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FIRST QUARTER REPORT TO SHAREHOLDERS

12 WEEKS ENDING MARCH 24, 2018

2018 First Quarter Report to Shareholders

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Management's Discussion and Analysis

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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 first 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 first 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 May 1, 2018, unless otherwise noted.

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 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 or combine the Company's loyalty programs;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to execute the Company's e-commerce initiative or to adapt its business model to the shifts in the retail landscape caused by digital advances;
- failure to realize benefits from investments in the Company's new IT systems;

- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business, including increases to minimum wage;
- public health events including those related to food and drug safety;
- failure to realize the anticipated benefits, including revenue growth, anticipated cost savings or operating efficiencies, associated with the Company's investment in major initiatives that support its strategic priorities, including Choice Properties Real Estate Investment Trust's ("Choice Properties") failure to complete the acquisition of Canadian Real Estate Investment Trust ("CREIT");
- adverse outcomes of legal and regulatory proceedings and related matters;
- reliance on the performance and retention of third party service providers, including those associated with the Company's supply chain and apparel business, including issues with vendors in both advanced and developing markets;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink; and
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, political uncertainty, interest rates, currency exchange rates or derivative and commodity prices.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities ("securities regulators") from time to time, including, without limitation, the section entitled "Risks" in the Company's 2017 AIF (for the year ended December 30, 2017). Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this 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 March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)		2018 (12 weeks)		2017[4] (12 weeks)
Consolidated				
Revenue (decline) growth		**(0.4)%**		0.2 %
Operating income	**$**	**480**	$	495
Adjusted EBITDA[2]		**876**		868
Adjusted EBITDA margin[2]		**8.4 %**		8.3 %
Net earnings	**$**	**375**	$	234
Net earnings attributable to shareholders of the Company		**380**		235
Net earnings available to common shareholders of the Company		**377**		232
Adjusted net earnings available to common shareholders of the Company[2]		**361**		366
Diluted net earnings per common share ($)	**$**	**0.98**	$	0.58
Adjusted diluted net earnings per common share[2] ($)	**$**	**0.94**	$	0.91
Cash and cash equivalents and short term investments	**$**	**1,719**	$	1,392
Cash flows from operating activities		**434**		379
Free cash flow[2]		**57**		77
Financial Measures				
Retail debt to rolling year retail adjusted EBITDA[2]		**1.7x**		1.7x
Rolling year adjusted return on equity[2]		**14.2 %**		13.3 %
Rolling year adjusted return on capital[2]		**9.6 %**		9.0 %
Retail Segment				
Food retail same-store sales growth (decline)		**1.9 %**		(1.2)%
Drug retail same-store sales growth		**3.7 %**		0.9 %
Operating income	**$**	**399**	$	446
Adjusted gross profit[2]		**2,929**		2,844
Adjusted gross profit %[2]		**29.0 %**		28.0 %
Adjusted EBITDA[2]	**$**	**792**	$	811
Adjusted EBITDA margin[2]		**7.8 %**		8.0 %
Financial Services Segment				
Earnings before income taxes	**$**	**61**	$	28
Annualized yield on average quarterly gross credit card receivables		**13.4 %**		13.8 %
Annualized credit loss rate on average quarterly gross credit card receivables		**3.5 %**		4.1 %
Choice Properties Segment				
Net income	**$**	**627**	$	24
Funds from operations[2]		**106**		109

3. Consolidated Results of Operations

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	2018 (12 weeks)	2017[4] (12 weeks)	$ Change	% Change
Revenue	**$ 10,367**	$ 10,404	$ (37)	(0.4)%
Operating income	**480**	495	(15)	(3.0)%
Adjusted EBITDA[2]	**876**	868	8	0.9 %
Adjusted EBITDA margin[2]	**8.4%**	8.3%		
Depreciation and amortization	**$ 369**	$ 360	$ 9	2.5 %
Net interest expense and other financing charges	**13**	161	(148)	(91.9)%
Adjusted net interest expense and other financing charges[2]	**137**	125	12	9.6 %
Income taxes	**92**	100	(8)	(8.0)%
Adjusted income taxes[2]	**132**	136	(4)	(2.9)%
Adjusted income tax rate[2]	**26.9%**	27.0%		
Net earnings attributable to shareholders of the Company	**$ 380**	$ 235	$ 145	61.7 %
Net earnings available to common shareholders of the Company[i]	**377**	232	145	62.5 %
Adjusted net earnings available to common shareholders of the Company[2]	**361**	366	(5)	(1.4)%
Diluted net earnings per common share ($)	**$ 0.98**	$ 0.58	$ 0.40	69.0 %
Adjusted diluted net earnings per common share[2] ($)	**$ 0.94**	$ 0.91	$ 0.03	3.3 %
Diluted weighted average common shares outstanding (millions)	**384.5**	403.2		

(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.

As previously announced, the Company's year-over-year financial performance will be negatively impacted by minimum wage increases and incremental healthcare reform. In addition, 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.

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 first quarter of 2018 were $377 million ($0.98 per common share), an increase of $145 million ($0.40 per common share) compared to the first quarter of 2017. The increase in net earnings available to common shareholders of the Company included improvements in underlying operating performance of approximately $5 million, excluding the unfavourable impact of the disposition of gas bar operations of approximately $10 million, and the favourable year-over-year net impact of adjusting items totaling $150 million, as described below:

- the decline in underlying operating performance of $5 million ($0.01 loss per common share) was primarily due to the following:
  - the Retail segment (excluding the impact of the consolidation of franchises) due to the unfavourable year-over-year impact of the disposition of gas bar operations of approximately $10 million and an increase in depreciation and amortization. Minimum wage increases and incremental healthcare reform also had a negative year-over-year impact on the Retail segment; and
  - an increase in adjusted net interest expense and other financing charges[2] primarily as a result of Choice Properties issuance of new unsecured senior debentures related to the agreement to acquire CREIT and the call premium for the early redemption of the Series A senior unsecured debenture; partially offset by
  - the Financial Services segment, primarily due to certain one-time gains and the strong credit performance of the credit card portfolio; and
  - the Choice Properties segment primarily from the expansion of the property portfolio through acquisitions and completed development projects, as well as an increase in net operating income from existing properties.

- the favourable year-over-year net impact of adjusting items totaling $150 million ($0.37 per common share) was primarily due to the following:
    - the change in fair value adjustment to the Trust Unit Liability of $160 million ($0.41 per common share);
    - the favourable impact of income earned, net of certain costs incurred, from the wind-down of *PC Financial* banking services of $13 million ($0.03 per common share);
    - the change in fair value adjustment on fuel and foreign currency contracts of $8 million ($0.02 per common share); and
    - the favourable year-over-year impact of pension annuities and buy-outs in the prior year of $5 million ($0.01 per common share); partially offset by
    - the unfavourable impact of the additional charge in the first quarter of 2018 related to the Loblaw Card Program of $14 million ($0.04 per common share);
    - the unfavourable impact of healthcare reform on inventory balances of $14 million ($0.04 per common share); and
    - acquisition and other costs related to Choice Properties' agreement to acquire CREIT of $9 million ($0.02 per common share).
- the increase in diluted net earnings per common share also included the favourable impact of the repurchase of common shares ($0.04 per common share).

Adjusted net earnings available to common shareholders of the Company(2) in the first quarter of 2018 were $361 million ($0.94 per common share), a decrease of $5 million (increase of $0.03 per common share or 3.3%), compared to the first 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 $5 million, as described above. Adjusted diluted net earnings per common share(2) also included the favourable impact of the repurchase of common shares ($0.04 per common share). Normalized for the disposition of gas bar operations, adjusted diluted net earnings per common share(2) increased by approximately 6.7%.

Revenue

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (12 weeks)**	2017(4) (12 weeks)	$ Change	% Change
Retail	**$ 10,105**	$ 10,166	$ (61)	(0.6)%
Financial Services	**230**	213	17	8.0 %
Choice Properties	**215**	203	12	5.9 %
Consolidation and Eliminations	**(183)**	(178)	(5)	
Revenue	**$ 10,367**	$ 10,404	$ (37)	(0.4)%

Revenue was $10,367 million in the first quarter of 2018, a decrease of $37 million, or 0.4%, compared to the first quarter of 2017, primarily driven by a decrease in Retail segment sales of $61 million. Excluding the consolidation of franchises, Retail segment sales decreased by $119 million, or 1.2%. The decrease was primarily due to the impact of the disposition of gas bar operations of $344 million, partially offset by positive same-store sales growth.

Operating Income Operating income was $480 million in the first quarter of 2018, a decrease of $15 million compared to the first quarter of 2017. The decrease in operating income included a decline in underlying operating performance of $1 million, including the unfavourable impact of the disposition of gas bar operations, and the unfavourable year-over-year net impact of adjusting items totaling $14 million, as described below:

- the decline in underlying operating performance of $1 million, including the unfavourable impact of the disposition of gas bar operations, was primarily due to the Retail segment partially offset by the Financial Services segment and the Choice Properties segment net of Consolidation and Eliminations. Minimum wage increases and incremental healthcare reform also negatively impacted the Retail segment's year-over-year first quarter performance. The decline in underlying operating performance also included the unfavourable year-over-year contribution from the consolidation of franchises in the first quarter of 2018; and
- the unfavourable year-over-year net impact of adjusting items totaling $14 million was primarily due to the following:
    - the unfavourable impact of the additional charge in the first quarter of 2018 related to the Loblaw Card Program of $19 million;
    - the unfavourable impact of healthcare reform on inventory balances of $19 million; and
    - acquisition and other costs related to Choice Properties' agreement to acquire CREIT of $12 million; partially offset by

- the favourable impact of income earned, net of certain costs incurred, from the wind-down of *PC Financial* banking services of $17 million;
- the change in fair value adjustment on fuel and foreign currency contracts of $11 million; and
- the favourable year-over-year impact of pension annuities and buy-outs in the prior year of $7 million.

