the Company has three reportable operating segments with all material operations carried out in Canada:

- The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, which includes in-store pharmacies and other health and beauty products, apparel and other general merchandise, and provides the *PC Optimum* program. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base. Prior to July 17, 2017, the Retail segment also included gas bar operations.
- The Financial Services segment provides credit card services, the *PC Optimum* program, insurance brokerage services, Guaranteed Investment Certificates and telecommunication services. As a result of the wind-down of *PC Financial* banking services, the Financial Services segment no longer offers personal banking services.
- Choice Properties owns, manages and develops a high-quality portfolio of commercial retail, industrial, office and residential properties across Canada. The Choice Properties segment information presented below reflects the accounting policies of Choice Properties, which may differ from those of the consolidated Company. Differences in policies are eliminated in Consolidation and Eliminations. As of May 4, 2018, the Choice Properties segment includes the acquisition of CREIT.

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

The Company's chief operating decision maker evaluates segment performance on the basis of adjusted EBITDA[2] and adjusted operating income[2], as reported to internal management, on a periodic basis.

Information for each reportable operating segment is included below:

For the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars)	**October 6, 2018 (16 weeks)**					October 7, 2017[3][4] (16 weeks)				
	Retail	**Financial Services**	**Choice Properties**	**Consolidation & Eliminations[i]**	**Consolidated**	Retail	Financial Services	Choice Properties	Consolidation & Eliminations[i]	Consolidated
Revenue[ii]	**$ 14,105**	**$ 274**	**$ 315**	**$ (241)**	**$ 14,453**	$ 13,993	$ 240	$ 207	$ (248)	$ 14,192
Operating income	$ 703	$ 41	$ 179	$ (126)	$ 797	$ 1,168	$ 57	$ 227	$ (216)	$ 1,236
Net interest expense and other financing charges	274	19	117	(71)	339	99	14	(76)	82	119
Earnings before Income Taxes	**$ 429**	**$ 22**	**$ 62**	**$ (55)**	**$ 458**	$ 1,069	$ 43	$ 303	$ (298)	$ 1,117
Operating Income	**$ 703**	**$ 41**	**$ 179**	**$ (126)**	**$ 797**	$ 1,168	$ 57	$ 227	$ (216)	$ 1,236
Depreciation and Amortization	479	2	—	5	486	467	2	1	6	476
Adjusting items[iii]	168	—	44	(13)	199	(315)	(7)	—	—	(322)
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(161)	—	—	—	(161)	(161)	—	—	—	(161)
Adjusted EBITDA[iii]	$ 1,189	$ 43	$ 223	$ (134)	$ 1,321	$ 1,159	$ 52	$ 228	$ (210)	$ 1,229
Depreciation and Amortization[iv]	318	2	—	5	325	306	2	1	6	315
Adjusted Operating Income	**$ 871**	**$ 41**	**$ 223**	**$ (139)**	**$ 996**	$ 853	$ 50	$ 227	$ (216)	$ 914

(i) Consolidation and Eliminations includes the following items:

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

(ii) Included in Financial Services revenue is $109 million (2017 – $100 million) of interest income.

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

(iv) Depreciation and amortization for the calculation of adjusted EBITDA[2] excludes $161 million (2017 – $161 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

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

(i) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $400 million (2017 – $397 million) of rental revenue, $147 million (2017 – $141 million) of cost recovery, and $10 million (2017 – nil) of lease surrender, recognized by Choice Properties generated from the Retail Segment. Revenue also includes the reclassification of $131 million (2017 – $156 million) related to *PC* MasterCard® loyalty awards in the Financial Services Segment.
- Adjusted operating income includes the elimination of the $400 million (2017 – $397 million) of rental revenue and $10 million (2017 – nil) of lease surrender as described above, the elimination of a $31 million loss (2017 – $163 million gain) recognized by Choice Properties related to the fair value adjustments on investment properties, which are classified as fixed assets by the Company and measured at cost; the recognition of a $13 million gain (2017 – nil) on disposal of asset, which are classified as fixed assets or investment properties by the Company and measured at cost, the recognition of $17 million (2017 – $16 million) of depreciation expense for certain investment properties recorded by Choice Properties; the elimination of intercompany charges of $9 million (2017 – $2 million); and the elimination of $1 million loss in 2017 recognized by Choice Properties related to the fair value adjustments on investment properties in the joint venture.
- Net interest expense and other financing charges includes the elimination of $218 million (2017 – $211 million) of interest expense included in Choice Properties related to debt owing to the Company, accretion income earned on intercompany Class C Units of $37 million, a fair value gain of $379 million (2017 – gain of $57 million) recognized by Choice Properties on Class B Limited Partnership units held by the Company. Net interest and other financing charges also includes Unit distributions to external unitholders of $97 million (2017 – $39 million), which excludes distributions paid to the Company and a $6 million fair value loss (2017 – loss of $2 million) on the Company's Trust Unit Liability.