Adjusted EBITDA[(2)]

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018** **(12 weeks)**	2017[(4)] (12 weeks)	$ Change	% Change
Retail	**$ 792**	$ 811	$ (19)	(2.3)%
Financial Services	**61**	45	16	35.6 %
Choice Properties	**190**	237	(47)	(19.8)%
Consolidation and Eliminations	**(167)**	(225)	58	
Adjusted EBITDA[(2)]	**$ 876**	$ 868	$ 8	0.9 %

Adjusted EBITDA[(2)] was $876 million in the first quarter of 2018, an increase of $8 million compared to the first quarter of 2017. The increase in adjusted EBITDA[(2)] in the first quarter of 2018 was primarily due to the Financial Services segment and the Choice Properties segment net of Consolidation and Eliminations partially offset by the Retail segment which included the unfavourable impact of the disposition of gas bar operations. Minimum wage increases and incremental healthcare reform also negatively impacted the Retail segment's year-over-year first quarter performance. The consolidation of franchises had no impact on the year-over-year Retail segment first quarter performance.

Depreciation and Amortization Depreciation and amortization was $369 million in the first quarter of 2018, an increase of $9 million compared to the first quarter of 2017, primarily driven by the consolidation of franchises and an increase in IT assets. Included in depreciation and amortization is the amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") of $121 million (2017 – $121 million).

Net Interest Expense and Other Financing Charges

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018** **(12 weeks)**	2017 (12 weeks)	$ Change	% Change
Net interest expense and other financing charges	**$ 13**	$ 161	$ (148)	(91.9)%
Add (deduct) impact of the following:				
Fair value adjustment to the Trust Unit Liability	**124**	(36)	160	444.4 %
Adjusted net interest expense and other financing charges[(2)]	**$ 137**	$ 125	$ 12	9.6 %

Net interest expense and other financing charges were $13 million in the first quarter of 2018, a decrease of $148 million compared to the first quarter of 2017. The decrease in net interest and other financing charges was primarily due to the year-over-year impact of the change in the fair value adjustment to the Trust Unit Liability of $160 million. Adjusted net interest expense and other financing charges[(2)] were $137 million in the first quarter of 2018, an increase of $12 million compared to first quarter of 2017. The increase was primarily driven by higher interest expense in the Choice Properties segment as a result of the issuance of new unsecured senior debentures related to the agreement to acquire CREIT and the call premium for the early redemption of the Choice Properties Series A senior unsecured debenture, in the first quarter of 2018.

Income Taxes

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (12 weeks)**	2017[4] (12 weeks)	$ Change	% Change
Income taxes	**$ 92**	$ 100	$ (8)	(8.0)%
Add impact of the following:				
Tax impact of items included in adjusted earnings before taxes	**40**	36	4	
Adjusted income taxes[2]	**$ 132**	$ 136	$ (4)	(2.9)%
Effective tax rate	**19.7%**	29.9%		
Adjusted income tax rate[2]	**26.9%**	27.0%		

The effective tax rate in the first quarter of 2018 was 19.7% compared to 29.9% in the first quarter of 2017. The decrease in the effective tax rate was primarily attributable to a decrease in certain non-deductible items and an increase in the non-taxable fair value adjustment to the Trust Unit Liability.

The adjusted income tax rate[2] in the first quarter of 2018 was 26.9% compared to 27.0% in the first quarter of 2017. The decrease in the adjusted tax rate was primarily attributable to a decrease in certain non-deductible items.

4. Reportable Operating Segments Results of Operations

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; and
- The Choice Properties segment owns, manages and develops well-located retail and commercial real estate 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.

4.1 Retail Segment

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018 (12 weeks)**	2017 (12 weeks)	$ Change	% Change
Sales	**$ 10,105**	$ 10,166	$ (61)	(0.6)%
Operating income	**399**	446	(47)	(10.5)%
Adjusted gross profit[2]	**2,929**	2,844	85	3.0 %
Adjusted gross profit %[2]	**29.0%**	28.0%		
Adjusted EBITDA[2]	**$ 792**	$ 811	$ (19)	(2.3)%
Adjusted EBITDA margin[2]	**7.8%**	8.0%		
Depreciation and amortization	**$ 361**	$ 352	$ 9	2.6 %

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)		2018 (12 weeks)		2017 (12 weeks)
	Sales	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 7,221**	**1.9%**	$ 7,393	(1.2)%
Drug retail	**2,884**	**3.7%**	2,773	0.9 %
Pharmacy	**1,393**	**3.5%**	1,343	1.3 %
Front Store	**1,491**	**3.8%**	1,430	0.6 %

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 first quarter of 2018 were $10,105 million, a decrease of $61 million, or 0.6%, compared to the first quarter of 2017. Excluding the consolidation of franchises, Retail segment sales decreased by $119 million, or 1.2%, primarily driven by the following factors:

- The impact of the disposition of gas bar operations of $344 million partially offset by
- Food retail same-store sales growth was 1.9% (2017 – decline of 2.1%) for the quarter, after excluding gas bar operations. The timing of Easter had a nominal impact on food retail same-store sales growth in the first quarter of 2018. In the first quarter of 2017, food retail sales were relatively flat excluding the unfavourable impacts of the timing of New Year's Day and Easter. Including gas bar operations, food retail same-store sales growth was 1.9% (2017 – decline of 1.2%).
  - Sales growth in food was moderate;
  - Sales in pharmacy were flat; and
  - The Company's Food retail average quarterly internal food price index was marginally lower than (2017 – relatively flat compared to) the average quarterly national food price inflation of 1.2% (2017 – deflation of 3.9%), as measured by The Consumer Price Index for Food Purchased from stores ("CPI"). CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in the Company's stores.
- Drug retail same-store sales growth was 3.7% (2017 – 0.9%) and was comprised of pharmacy same-store sales growth of 3.5% (2017 – 1.3%) and front store same-store sales growth of 3.8% (2017 – 0.6%). The timing of Easter had a nominal impact on drug retail same-store sales growth in the first quarter of 2018. In the first quarter of 2017, excluding the unfavourable impacts of the timing of New Year's Day and Easter, Drug retail same-store sales growth was approximately 2.5%.
  - Pharmacy same-store sales growth was 3.5% (2017 – 1.3%). The number of prescriptions dispensed increased by 4.3% (2017 – 2.9%). On a same-store basis, the number of prescriptions dispensed increased by 4.0% (2017 – 2.5%) and year-over-year, the average prescription value decreased by 0.3% (2017 – decreased by 1.3%). The timing of Easter had a nominal impact on pharmacy same-store sales growth in the first quarter of 2018. In the first quarter of 2017, excluding the unfavourable impacts of the timing of New Year's Day and Easter, pharmacy same-store sales growth was approximately 1.4%.
  - Front store same-store sales growth was 3.8% (2017 – 0.6%). The timing of Easter had a nominal impact on front store same-store sales growth in the first quarter of 2018. In the first quarter of 2017, excluding the unfavourable impacts of the timing of New Year's Day and Easter, front store same-store sales growth was approximately 3.6%.
- 25 food and drug stores were opened and 26 food and drug stores were closed in the last 12 months, resulting in a net increase in Retail square footage of 0.1 million square feet, or 0.1%.

The redemption of Loblaw Cards in the first quarter of 2018 resulted in the delivery of approximately $17 million of free products to customers which was provided for in the fourth quarter of 2017. The redemptions did not benefit sales or the Company's financial performance in the first quarter of 2018.

Operating Income Operating income in the first quarter of 2018 was $399 million, a decrease of $47 million compared to the first quarter of 2017. The decrease in operating income included a decline in underlying operating performance of $28 million, including the unfavourable impact of the disposition of gas bar operations, and the unfavourable year-over-year net impact of adjusting items totaling $19 million, as described below:

- the decline in underlying operating performance of $28 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]. Minimum wage increases and incremental healthcare reform also negatively impacted the Company's year-over-year first quarter performance. The decline in underlying operating performance also included the unfavourable year-over-year contribution from the consolidation of franchises in the quarter; and
- the unfavourable year-over-year net impact of adjusting items totaling $19 million was primarily due to the following:
  - the unfavourable impact of the additional charge in the first quarter of 2018 related to the Loblaw Card Program of $19 million; and
  - the unfavourable impact of healthcare reform on inventory balances of $19 million; partially offset by
  - the change in fair value adjustment on fuel and foreign currency contracts of $11 million; and
  - the favourable year-over-year impact of pension annuities and buy-outs in the prior year of $7 million.

Adjusted Gross Profit[2] Adjusted gross profit[2] in the first quarter of 2018 was $2,929 million, an increase of $85 million compared to the first quarter of 2017. Adjusted gross profit percentage[2] of 29.0% increased by 100 basis points compared to the first quarter of 2017. Excluding the consolidation of franchises, adjusted gross profit[2] increased by $22 million. Adjusted gross profit percentage[2], excluding the consolidation of franchises, was 27.5%, an increase of 50 basis points compared to the first 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 70 basis points. Margins were negatively impacted by healthcare reform.

Adjusted EBITDA[2] Adjusted EBITDA[2] in the first quarter of 2018 was $792 million, a decrease of $19 million, compared to the first quarter of 2017 and included no impact for the consolidation of franchises and the unfavourable impact of the disposition of gas bar operations of approximately $20 million. The decrease in adjusted EBITDA[2] of $19 million was driven by an increase in SG&A of $104 million partially offset by an increase in adjusted gross profit[2] as described above. SG&A as a percentage of sales was 21.1%, an increase of 110 basis points compared to the first quarter of 2017. Excluding the consolidation of franchises, SG&A increased $41 million. SG&A as a percentage of sales, excluding the consolidation of franchises, was 19.6%, an unfavourable increase of 60 basis points compared to the first quarter of 2017 primarily driven by:

- the unfavourable impact from the disposition of gas bar operations of approximately 50 basis points; and
- higher store costs driven by minimum wage increases and the launch of *PC Optimum*; partially offset by
- lower store support costs driven by previously announced cost saving initiatives.

Depreciation and Amortization Depreciation and amortization in the first quarter of 2018 was $361 million, an increase of $9 million compared to the first quarter of 2017 primarily driven by the consolidation of franchises and an increase in IT assets. Included in depreciation and amortization is the amortization of intangible assets related to the acquisition of Shoppers Drug Mart of $121 million (2017 – $121 million).

Other Retail Business Matters

Consolidation of Franchises The Company has more than 500 franchise food retail stores in its network. As at the end of the first quarter of 2018, 331 of these stores were consolidated for accounting purposes under a new, simplified franchise agreement ("Franchise Agreement") implemented in 2015.

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

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars unless where otherwise indicated)	**2018** **(12 weeks)**	2017 (12 weeks)
Number of Consolidated Franchise stores, beginning of period	**310**	200
Add: Net number of Consolidated Franchise stores in the period	**21**	25
Number of Consolidated Franchise stores, end of period	**331**	225
Sales	**$ 199**	$ 141
Adjusted gross profit[2]	**202**	139
Adjusted EBITDA[2]	**7**	7
Depreciation and amortization	**12**	9
Operating loss	**(5)**	(2)
Net loss attributable to non-controlling interests	**(5)**	(1)

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

The Company expects[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 $25 million.

4.2 Financial Services Segment

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018** **(12 weeks)**	2017[4] (12 weeks)	$ Change	% Change
Revenue	**$ 230**	$ 213	$ 17	8.0%
Earnings before income taxes	**61**	28	33	117.9%

(millions of Canadian dollars except where otherwise indicated)	**As at** **March 24, 2018**	As at March 25, 2017	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,939**	$ 2,808	$ 131	4.7%
Credit card receivables	**2,778**	2,689	89	3.3%
Allowance for credit card receivables	**175**	49	126	257.1%
Annualized yield on average quarterly gross credit card receivables	**13.4%**	13.8%		
Annualized credit loss rate on average quarterly gross credit card receivables	**3.5%**	4.1%		

Revenue Revenue in the first quarter of 2018 was $230 million, an increase of $17 million compared to the first quarter of 2017, primarily 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;
- higher interest and net interchange income attributable to the growth in the credit card portfolio; and
- higher sales attributable to *The Mobile Shop*.

Earnings before income taxes Earnings before income taxes in the first quarter of 2018 were $61 million, an increase of $33 million compared to the first quarter of 2017, primarily driven by:

- recognition of income of $17 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 represented the personal banking services offered under the *PC Financial* brand. Normal operating income from the same personal banking services ends in the second quarter of 2018;
- certain 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; and
- higher interest and net interchange income attributable to the growth in the credit card portfolio; partially offset by
- higher customer acquisition costs; and
- higher IT costs mainly due to investments in digital strategy.

Credit Card Receivables As at March 24, 2018, credit card receivables were $2,778 million, an increase of $89 million compared to March 25, 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, "Financial Instruments" ("IFRS 9"). As at March 24, 2018, the allowance for credit card receivables was $175 million, an increase of $126 million compared to March 25, 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 will receive a payment of approximately $43 million, net of certain costs incurred, $17 million of which was recognized in the first quarter of 2018 and $24 million which was recognized in 2017. The remaining amounts will be recognized in the second quarter of 2018.

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 March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018** **(12 weeks)**	2017 (12 weeks)	$ Change	% Change
Revenue	**$ 215**	$ 203	$ 12	5.9 %
Net interest expense and other financing charges[(i)]	**(449)**	213	(662)	(310.8)%
Net income[(ii)]	**627**	24	603	2,512.5 %
Funds from operations[(2)]	**106**	109	(3)	(2.8)%

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

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

Revenue Revenue in the first quarter of 2018 was $215 million, an increase of $12 million compared to the first quarter of 2017 and included $183 million (2017 – $178 million) generated from tenants within the Retail segment. The increase in revenue was primarily driven by:

- an increase in base rent and operating cost recoveries from existing properties;
- additional revenue generated from tenant openings in newly developed leasable space; and
- revenue from properties acquired in 2017 and 2018.

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges in the first quarter of 2018 were income of $449 million compared to interest expense of $213 million in the first quarter of 2017, a decrease of $662 million. The decrease was primarily driven by:

- the change in the fair value adjustment on Class B Limited Partnership units of $673 million; partially offset by
- higher interest expense resulting from the issuance of new unsecured senior debentures, in the first quarter of 2018, related to the agreement to acquire CREIT, and the call premium for the early redemption of the Series A senior unsecured debenture; and
- an increase in interest expense due to higher distributions on Class B Limited Partnership units.

Net income Net income in the first quarter of 2018 was $627 million, an increase of $603 million compared to the first quarter of 2017. The increase was primarily driven by:

- the change in fair value adjustment on Class B Limited Partnership units of $673 million;
- 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; partially offset by
- the change in fair value adjustment on investment properties of $60 million; and
- acquisition and other costs related to the agreement to acquire CREIT of $12 million.

Funds from operations[(2)] Funds from operations[(2)] in the first quarter of 2018 were $106 million, a decrease of $3 million compared to the first quarter of 2017, primarily driven by higher interest expense due to the issuance of new unsecured senior debentures, in the first quarter of 2018, related to the agreement to acquire CREIT, and the call premium for the early redemption of the Series A senior unsecured debenture, partially offset by higher contributions from property operations.

Other Choice Properties' Business Matters

Acquisition of Investment Properties In the first quarter of 2018, Choice Properties acquired two investment properties from third-party vendors for an aggregate purchase price of $7 million, excluding acquisition costs, which was fully settled in cash. In addition, Choice Properties acquired a retail property and two parcels of land held for future development, from third-party vendors for an aggregate purchase price of $22 million, excluding acquisition costs, which was settled by the assumption of a $3 million mortgage, with the remainder in cash.

Choice Properties' Agreement to Acquire Canadian Real Estate Investment Trust On February 14, 2018, Choice Properties entered into an arrangement agreement to acquire all the assets and assume all the liabilities of CREIT, including long term debt and all residual liabilities, with the exception of certain credit facilities of CREIT that will be repaid in connection with the proposed acquisition. CREIT will then redeem all of its outstanding units for an aggregate of $22.50 in cash and 2.4904 Choice Properties' Trust Units ("Unit") per unit of CREIT on a fully prorated basis ("Acquisition Transaction"). The aggregate consideration to be paid by Choice Properties will consist of approximately 58% in Units and 42% in cash. The maximum amount of cash consideration to be paid by Choice Properties will be approximately $1.65 billion and approximately 183 million Units will be issued, based on the fully diluted number of CREIT units outstanding on the date of the closing of the Acquisition Transaction.

Choice Properties plans to finance the cash portion of the Acquisition Transaction with committed credit facilities totaling $3.6 billion. These committed credit facilities initially included a $1.25 billion term loan and an $850 million bridge facility. On March 8, 2018, Choice Properties issued $1.3 billion aggregate principal amount of senior unsecured debentures. Subsequent to this issuance, Choice Properties notified the lender of the committed credit facility to cancel the $850 million bridge facility and $450 million of the term loan. The net proceeds of the senior unsecured debentures were placed in escrow, where they will remain until the satisfaction of the escrow release conditions are met, which include the satisfaction or waiver of all conditions to closing the Acquisition Transaction. In the event the escrow release conditions are not met, the senior unsecured debentures issued for the financing of the Acquisition Transaction will be repaid at par, plus accrued interest. Additionally, Choice Properties has arranged a new $1.5 billion committed revolving credit facility. Choice Properties will repay and cancel the existing credit facilities of Choice Properties and CREIT concurrently with the closing of the Acquisition Transaction.

Also concurrent with the closing of the Acquisition Transaction, the Company, Choice Properties' controlling unitholder, has agreed to convert 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 expects to issue to the Company a maximum of approximately 70.9 million Class B LP Units upon the conversion and if required, any shortfall in value on closing in cash. Following the transaction, the Company will own approximately 62% of Choice Properties.

The Acquisition Transaction was approved by CREIT unitholders at a special meeting held on April 11, 2018 and the plan of arrangement was approved by the Ontario Superior Court of Justice on April 24, 2018. As more fully described in the arrangement agreement, the completion of the Acquisition Transaction depends on a number of conditions being satisfied or waived, including, among others, approval by the Competition Bureau.

The transaction is expected to be completed on May 4, 2018[(3)]. However, there can be no certainty, nor can Choice Properties provide any assurance, that all of the closing conditions will be satisfied or, if satisfied, when they will be satisfied. Information on the risks and uncertainties related to CREIT and further information concerning the risks to Choice Properties related to the Acquisition Transaction are disclosed in the Information Statement filed by Choice Properties on March 15, 2018 and available on SEDAR at www.sedar.com.

5. Liquidity and Capital Resources

5.1 Cash Flows

Major Cash Flow Components

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	**2018** **(12 weeks)**	2017[4] (12 weeks)	$ Change	% Change
Cash and cash equivalents, beginning of period	**$ 1,798**	$ 1,314	$ 484	36.8 %
Cash flows from (used in):				
Operating activities	**434**	379	55	14.5 %
Investing activities	**(1,450)**	(251)	(1,199)	(477.7)%
Financing activities	**480**	(404)	884	218.8 %
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(2)**	—	(2)	— %
Cash and cash equivalents, end of period	**$ 1,260**	$ 1,038	$ 222	21.4 %

Cash Flows from Operating Activities Cash flows from operating activities in the first quarter of 2018 were $434 million, an increase of $55 million compared to the first quarter of 2017. The increase was primarily due to a decrease in income taxes paid, partially offset by unfavourable changes in non-cash working capital, related to year-over-year increase in inventory balances, and changes in credit card receivables.

Cash Flows used in Investing Activities Cash flows used in investing activities in the first quarter 2018 were $1,450 million, an increase of $1,199 million compared to the first quarter 2017. The increase in cash flows used in investing activities was driven by the investment of net proceeds from Choice Properties' issuance of senior unsecured debentures pending the completion of the agreement to acquire CREIT, see section 4.3 "Other Choice Properties' Business Matters" of this MD&A.