(ii) Included in Financial Services revenue is $312 million (2017 – $292 million) of interest income.

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

(iv) Depreciation and amortization for the calculation of adjusted EBITDA[(2)] excludes $401 million (2017 – $403 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

The Company's revenue is derived from contracts with customers, except for amounts related to interest income and the majority of revenue from Choice Properties. The disaggregated revenue, by type of goods or services, is reconciled to the Company's segment revenue:

(millions of Canadian dollars)	**October 6, 2018 (16 weeks)**	October 7, 2017[i] (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017[i] (40 weeks)
Food retail	**$ 10,272**	$ 10,242	**$ 25,219**	$ 25,665
Drug retail				
Pharmacy	**$ 1,828**	$ 1,820	**$ 4,604**	$ 4,540
Front Store	**2,005**	1,931	**5,037**	4,867
	$ 3,833	$ 3,751	**$ 9,641**	$ 9,407
Retail Total	**$ 14,105**	$ 13,993	**$ 34,860**	$ 35,072
Financial Services	**274**	240	**746**	679
Choice Properties	**315**	207	**825**	619
Consolidation and Eliminations[ii]	**(241)**	(248)	**(688)**	(694)
Total	**$ 14,453**	$ 14,192	**$ 35,743**	$ 35,676

(millions of Canadian dollars)	**As at October 6, 2018**	As at October 7, 2017[i]	As at December 30, 2017[i]
Total Assets			
Retail	**$ 29,089**	$ 29,569	$ 30,233
Financial Services	**4,322**	3,593	3,837
Choice Properties	**15,671**	9,702	9,924
Consolidation and Eliminations[iii]	**(8,730)**	(8,665)	(8,847)
Total	**$ 40,352**	$ 34,199	$ 35,147

(millions of Canadian dollars)	**October 6, 2018 (16 weeks)**	October 7, 2017 (16 weeks)	**October 6, 2018 (40 weeks)**	October 7, 2017 (40 weeks)
Additions to Fixed Assets and Intangible Assets				
Retail	**$ 281**	$ 278	**$ 621**	$ 610
Financial Services	**19**	6	**35**	16
Choice Properties	**84**	80	**196**	146
Total	**$ 384**	$ 364	**$ 852**	$ 772

(i) Certain comparative figures have been restated (note 2).

(ii) Consolidation and Eliminations includes the elimination of amounts recognized by Choice Properties generated from the Retail Segment and also includes the reclassification of amounts related to *PC* MasterCard® loyalty awards in the Financial Services Segment.

(iii) Consolidation and Eliminations includes the elimination of certain investment properties held by Choice Properties measured at fair value, which are presented in the consolidated results as fixed assets and are measured at cost.

Note 20. Subsequent Events

Spin-out of Choice Properties On November 1, 2018, the Company and its parent Weston completed a reorganization under which the Company distributed its approximate 61.6% effective interest in Choice Properties to Weston on a tax-free basis to the Company and its Canadian shareholders. In connection with the reorganization, the common shareholders of the Company, other than Weston and its subsidiaries, received 0.135 of a common share of Weston for each common share of the Company held, which was equivalent to the market value of their pro rata interest in Choice Properties as at the announcement date of the spin-out, and Weston received the Company's approximate 61.6% effective interest in Choice Properties.

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

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

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

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

Financial Summary[1]

As at or for the periods ended October 6, 2018 and October 7, 2017 (millions of Canadian dollars except where otherwise indicated)	2018 (16 weeks)	2017[3][4] (16 weeks)
Consolidated Results of Operations		
Revenue	**$ 14,453**	$ 14,192
Revenue growth	**1.8%**	0.3%
Operating Income	**$ 797**	$ 1,236
Adjusted EBITDA[2]	**1,321**	1,229
Adjusted EBITDA margin[2]	**9.1%**	8.7%
Net interest expense and other financing charges	**$ 339**	$ 119
Adjusted net interest expense and other financing charges[2]	**225**	152
Net earnings	**117**	894
Net earnings attributable to shareholders of the Company	**109**	886
Net earnings available to common shareholders of the Company	**106**	883
Adjusted net earnings available to common shareholders of the Company[2]	**562**	549
Consolidated Per Common Share		
Diluted net earnings	**$ 0.28**	$ 2.24
Adjusted diluted net earnings[2]	**$ 1.49**	$ 1.39
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents and short term investments	**$ 1,426**	$ 1,841
Cash flows from operating activities	**1,162**	872
Capital investments	**384**	364
Free cash flow[2]	**318**	340
Financial Measures		
Retail debt to rolling year retail adjusted EBITDA[2]	**1.5x**	1.7x
Rolling year adjusted return on equity[2]	**14.0%**	13.6%
Rolling year adjusted return on capital[2]	**9.3%**	9.5%
Retail Results of Operations		
Sales	**$ 14,105**	$ 13,993
Operating Income	**703**	1,168
Adjusted gross profit[2]	**4,099**	3,944
Adjusted EBITDA[2]	**1,189**	1,159
Adjusted EBITDA margin[2]	**8.4%**	8.3%
Depreciation and amortization	**$ 479**	$ 467
Retail Operating Statistics		
Food retail same-store sales growth	**0.9%**	1.4%
Drug retail same-store sales growth	**2.5%**	3.3%
Total retail square footage (in millions)	**70.2**	70.2
Number of corporate stores	**550**	565
Number of franchise stores	**532**	531
Number of Associate-owned drug stores	**1,335**	1,333
Financial Services Results of Operations		
Revenue	**$ 274**	$ 240
Earnings before income taxes	**22**	43
Financial Services Operating Measures and Statistics		
Average quarterly net credit card receivables	**$ 3,009**	$ 2,860
Credit card receivables	**3,102**	2,918
Allowance for credit card receivables	**163**	46
Annualized yield on average quarterly gross credit card receivables	**13.1%**	13.3%
Annualized credit loss rate on average quarterly gross credit card receivables	**3.2%**	3.8%
Choice Properties Results of Operations		
Revenue	**$ 315**	$ 207
Net interest expense and other financing charges	**117**	(76)
Net Income	**62**	303
Funds from operations[2]	**170**	109