Capital Investments and Store Activity

As at or for periods ended March 24, 2018 and March 25, 2017	**2018** **(12 weeks)**	2017 (12 weeks)	% Change
Capital investments (millions of Canadian dollars)	**$ 222**	$ 154	44.2 %
Corporate square footage (in millions)	**35.6**	35.7	(0.3)%
Franchise square footage (in millions)	**16.2**	16.3	(0.6)%
Associate-owned drug store square footage (in millions)	**18.4**	18.1	1.7 %
Total retail square footage (in millions)	**70.2**	70.1	0.1 %
Number of corporate stores	**551**	564	(2.3)%
Number of franchise stores	**533**	532	0.2 %
Number of Associate-owned drug stores	**1,335**	1,324	0.8 %
Total number of stores	**2,419**	2,420	— %
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	**64,600**	63,300	2.1 %
Franchise	**30,400**	30,600	(0.7)%
Associate-owned drug store	**13,800**	13,700	0.7 %

Cash Flows from Financing Activities Cash flows from financing activities in the first quarter of 2018 were $480 million, an increase of $884 million compared to the first quarter of 2017. The increase in cash flows from financing activities was driven by higher net issuances of long term debt primarily related to Choice Properties' financing for the agreement to acquire CREIT, partially offset by higher repurchases of common shares and the timing of dividends paid.

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 March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	2018 (12 weeks)	2017[4] (12 weeks)	$ Change	% Change
Cash flows from operating activities	$ 434	$ 379	$ 55	14.5 %
Less:				
Capital investments	222	154	68	44.2 %
Interest paid	155	148	7	4.7 %
Free cash flow[2]	$ 57	$ 77	$ (20)	(26.0)%

Free cash flow[2] in the first quarter of 2018 was $57 million, a decrease of $20 million compared to the first quarter of 2017. The decrease in free cash flow[2] was primarily driven by higher capital investments, partially offset by higher cash flows from operating activities, as described 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 Guaranteed Investment Certificates.

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 March 24, 2018				As at March 25, 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	$ 270	$ —	$ —	$ 270	$ 254	$ —	$ —	$ 254	$ 110	$ —	$ —	$ 110
Short term debt	—	440	—	440	—	465	—	465	—	640	—	640
Long term debt due within one year	1,187	605	1,300	3,092	56	146	1	203	392	593	650	1,635
Long term debt	4,808	1,135	3,468	9,411	5,985	1,427	3,326	10,738	5,622	1,159	2,761	9,542
Certain other liabilities	42	—	—	42	31	—	—	31	41	—	—	41
Total debt	$ 6,307	$ 2,180	$ 4,768	$ 13,255	$ 6,326	$ 2,038	$ 3,327	$ 11,691	$ 6,165	$ 2,392	$ 3,411	$ 11,968

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 March 24, 2018	As at March 25, 2017	As at December 30, 2017
Retail debt to rolling year retail adjusted EBITDA[2]	1.7x	1.7x	1.6x

The Retail debt to retail adjusted EBITDA[2] ratio as at March 24, 2018 was flat compared to March 25, 2017, and increased compared to December 30, 2017 primarily as a result of an increase 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 agreement to acquire CREIT, Choice Properties entered into $1.3 billion of senior unsecured debentures in the first 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 March 24, 2018 and throughout the first quarter, the Company and Choice Properties were in compliance with their respective covenants. As at March 24, 2018 and throughout the first quarter, 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 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 during the periods ended as indicated.

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	**March 24, 2018 (12 weeks) Principal Amount**	March 25, 2017 (12 weeks) Principal Amount
Choice Properties Series senior unsecured debentures				
– Series I	3.01%	March 21, 2022	**$ 300**	$ —
– Series J	3.55%	January 10, 2025	**350**	—
– Series K[(i)]	3.56%	September 9, 2024	**550**	—
– Series L[(i)]	4.18%	March 8, 2028	**750**	—
Total Debentures and MTNs issued			**$ 1,950**	$ —

(i) The net proceeds from the issuance of Series K and L are held in escrow pending the completion of the agreement to acquire CREIT, see Section 4.3, "Other Choice Properties' Business Matters", of this MD&A. In the event that the escrow release conditions are not met, Series K and L senior unsecured debentures will be repaid at par, plus accrued interest. As such, the debentures are classified as long term debt due within one year.

The following table summarizes the debentures and MTNs repaid during the periods ended as indicated.

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	**March 24, 2018 (12 weeks) Principal Amount**	March 25, 2017 (12 weeks) Principal Amount
Choice Properties senior unsecured debentures – Series A	3.55%	July 5, 2018[(i)]	**$ 400**	$ —
Choice Properties senior unsecured debentures – Series 6	3.00%	April 20, 2017[(ii)]	**—**	200
Total Debentures and MTNs repaid			**$ 400**	$ 200

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

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

Committed Credit Facilities The components of the committed lines of credit as at March 24, 2018, March 25, 2017 and December 30, 2017 were as follows:

		As at March 24, 2018		As at March 25, 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 Syndicated Credit Facility	July 5, 2022[(i)]	**500**	**374**	500	233	500	311
Choice Properties Committed Bi-lateral Credit Facility	December 21, 2018	**—**	**—**	250	250	250	250
Total Committed Lines of Credit		**$ 1,500**	**$ 374**	$ 1,750	$ 483	$ 1,750	$ 561

(i) Choice Properties Committed Syndicated Credit Facility was extended for an additional year from July 5, 2021 to July 5, 2022.

In the first quarter of 2018, Choice Properties repaid and cancelled the Committed Bi-lateral Credit Facility.

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 March 24, 2018**	As at March 25, 2017	As at December 30, 2017
Securitized to independent securitization trusts:			
Securitized to *Eagle*	**$ 900**	$ 650	$ 900
Securitized to Other Independent Securitization Trusts	**440**	465	640
Total securitized to independent securitization trusts	**$ 1,340**	$ 1,115	$ 1,540

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 March 24, 2018 and throughout the first quarter of 2018.

Independent Funding Trusts As at March 24, 2018, the independent funding trusts had drawn $545 million (March 25, 2017 – $560 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 March 24, 2018, the Company has agreed to provide a credit enhancement of $64 million (March 25, 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 March 24, 2018	As at March 25, 2017(4)	As at December 30, 2017(4)
Rolling year adjusted return on equity(2)	**14.2%**	13.3%	14.0%
Rolling year adjusted return on capital(2)	**9.6%**	9.0%	9.7%

The rolling year adjusted return on equity(2) and rolling year adjusted return on capital(2) as at March 24, 2018 increased compared to March 25, 2017, primarily due to improvements in underlying operating performance and common share repurchases.

The rolling year adjusted return on equity(2) as at March 24, 2018 increased compared to December 30, 2017, primarily due to common share repurchases. The rolling year adjusted return on capital(2) as at March 24, 2018 decreased compared to December 30, 2017, primarily due to a decrease in cash and cash equivalents partially offset by common share repurchases.

5.5 Credit Ratings

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
Medium term notes	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 first quarter of 2018, after the announcement that Choice Properties has entered into an agreement to acquire CREIT, Dominion Bond Rating Service ("DBRS") reaffirmed the ratings of the Company and changed the trend from Positive to Stable.

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

In the first quarter of 2018, after the announcement that Choice Properties has entered into an agreement to acquire CREIT, DBRS and Standard & Poor's reaffirmed the ratings of Choice Properties. DBRS changed the trend from Positive to Stable.

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)	**March 24, 2018** Number of Common Shares	**March 24, 2018** Common Share Capital	March 25, 2017 Number of Common Shares	March 25, 2017 Common Share Capital
Issued and outstanding, beginning of period	**386,293,941**	**$ 7,460**	400,829,870	$ 7,713
Issued for settlement of stock options	**861,022**	**41**	224,875	10
Purchased and cancelled	**(8,107,027)**	**(157)**	(2,703,493)	(52)
Issued and outstanding, end of period	**379,047,936**	**$ 7,344**	398,351,252	$ 7,671
Shares held in trust, beginning of period	**(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	**465,253**	**9**	6,489	—
Shares held in trust, end of period	**(315,685)**	**$ (6)**	(1,785,131)	$ (34)
Issued and outstanding, net of shares held in trust, end of period	**378,732,251**	**$ 7,338**	396,566,121	$ 7,637
Weighted average outstanding, net of shares held in trust	**382,023,940**		399,454,993	

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

	March 24, 2018[(i)] (12 weeks)	March 25, 2017 (12 weeks)
Dividends declared per share ($):		
Common Share	**$ 0.27**	$ 0.26
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125

(i) The first quarter dividends for 2018 of $0.27 per share declared on common shares have a payment date of April 1, 2018. The first quarter dividends for 2018 of $0.33125 per share declared on Second Preferred Shares, Series B have a payment date of March 31, 2018.

(millions of Canadian dollars)	**March 24, 2018 (12 weeks)**	March 25, 2017 (12 weeks)
Dividends declared:		
Common Share	**$ 103**	$ 104
Second Preferred Share, Series B	**3**	3
Total dividends declared	**$ 106**	$ 107

Subsequent to the end of the first quarter of 2018, the Board of Directors ("Board") declared a quarterly dividend of $0.295 per common share, an increase of 9.3%, payable on July 1, 2018 to shareholders of record on June 15, 2018 and a dividend on the Second Preferred Shares, Series B of $0.33125 per share payable on June 30, 2018 to shareholders of record on June 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)	**March 24, 2018 (12 weeks)**	March 25, 2017 (12 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)	**8,107,027**	2,703,493
Cash consideration paid	**$ 544**	$ 192
Premium charged to Retained Earnings	**387**	140
Reduction in Common Share Capital	**157**	52
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 may purchase common shares at times when the Company ordinarily would not be active in the market.

Subsequent to the end of the first 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 of March 24, 2018, the Company has purchased 20,937,061 common shares under its previous 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 first 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

Bond Forwards During the first quarter of 2018, PC Bank entered into bond forward agreements with a notional value of $343 million to hedge its exposure to interest rate fluctuations. These agreements qualified for hedge accounting as cash flow hedges. Accordingly, during the first quarter of 2018, PC Bank recorded an unrealized fair value loss of $1 million (2017 - nil) net of tax in other comprehensive income related to these agreements.

Interest Rate Swaps During the first quarter of 2018, interest rate swap agreements with a notional value of $100 million matured. Accordingly, during the first quarter of 2018, PC Bank recorded a nominal unrealized fair value loss (2017 - nominal loss) 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:

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2018 (12 weeks)**	**2017[4] (12 weeks)**	2017[4] (12 weeks)	2016 (12 weeks)	2017[4] (16 weeks)	2016 (16 weeks)	2017[4] (12 weeks)	2016 (12 weeks)
Revenue	**$ 10,367**	**$ 10,404**	$ 11,023	$ 11,130	$ 14,192	$ 14,143	$ 11,080	$ 10,731
Net earnings available to common shareholders of the Company	**377**	**232**	31	201	883	419	359	158
Adjusted net earnings available to common shareholders of the Company[2]	**361**	**366**	436	393	549	512	446	412
Net earnings per common share:								
Basic ($)	**$ 0.99**	**$ 0.58**	$ 0.08	$ 0.50	$ 2.25	$ 1.04	$ 0.91	$ 0.39
Diluted ($)	**$ 0.98**	**$ 0.58**	$ 0.08	$ 0.50	$ 2.24	$ 1.03	$ 0.90	$ 0.39
Adjusted diluted net earnings per common share [2] ($)	**$ 0.94**	**$ 0.91**	$ 1.12	$ 0.97	$ 1.39	$ 1.26	$ 1.11	$ 1.01
Average national food price inflation (deflation) (as measured by CPI)	**1.2%**	**(3.9)%**	1.0%	(2.3)%	0.3%	0.2%	(1.4)%	1.8%
Food retail same-store sales growth (decline)	**1.9%**	**(1.2)%**	0.5%	1.1 %	1.4%	0.8%	1.2 %	0.4%
Drug retail same-store sales growth	**3.7%**	**0.9 %**	3.6%	3.4 %	3.3%	2.8%	3.7 %	4.0%

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;
- 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 0.1 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;
- the impact of the Company's store closure plan announced in 2015 and completed in the first half of 2016;
- 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 *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 first quarter of 2018 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

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.

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" ("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 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 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 decreases by $24 million, resulting in a charge 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 period as at and for 12 weeks ended March 25, 2017 is as follows:

Condensed Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at March 25, 2017
Loyalty liability	$ (46)
Income taxes payable	13
Retained earnings	33

Condensed Consolidated Statement of Earnings

Increase (Decrease) (millions of Canadian dollars)	March 25, 2017 (12 weeks)
Revenue	$ 3
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 becomes 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 (“FVTPL”). Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. 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	Loans and receivables	Amortized cost
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[(ii)]	Fair value through profit and loss
Certain other liabilities	Other liabilities	Amortized cost
Derivatives	Fair value through profit and loss[(ii)]	Fair value through profit and loss

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

(ii) 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 and would reassess the classification of 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 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 impairment, 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. Upon implementation of IFRS 9, the Company recognized the cumulative impact arising from the ECL model on the impairment of credit card receivables as at December 31, 2017 as follows:

Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)		As at December 31, 2017
Credit card receivables	$	(123)
Deferred income tax assets		33
Income taxes payable		4
Deferred income tax liabilities		(4)
Retained earnings		(90)

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".

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 will negatively impact the Company's financial performance in 2018.

In 2018, on a full-year comparative basis, normalized for the disposition of the gas bar business, the Company expects to:

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

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 table reconciles 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 (12 weeks)					2017[4] (12 weeks)
For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Choice Properties**	**Consolidation & Eliminations**	**Consolidated**	Retail	Financial Services	Choice Properties	Consolidation & Eliminations	Consolidated
Revenue	**$ 10,105**	**$ 230**	**$ 215**	**$ (183)**	**$ 10,367**	$ 10,166	$ 213	$ 203	$ (178)	$ 10,404
Cost of Merchandise Inventories Sold	**7,195**	**22**	**—**	**—**	**7,217**	7,322	18	—	—	7,340
Gross Profit	**$ 2,910**	**$ 208**	**$ 215**	**$ (183)**	**$ 3,150**	$ 2,844	$ 195	$ 203	$ (178)	$ 3,064
Add impact of the following:										
Impact of healthcare reform on inventory balances	**19**	**—**	**—**	**—**	**19**	—	—	—	—	—
Adjusted Gross Profit	**$ 2,929**	**$ 208**	**$ 215**	**$ (183)**	**$ 3,169**	$ 2,844	$ 195	$ 203	$ (178)	$ 3,064

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 table reconciles 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 (12 weeks)					2017[4] (12 weeks)
For the periods ended March 24, 2018 and March 25, 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					**$ 380**					$ 235
Add (deduct) impact of the following:										
Non-Controlling Interests					**(5)**					(1)
Net interest expense and other financing charges					**13**					161
Income taxes					**92**					100
Operating income	**$ 399**	**$ 76**	**$ 178**	**$ (173)**	**$ 480**	$ 446	$ 42	$ 237	$ (230)	$ 495
Add (deduct) impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 121**	**$ —**	**$ —**	**$ —**	**$ 121**	$ 121	$ —	$ —	$ —	$ 121
Loblaw Card Program	**19**	**—**	**—**	**—**	**19**	—	—	—	—	—
Impact of healthcare reform on inventory balances	**19**	**—**	**—**	**—**	**19**	—	—	—	—	—
CREIT acquisition and other related costs	**—**	**—**	**12**	**—**	**12**	—	—	—	—	—
Pension annuities and buy-outs	**—**	**—**	**—**	**—**	**—**	7	—	—	—	7
Restructuring and other related costs	**(1)**	**—**	**—**	**—**	**(1)**	—	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**(5)**	**—**	**—**	**—**	**(5)**	6	—	—	—	6
Wind-down of *PC Financial* banking services	**—**	**(17)**	**—**	**—**	**(17)**	—	—	—	—	—
Adjusting Items	**$ 153**	**$ (17)**	**$ 12**	**$ —**	**$ 148**	$ 134	$ —	$ —	$ —	$ 134
Adjusted operating income	**$ 552**	**$ 59**	**$ 190**	**$ (173)**	**$ 628**	$ 580	$ 42	$ 237	$ (230)	$ 629
Depreciation and amortization	**361**	**2**	**—**	**6**	**369**	352	3	—	5	360
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(121)**	**—**	**—**	**—**	**(121)**	(121)	—	—	—	(121)
Adjusted EBITDA	**$ 792**	**$ 61**	**$ 190**	**$ (167)**	**$ 876**	$ 811	$ 45	$ 237	$ (225)	$ 868

In addition to the item described in the Retail segment adjusted gross profit[(2)] section above, adjusted EBITDA[(2)] 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.

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

CREIT acquisition and other related costs In the first quarter of 2018, the Company recorded acquisition and other related costs in connection with the agreement to acquire all of the assets and assume all of the liabilities of CREIT.

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.

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.

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 will receive payments of approximately $43 million, net of related costs, which will be recognized between the third quarter of 2017 and the second quarter of 2018.

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 March 24, 2018 and March 25, 2017 (millions of Canadian dollars)	**2018 (12 weeks)**	2017 (12 weeks)
Net interest expense and other financing charges	**$ 13**	$ 161
Add (deduct) impact of the following:		
Fair value adjustment to the Trust Unit Liability	**124**	(36)
Adjusted net interest expense and other financing charges	**$ 137**	$ 125

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.

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 March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)		2018 (12 weeks)		2017[4] (12 weeks)
Adjusted operating income[i]	**$**	**628**	$	629
Adjusted net interest expense and other financing charges[i]		**137**		125
Adjusted earnings before taxes	**$**	**491**	$	504
Income taxes	**$**	**92**	$	100
Add (deduct) impact of the following:				
Tax impact of items included in adjusted earnings before taxes[ii]		**40**		36
Adjusted income taxes	**$**	**132**	$	136
Effective tax rate		**19.7%**		29.9%
Adjusted income tax rate		**26.9%**		27.0%

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

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

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

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)		2018 (12 weeks)		2017[4] (12 weeks)
Net earnings attributable to shareholders of the Company	**$**	**380**	$	235
Prescribed dividends on preferred shares in share capital		**(3)**		(3)
Net earnings available to common shareholders of the Company	**$**	**377**	$	232
Net earnings attributable to shareholders of the Company	**$**	**380**	$	235
Adjusting items (refer to the following table)		**(16)**		134
Adjusted net earnings attributable to shareholders of the Company	**$**	**364**	$	369
Prescribed dividends on preferred shares in share capital		**(3)**		(3)
Adjusted net earnings available to common shareholders of the Company	**$**	**361**	$	366
Diluted weighted average common shares outstanding (millions)		**384.5**		403.2

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 (12 weeks)		2017[(4)] (12 weeks)	
For the periods ended March 24, 2018 and March 25, 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
As reported	**$ 377**	**$ 0.98**	$ 232	$ 0.58
Add (deduct) impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 89**	**$ 0.22**	$ 89	$ 0.22
Loblaw Card Program	**14**	**0.04**	—	—
Impact of healthcare reform on inventory balances	**14**	**0.04**	—	—
CREIT acquisition and other related costs	**9**	**0.02**	—	—
Pension annuities and buy-outs	**—**	**—**	5	0.01
Restructuring and other related costs	**(1)**	**—**	—	—
Fair value adjustment on fuel and foreign currency contracts	**(4)**	**(0.01)**	4	0.01
Wind-down of *PC Financial* banking services	**(13)**	**(0.03)**	—	—
Fair value adjustment to the Trust Unit Liability[(i)]	**(124)**	**(0.32)**	36	0.09
Adjusting items	**$ (16)**	**$ (0.04)**	$ 134	$ 0.33
Adjusted	**$ 361**	**$ 0.94**	$ 366	$ 0.91

(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 March 24, 2018 and March 25, 2017 (millions of Canadian dollars)	**2018 (12 weeks)**	2017[(4)] (12 weeks)
Cash flows from operating activities	**$ 434**	$ 379
Less:		
Capital investments	**222**	154
Interest paid	**155**	148
Free cash flow	**$ 57**	$ 77

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

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars)	**2018** **(12 weeks)**	2017 (12 weeks)
Net income	**$ 627**	$ 24
Add (deduct) impact of the following:		
Fair value adjustments on Class B Limited Partnership units	**(555)**	118
Fair value adjustments on investment properties	**(33)**	(93)
Fair value adjustments on unit-based compensation	**(5)**	1
Fair value adjustments of investment property held in equity accounted joint venture	**—**	1
Distributions on Class B Limited Partnership units	**59**	57
CREIT acquisition and other related costs	**12**	—
Internal expenses for leasing	**1**	1
Funds from operations	**$ 106**	$ 109

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.

May 1, 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 unaudited interim period condensed consolidated financial statements.