Financial Results and Financial Summary Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 127 of the Company's 2017 Annual Report.

(2) See Section 12 "Non-GAAP Financial Measures" of the Company's Management's Discussion and Analysis for the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

(3) Comparative figures have been restated as a result of the implementation of IFRS 15, "Revenue from Contracts with Customers". See note 2 in the Company's 2018 third quarter unaudited interim period condensed consolidated financial statements.

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

Corporate Profile

Loblaw Companies Limited ("Loblaw") is Canada's food and pharmacy leader, the nation's largest retailer. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, financial services, and wireless mobile products and services. With more than 2,400 corporate, franchised and Associate-owned locations, Loblaw, its franchisees, and Associate-owners employ approximately 200,000 full- and part-time employees, making it one of Canada's largest private sector employers.

As previously announced, on November 1, 2018, Loblaw and George Weston Limited ("Weston") completed a reorganization under which Loblaw spun-out its approximate 61.6% effective interest in Choice Properties Real Estate Investment Trust ("Choice Properties"), as described in this Quarterly Report. Following the reorganization, Loblaw no longer retains any equity interest in Choice Properties and will deconsolidate its interest in Choice Properties from its consolidated financial statements. Weston now owns an approximate 65.4% effective interest in Choice Properties, which includes the approximate 3.8% effective interest in Choice Properties owned by GWL prior to the reorganization. Loblaw shareholders continue to own the same number of Loblaw common shares as they did immediately prior to the organization.

Loblaw's purpose – *Live Life Well* – puts first the needs and well-being of Canadians who make one billion transactions annually in the companies' stores. Loblaw is positioned to meet and exceed those needs in many ways: convenient locations; more than 1,050 grocery stores that span the value spectrum from discount to specialty; full-service pharmacies at nearly 1,400 *Shoppers Drug Mart* and *Pharmaprix* locations and close to 500 Loblaw locations; *Presidents Choice Financial* services; affordable *Joe Fresh* fashion and family apparel; and three of Canada's top consumer brands – *President's Choice*, *noname* and *Life Brand*. Through the *PC Optimum* loyalty program, more than one in every three Canadians are rewarded for shopping with the Company.

Trademarks

Loblaw Companies Limited and its subsidiaries own a number of trademarks. Several subsidiaries are licensees of additional trademarks. These trademarks are the exclusive property of Loblaw Companies Limited or the licensor and where used in this report, are in italics.

Shareholder Information

Registrar and Transfer Agent

Computershare Investor Services Inc.
100 University Avenue
Toronto, Canada
M5J 2Y1

Toll free: 1-800-564-6253
(Canada and U.S)
Fax: (416) 263-9394
Toll free fax: 1-888-453-0330
International direct dial: (514) 982-7555

To change your address or eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

Investor Relations

Investor inquiries, contact:
Roy MacDonald
Vice President, Investor Relations
(905) 861-2243
investor@loblaw.ca

Media inquiries, contact:
Kevin Groh
Vice President, Corporate Affairs and Communication
(905) 861-2437
pr@loblaw.ca

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

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on November 14, 2018 at 10:00 a.m. (ET).

To access via tele-conference, please dial (647) 427-7450 or (888) 231-8191. The playback will be made available approximately two hours after the event at (416) 849-0833 or (855) 859-2056, access code: 4278725. To access via audio webcast, please go to the "Investors" section of loblaw.ca. Pre-registration will be available.

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

Ce rapport est disponible en français.

Loblaw
Companies
Limited

LOBLAW.CA

SHOPPERSDRUGMART.CA

PHARMAPRIX.CA

PRESIDENTSCHOICE.CA

PC.CA

JOEFRESH.COM

PCFINANCIAL.CA

CHOICEREIT.CA

BEAUTYBOUTIQUE.CA

WELLWISE.CA