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Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)		**March 24, 2018 (12 weeks)**		March 25, 2017[(i)] (12 weeks)
Revenue	**$**	**10,367**	$	10,404
Cost of Merchandise Inventories Sold		**7,217**		7,340
Selling, General and Administrative Expenses		**2,670**		2,569
Operating Income	**$**	**480**	$	495
Net interest expense and other financing charges (note 4)		**13**		161
Earnings Before Income Taxes	**$**	**467**	$	334
Income taxes (note 5)		**92**		100
Net Earnings	**$**	**375**	$	234
Attributable to:				
Shareholders of the Company	**$**	**380**	$	235
Non-Controlling Interests		**(5)**		(1)
Net Earnings	**$**	**375**	$	234
Net Earnings per Common Share ($) (note 6)				
Basic	**$**	**0.99**	$	0.58
Diluted	**$**	**0.98**	$	0.58
Weighted Average Common Shares Outstanding (millions) (note 6)				
Basic		**382.0**		399.5
Diluted		**384.5**		403.2

(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)	**March 24, 2018 (12 weeks)**	March 25, 2017[i] (12 weeks)
Net Earnings	**$ 375**	$ 234
Other comprehensive income (loss), net of taxes		
Items that are or may be subsequently reclassified to profit or loss:		
Foreign currency translation adjustment loss	**$ (1)**	$ —
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial losses (note 16)	**(17)**	(23)
Other comprehensive income (loss), net of taxes	**$ (18)**	$ (23)
Total Comprehensive Income	**$ 357**	$ 211
Attributable to:		
Shareholders of the Company	**$ 362**	$ 212
Non-Controlling Interests	**(5)**	(1)
Total Comprehensive Income	**$ 357**	$ 211

(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**	**$ 5,244**	**$ 110**	$ 36	$ 2	**$ 38**	**$ 40**	**$13,098**
Impact of adopting IFRS 9(i)	—	—	**—**	**(90)**	**—**	$ —	$ —	**—**	**—**	**(90)**
Restated balance as at December 31, 2017	$ 7,445	$ 221	**$ 7,666**	**$ 5,154**	**$ 110**	$ 36	$ 2	**$ 38**	**$ 40**	**$13,008**
Net earnings	—	—	**—**	**380**	**—**	—	—	**—**	**(5)**	**375**
Other comprehensive income (loss)	—	—	**—**	**(17)**	**—**	(1)	—	**(1)**	**—**	**(18)**
Total Comprehensive Income (Loss)	$ —	$ —	**$ —**	**$ 363**	**$ —**	$ (1)	$ —	**$ (1)**	**$ (5)**	**$ 357**
Common shares purchased and cancelled (note 14)	(157)	—	**(157)**	**(387)**	**—**	—	—	**—**	**—**	**(544)**
Net effect of equity-based compensation (notes 14 and 15)	41	—	**41**	**—**	**(20)**	—	—	**—**	**—**	**21**
Shares released from trust (note 15)	9	—	**9**	**19**	**—**	—	—	**—**	**—**	**28**
Dividends declared per common share – $0.27 (note 14)	—	—	**—**	**(103)**	**—**	—	—	**—**	**—**	**(103)**
Dividends declared per preferred share – $0.33125 (note 14)	—	—	**—**	**(3)**	**—**	—	—	**—**	**—**	**(3)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	**—**	**(7)**	**(7)**
	$ (107)	$ —	**$ (107)**	**$ (111)**	**$ (20)**	$ (1)	$ —	**$ (1)**	**$ (12)**	**$ (251)**
Balance at March 24, 2018	$ 7,338	$ 221	**$ 7,559**	**$ 5,043**	**$ 90**	$ 35	$ 2	**$ 37**	**$ 28**	**$12,757**

(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	$ 7,692	$ 221	**$ 7,913**	**$ 4,944**	**$ 112**	$ 33	$ —	**$ 33**	**$ 26**	**$13,028**
Impact of adopting IFRS 15(i)	—	—	**—**	**31**	**—**	—	—	**—**	**—**	**31**
Restated balance as at January 1, 2017	$ 7,692	$ 221	**$ 7,913**	**$ 4,975**	**$ 112**	$ 33	$ —	**$ 33**	**$ 26**	**$13,059**
Net earnings(i)	—	—	**—**	**235**	**—**	—	—	**—**	**(1)**	**234**
Other comprehensive income (loss)	—	—	**—**	**(23)**	**—**	—	—	**—**	**—**	**(23)**
Total Comprehensive Income (Loss)	$ —	$ —	**$ —**	**$ 212**	**$ —**	$ —	$ —	**$ —**	**$ (1)**	**$ 211**
Common shares purchased and cancelled (note 14)	(52)	—	**(52)**	**(140)**	**—**	—	—	**—**	**—**	**(192)**
Net effect of equity-based compensation (notes 14 and 15)	10	—	**10**	**—**	**12**	—	—	**—**	**—**	**22**
Shares purchased and held in trust (note 14)	(13)	—	**(13)**	**(35)**	**—**	—	—	**—**	**—**	**(48)**
Dividends declared per common share – $0.26 (note 14)	—	—	**—**	**(104)**	**—**	—	—	**—**	**—**	**(104)**
Dividends declared per preferred share – $0.33125 (note 14)	—	—	**—**	**(3)**	**—**	—	—	**—**	**—**	**(3)**
Net contribution from non-controlling interests	—	—	**—**	**—**	**—**	—	—	**—**	**(4)**	**(4)**
	$ (55)	$ —	**$ (55)**	**$ (70)**	**$ 12**	$ —	$ —	**$ —**	**$ (5)**	**$ (118)**
Balance at March 25, 2017	$ 7,637	$ 221	**$ 7,858**	**$ 4,905**	**$ 124**	$ 33	$ —	**$ 33**	**$ 21**	**$12,941**

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

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

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	**As at March 24, 2018**	As at March 25, 2017[(i)]	As at December 30, 2017[(i)]
Assets			
Current Assets			
Cash and cash equivalents (note 7)	**$ 1,260**	$ 1,038	$ 1,798
Short term investments (note 7)	**459**	354	546
Security deposits (note 7)	**1,295**	—	—
Accounts receivable	**1,116**	1,042	1,188
Credit card receivables (note 8)	**2,778**	2,689	3,100
Inventories (note 9)	**4,425**	4,179	4,438
Prepaid expenses and other assets	**242**	236	224
Assets held for sale (note 10)	**41**	123	33
Total Current Assets	**$ 11,616**	$ 9,661	$ 11,327
Fixed Assets	**10,623**	10,418	10,669
Investment Properties	**247**	233	235
Intangible Assets	**8,159**	8,619	8,251
Goodwill	**3,924**	3,895	3,922
Deferred Income Tax Assets	**104**	131	134
Franchise Loans Receivable (note 17)	**151**	194	166
Other Assets (note 11)	**387**	434	402
Total Assets	**$ 35,211**	$ 33,585	$ 35,106
Liabilities			
Current Liabilities			
Bank indebtedness	**$ 270**	$ 254	$ 110
Trade payables and other liabilities	**4,710**	4,272	5,233
Loyalty liability (note 2)	**294**	187	349
Provisions	**278**	97	283
Income taxes payable	**12**	144	128
Short term debt (note 8)	**440**	465	640
Long term debt due within one year (note 12)	**3,092**	203	1,635
Associate interest	**250**	232	263
Liabilities held for sale (note 10)	**—**	49	—
Total Current Liabilities	**$ 9,346**	$ 5,903	$ 8,641
Provisions	**155**	119	169
Long Term Debt (note 12)	**9,411**	10,738	9,542
Trust Unit Liability (note 17)	**849**	1,001	972
Deferred Income Tax Liabilities	**1,986**	2,142	1,984
Other Liabilities (note 13)	**707**	741	700
Total Liabilities	**$ 22,454**	$ 20,644	$ 22,008
Equity			
Share Capital (note 14)	**$ 7,559**	$ 7,858	$ 7,666
Retained Earnings	**5,043**	4,905	5,244
Contributed Surplus (note 15)	**90**	124	110
Accumulated Other Comprehensive Income	**37**	33	38
Total Equity Attributable to Shareholders of the Company	**$ 12,729**	$ 12,920	$ 13,058
Non-Controlling Interests	**28**	21	40
Total Equity	**$ 12,757**	$ 12,941	$ 13,098
Total Liabilities and Equity	**$ 35,211**	$ 33,585	$ 35,106

(i) Certain comparative figures have been restated (note 2).
Contingent Liabilities (note 18).
See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	March 24, 2018 (12 weeks)	March 25, 2017[i] (12 weeks)
Operating Activities		
Net earnings	**$ 375**	$ 234
Add (Deduct):		
Income taxes (note 5)	**92**	100
Net interest expense and other financing charges (note 4)	**13**	161
Depreciation and amortization	**369**	360
Asset impairments, net of recoveries	**1**	5
	$ 850	$ 860
Change in:		
Non-cash working capital	**(470)**	(396)
Credit card receivables (note 8)[ii]	**199**	237
Provisions	**(19)**	(3)
Other	**5**	15
	$ 565	$ 713
Income taxes paid	**(138)**	(337)
Interest received	**7**	3
Cash Flows from Operating Activities	**$ 434**	$ 379
Investing Activities		
Fixed asset purchases	**$ (141)**	$ (102)
Intangible asset additions	**(81)**	(52)
Cash assumed on initial consolidation of franchises (note 3)	**8**	10
Change in short term investments (note 7)	**87**	(113)
Change in security deposits (note 7)	**(1,295)**	—
Other	**(28)**	6
Cash Flows used in Investing Activities	**$ (1,450)**	$ (251)
Financing Activities		
Change in bank indebtedness	**$ 160**	$ 139
Change in short term debt	**(200)**	(200)
Long Term Debt (note 12)		
Issued	**2,011**	285
Retired	**(684)**	(228)
Interest paid	**(155)**	(148)
Dividends paid on common and preferred shares	**(108)**	(3)
Common Share Capital		
Issued (note 15)	**34**	9
Purchased and held in trust (note 14)	**—**	(48)
Purchased and cancelled (note 14)	**(544)**	(192)
Other	**(34)**	(18)
Cash Flows from (used in) Financing Activities	**$ 480**	$ (404)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ (2)**	$ —
Change in cash and cash equivalents	**$ (538)**	$ (276)
Cash and cash equivalents, beginning of period	**1,798**	1,314
Cash and Cash Equivalents, End of Period	**$ 1,260**	$ 1,038

(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.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

For the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)

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 and 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, credit card services, insurance brokerage services, gift cards and telecommunication 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 49.5% of the Company's outstanding common shares. The Company's ultimate parent is Wittington Investments, Limited ("Wittington"). The remaining common shares are widely held.

The Company has three reportable operating segments: Retail, Financial Services and Choice Properties (see note 19). As at March 24, 2018, Loblaw held an effective interest in Choice Properties of approximately 82.4%.

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

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. Changes to significant accounting policies are 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 May 1, 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 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 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 decreases by $24 million, resulting in a charge 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 period as at and for 12 weeks ended March 25, 2017 is as follows:

Condensed Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at March 25, 2017
Loyalty liability	$ (46)
Income taxes payable	13
Retained earnings	33

Condensed Consolidated Statement of Earnings

Increase (Decrease) (millions of Canadian dollars)	March 25, 2017 (12 weeks)
Revenue	$ 3
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 becomes 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 ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. 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	Loans and receivables	Amortized cost
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(ii)	Fair value through profit and loss
Certain other liabilities	Other liabilities	Amortized cost
Derivatives	Fair value through profit and loss(ii)	Fair value through profit and loss

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

(ii) 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 and would reassess the classification of 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 impairment, 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. Upon implementation of IFRS 9, the Company recognized the cumulative impact arising from the ECL model on the impairment of credit card receivables as at December 31, 2017 as follows:

Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at December 31, 2017
Credit card receivables	$ (123)
Deferred income tax assets	33
Income taxes payable	4
Deferred income tax liabilities	(4)
Retained earnings	(90)

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".

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)	**March 24, 2018 (12 weeks)**	March 25, 2017 (12 weeks)
Net Assets Acquired:		
Cash and cash equivalents	**$ 8**	$ 10
Inventories	**17**	20
Fixed assets	**26**	22
Trade payables and other liabilities[(i)]	**(8)**	(14)
Other liabilities[(i)]	**(39)**	(35)
Non-controlling interests	**(4)**	(3)
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' Agreement to Acquire Canadian Real Estate Investment Trust On February 14, 2018, Choice Properties entered into an arrangement agreement to acquire all the assets and assume all the liabilities of the Canadian Real Estate Investment Trust ("CREIT"), including long term debt and all residual liabilities. CREIT will then redeem all of its outstanding units for an aggregate of $22.50 in cash and 2.4904 Choice Properties' Trust Units ("Units") per unit of CREIT on a fully prorated basis ("Acquisition Transaction").The aggregate consideration to be paid by Choice Properties will consist of approximately 58% in Units and 42% in cash. The maximum amount of cash consideration to be paid by Choice Properties will be approximately $1.65 billion and approximately 183 million Units will be issued, based on the fully diluted number of CREIT units outstanding on the date of the closing of the Acquisition Transaction.

Choice Properties plans to finance the cash portion of the Acquisition Transaction with committed credit facilities totaling $3.6 billion. These committed credit facilities initially included a $1.25 billion term loan and an $850 million bridge facility. On March 8, 2018, Choice Properties issued $1.3 billion aggregate principal amount of senior unsecured debentures. Subsequent to this issuance, Choice Properties notified the lender of the committed credit facility to cancel the $850 million bridge facility and $450 million of the term loan. The net proceeds of the senior unsecured debentures were placed in escrow, where they will remain until the satisfaction of the escrow release conditions are met, which include the satisfaction or waiver of all conditions to closing the Acquisition Transaction. In the event the escrow release conditions are not met, the senior unsecured debentures issued for the financing of the Acquisition Transaction will be repaid at par, plus accrued interest. Additionally, Choice Properties has arranged a new $1.5 billion committed revolving credit facility. Choice Properties will repay and cancel the existing credit facilities of Choice Properties and CREIT concurrently with the closing of the Acquisition Transaction.

Also concurrent with the closing of the Acquisition Transaction, the Company, Choice Properties' controlling unitholder, has agreed to convert 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 expects to issue to the Company a maximum of approximately 70.9 million Class B LP Units upon the conversion and if required, any shortfall in value on closing in cash. Following the transaction, the Company will own approximately 62% of Choice Properties.

The Acquisition Transaction was approved by CREIT unitholders at a special meeting held on April 11, 2018 and the plan of arrangement was approved by the Ontario Superior Court of Justice on April 24, 2018. As more fully described in the arrangement agreement, the completion of the Acquisition Transaction depends on a number of conditions being satisfied or waived, including, among others, approval by the Competition Bureau.

The transaction is expected to be completed on May 4, 2018. However, there can be no certainty, nor can Choice Properties provide any assurance, that all of the closing conditions will be satisfied or, if satisfied, when they will be satisfied. Information on the risks and uncertainties related to CREIT and further information concerning the risks to Choice Properties related to the Acquisition Transaction are disclosed in the Information Statement filed by Choice Properties on March 15, 2018 and available on SEDAR at www.sedar.com.

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)	**March 24, 2018 (12 weeks)**	March 25, 2017 (12 weeks)
Interest expense and other financing charges:		
Long term debt	**$ 115**	$ 104
Borrowings related to credit card receivables	**9**	8
Trust Unit distributions	**13**	13
Post-employment and other long term employee benefits (note 16)	**2**	2
Independent funding trusts	**4**	4
Bank indebtedness	**1**	1
Capitalized interest	**—**	(2)
	$ 144	$ 130
Interest income:		
Accretion income	**$ (1)**	$ (3)
Short term interest income	**(6)**	(2)
	$ (7)	$ (5)
Fair value adjustment to the Trust Unit Liability (note 17)	**$ (124)**	$ 36
Net interest expense and other financing charges	**$ 13**	$ 161

Note 5. Income Taxes

Income tax expense in the first quarter of 2018 was $92 million (2017 – $100 million) and the effective income tax rate was 19.7% (2017 – 29.9%). The decrease in the effective tax rate was primarily attributable to the impact of the non-taxable fair value adjustment to the Trust Unit Liability.

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

Note 6. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**March 24, 2018 (12 weeks)**	March 25, 2017[(i)] (12 weeks)
Net earnings attributable to shareholders of the Company	**$ 380**	$ 235
Dividends on Preferred Shares in Equity (note 14)	**(3)**	(3)
Net earnings available to common shareholders	**$ 377**	$ 232
Weighted average common shares outstanding (in millions) (note 14)	**382.0**	399.5
Dilutive effect of equity-based compensation (in millions)	**1.9**	3.3
Dilutive effect of certain other liabilities (in millions)	**0.6**	0.4
Diluted weighted average common shares outstanding (in millions)	**384.5**	403.2
Basic net earnings per common share ($)	**$ 0.99**	$ 0.58
Diluted net earnings per common share ($)	**$ 0.98**	$ 0.58

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

In the first quarter of 2018, 4,111,776 (2017 – 2,709,254) 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 March 24, 2018**	As at March 25, 2017	As at December 30, 2017
Cash	**$ 413**	$ 378	$ 516
Cash equivalents:			
Government treasury bills	**189**	156	232
Bankers' acceptances	**382**	362	649
Corporate commercial paper	**276**	142	401
Total cash and cash equivalents	**$ 1,260**	$ 1,038	$ 1,798

Short Term Investments

(millions of Canadian dollars)	**As at March 24, 2018**	As at March 25, 2017	As at December 30, 2017
Government treasury bills	**$ 65**	$ 91	$ 40
Bankers' acceptances	**242**	184	295
Corporate commercial paper	**152**	77	209
Other	**—**	2	2
Total short term investments	**$ 459**	$ 354	$ 546

Security Deposits

(millions of Canadian dollars)		**As at March 24, 2018**		As at March 25, 2017		As at December 30, 2017
Bankers' acceptances[(i)]	**$**	**1,295**	$	—	$	—
Total security deposits	**$**	**1,295**	$	—	$	—

(i) Included in Bankers' acceptances is $1.3 billion of net proceeds from the issuance of senior unsecured notes held in escrow as part of the financing for the acquisition of CREIT (see note 3 and 12).

Note 8. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)		**As at March 24, 2018**		As at March 25, 2017		As at December 30, 2017
Gross credit card receivables	**$**	**2,953**	$	2,738	$	3,147
Allowance on credit card receivables[(i)]		**(175)**		(49)		(47)
Credit card receivables	**$**	**2,778**	$	2,689	$	3,100
Securitized to independent securitization trusts:						
Securitized to *Eagle Credit Card Trust* (note 12)	**$**	**900**	$	650	$	900
Securitized to Other Independent Securitization Trusts		**440**		465		640
Total securitized to independent securitization trusts	**$**	**1,340**	$	1,115	$	1,540

(i) Allowance on credit card receivables as at March 24, 2018 includes the impact of the implementation of IFRS 9 (see 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 (see note 12). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt.

As at March 24, 2018, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was $44 million (March 25, 2017 – $53 million; December 30, 2017 – $62 million), which represented 10% (March 25, 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 March 24, 2018 and throughout the quarter.

Note 9. Inventories

For inventories recorded as at March 24, 2018, the Company recorded an inventory provision of $53 million (March 25, 2017 – $30 million; December 30, 2017 – $39 million), which includes $19 million related to the impact of healthcare reform, 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 first quarters of 2018 and 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 first quarter of 2018, the Company recorded nil (2017 – nil) from the sale of these assets. Nominal impairment charges were recognized on these assets during the first quarter of 2018 (2017 – nil).

As at March 25, 2017, the Company had included $78 million of fixed assets and $11 million of inventory, related to the gas bar operations, as assets held for sale. In addition, $49 million of related accounts payable and accrued liabilities was classified as liabilities held for sale. No impairment or other charges were recognized on the net assets of the gas bar operations. The sale of the gas bar operations was completed in the third quarter of 2017.

Note 11. Other Assets

The components of other assets were as follows:

(millions of Canadian dollars)	**As at March 24, 2018**	As at March 25, 2017	As at December 30, 2017
Sundry investments and other receivables	**$ 46**	$ 78	$ 56
Accrued benefit plan asset	**124**	170	147
Interests in joint ventures	**24**	6	19
Other	**193**	180	180
Other assets	**$ 387**	$ 434	$ 402

Note 12. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	**As at March 24, 2018**	As at March 25, 2017	As at December 30, 2017
Debentures and Medium Term Notes	**$ 8,935**	$ 7,371	$ 7,387
Unsecured Term Loan Facilities	**298**	298	298
Long Term Debt Secured by Mortgage	**83**	77	81
Guaranteed Investment Certificates	**840**	923	852
Independent Securitization Trust (note 8)	**900**	650	900
Independent Funding Trusts	**545**	560	551
Finance Lease Obligations	**556**	601	568
Committed Credit Facilities	**374**	483	561
Transaction costs and other	**(28)**	(22)	(21)
Total Long Term Debt	**$ 12,503**	$ 10,941	$ 11,177
Long Term Debt due within one year	**3,092**	203	1,635
Long Term Debt	**$ 9,411**	$ 10,738	$ 9,542

The Company and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at March 24, 2018 and throughout the first quarter, 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 in 2018 and 2017:

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	March 24, 2018 (12 weeks) Principal Amount	March 25, 2017 (12 weeks) Principal Amount
Choice Properties senior unsecured debentures				
– Series I	3.01%	March 21, 2022	**$ 300**	$ —
– Series J	3.55%	January 10, 2025	**350**	—
– Series K(i)	3.56%	September 9, 2024	**550**	—
– Series L(i)	4.18%	March 8, 2028	**750**	—
Total Debentures and MTNs issued			**$ 1,950**	$ —

(i) The net proceeds from the issuance of Series K and L are held in escrow pending the completion of the agreement to acquire CREIT (note 3 and 7). In the event that the escrow release conditions are not met, Series K and L senior unsecured debentures will be repaid at par, plus accrued interest. As such, the debentures are classified as long term debt due within one year.

The following table summarizes the debentures and MTNs repaid in 2018 and 2017:

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	March 24, 2018 (12 weeks) Principal Amount	March 25, 2017 (12 weeks) Principal Amount
Choice Properties senior unsecured debentures – Series A	3.55%	July 5, 2018(i)	**$ 400**	$ —
Choice Properties senior unsecured debentures – Series 6	3.00%	April 20, 2017(ii)	**—**	200
Total Debentures and MTNs repaid			**$ 400**	$ 200

(i) Choice Properties Series A unsecured debentures were redeemed on February 12, 2018.
(ii) Choice Properties Series 6 unsecured debentures were redeemed on January 23, 2017.

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

(millions of Canadian dollars)	March 24, 2018 (12 weeks)	March 25, 2017 (12 weeks)
Balance, beginning of period	**$ 852**	$ 928
Guaranteed Investment Certificates issued	**1**	1
Guaranteed Investment Certificates matured	**(13)**	(6)
Balance, end of period	**$ 840**	$ 923

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 March 24, 2018, the aggregate gross potential liability under letters of credit for the benefit of *Eagle* was $36 million (March 25, 2017 and December 30, 2017 – $36 million), which represented 9% (March 25, 2017 and December 30, 2017 – 9%) of the outstanding *Eagle* notes issued prior to 2015.

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 in the amount of $64 million (March 25, 2017 and December 30, 2017 – $64 million), representing not less than 10% (March 25, 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 March 24, 2018, March 25, 2017 and December 30, 2017 were as follows:

		As at March 24, 2018		As at March 25, 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 Syndicated Credit Facility	July 5, 2022[(i)]	**500**	**374**	500	233	500	311
Choice Properties Committed Bi-lateral Credit Facility	December 21, 2018	**—**	**—**	250	250	250	250
Total Committed Lines of Credit		**$ 1,500**	**$ 374**	$ 1,750	$ 483	$ 1,750	$ 561

(i) Choice Properties Committed Syndicated Credit Facility was extended for an additional year from July 5, 2021 to July 5, 2022.

In the first quarter of 2018, Choice Properties repaid and cancelled the Committed Bi-lateral Credit Facility.

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

(millions of Canadian dollars)	**As at March 24, 2018**	As at March 25, 2017	As at December 30, 2017
Debentures and MTNs	**$ 800**	$ —	$ —
Choice Properties Debentures[(i)]	**1,300**	—	400
Shoppers Drug Mart Corporation Notes	**275**	—	275
Guaranteed Investment Certificates	**205**	147	193
Independent Securitization Trust	**400**	—	400
Finance Lease Obligations	**40**	52	44
Long term debt secured by mortgage	**72**	4	73
Choice Properties Credit Facility	**—**	—	250
Long term debt due within one year	**$ 3,092**	$ 203	$ 1,635

(i) The net proceeds from the issuance of Series K and L are held in escrow pending the completion of the agreement to acquire CREIT (note 3 and 7). In the event that the escrow release conditions are not met, Series K and L senior unsecured debentures will be repaid at par, plus accrued interest. As such, the debentures are classified as long term debt due within one year.

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)	**March 24, 2018 (12 weeks)**	**March 25, 2017 (12 weeks)**
Total Long Term Debt, beginning of period	**$ 11,177**	**$ 10,870**
Long Term Debt issuances[(i)]	**2,011**	**285**
Long Term Debt repayments[(ii)]	**(684)**	**(228)**
Total cash flow from Long Term Debt Financing Activities	**$ 1,327**	**$ 57**
Finance Lease additions	**—**	**7**
Other non-cash changes	**(1)**	**7**
Total non-cash Long Term Debt activity	**$ (1)**	**$ 14**
Total Long Term Debt, end of period	**$ 12,503**	**$ 10,941**

(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 $20 million (2017 – $21 million).

Note 13. Other Liabilities

The components of other liabilities were as follows:

(millions of Canadian dollars)	**As at March 24, 2018**	As at March 25, 2017	As at December 30, 2017
Net defined benefit plan obligation	**$ 334**	$ 346	$ 325
Other long term employee benefit obligation	**107**	105	108
Deferred lease obligation	**140**	124	140
Fair value of acquired leases	**63**	74	65
Equity-based compensation liability (note 15)	**3**	4	4
Other	**60**	88	58
Other liabilities	**$ 707**	$ 741	$ 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:

	March 24, 2018 (12 weeks)		March 25, 2017 (12 weeks)	
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	**386,293,941**	**$ 7,460**	400,829,870	$ 7,713
Issued for settlement of stock options	**861,022**	**41**	224,875	10
Purchased and cancelled	**(8,107,027)**	**(157)**	(2,703,493)	(52)
Issued and outstanding, end of period	**379,047,936**	**$ 7,344**	398,351,252	$ 7,671
Shares held in trust, beginning of period	**(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)	**465,253**	**9**	6,489	—
Shares held in trust, end of period	**(315,685)**	**$ (6)**	(1,785,131)	$ (34)
Issued and outstanding, net of shares held in trust, end of period	**378,732,251**	**$ 7,338**	396,566,121	$ 7,637
Weighted average outstanding, net of shares held in trust (note 6)	**382,023,940**		399,454,993	

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

		March 24, 2018(i) (12 weeks)		March 25, 2017 (12 weeks)
Dividends declared per share ($):				
Common Share	$	**0.27**	$	0.26
Second Preferred Share, Series B	$	**0.33125**	$	0.33125

(i) The first quarter dividends for 2018 of $0.27 per share declared on common shares have a payment date of April 1, 2018. The first quarter dividends for 2018 of $0.33125 per share declared on Second Preferred Shares, Series B have a payment date of March 31, 2018.

(millions of Canadian dollars)		March 24, 2018 (12 weeks)		March 25, 2017 (12 weeks)
Dividends declared:				
Common Share	$	**103**	$	104
Second Preferred Share, Series B (note 6)		**3**		3
Total dividends declared	$	**106**	$	107

Subsequent to the end of the first quarter of 2018, the Board declared a quarterly dividend of $0.295 per common share, an increase of 9.3%, payable on July 1, 2018 to shareholders of record on June 15, 2018 and a dividend on the Second Preferred Shares, Series B of $0.33125 per share payable on June 30, 2018 to shareholders of record on June 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)		March 24, 2018 (12 weeks)		March 25, 2017 (12 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)		**8,107,027**		2,703,493
Cash consideration paid	$	**544**	$	192
Premium charged to Retained Earnings		**387**		140
Reduction in Common Share Capital		**157**		52
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 may purchase common shares at times when the Company ordinarily would not be active in the market.

Subsequent to the end of the first 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 of March 24, 2018, the Company has purchased 20,937,061 common shares under its previous 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 $8 million for the first quarter of 2018 (2017 – $16 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 March 24, 2018**	As at March 25, 2017	As at December 30, 2017
Trade payables and other liabilities	**$ 7**	$ 12	$ 11
Other liabilities (note 13)	**3**	4	4
Contributed surplus	**90**	124	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)	**March 24, 2018 (12 weeks)**	March 25, 2017 (12 weeks)
Outstanding options, beginning of period	**7,487,774**	7,322,358
Granted	**1,624,135**	1,445,332
Exercised	**(861,022)**	(224,875)
Forfeited/cancelled	**(132,845)**	(6,961)
Outstanding options, end of period	**8,118,042**	8,535,854

During the first quarter of 2018, the Company granted stock options with a weighted average exercise price of $66.19 (2017 – $70.13). In addition, the Company issued common shares on the exercise of stock options with a weighted average share price during the first quarter of 2018 of $66.23 (2017 – $70.64) and received cash consideration of $34 million (2017 – $9 million).

The fair value of stock options granted during the first quarter of 2018 was $15 million (2017 – $14 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:

	March 24, 2018 (12 weeks)	March 25, 2017 (12 weeks)
Expected dividend yield	**1.7%**	1.5%
Expected share price volatility	**15.2% – 17.2%**	17.0% – 18.2%
Risk-free interest rate	**1.9% – 2.0%**	1.0% – 1.3%
Expected life of options	**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 March 24, 2018 was 8.0% (March 25, 2017 – 10.0%).

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

(number of awards)	**March 24, 2018 (12 weeks)**	March 25, 2017 (12 weeks)
RSUs, beginning of period	**824,705**	858,106
Granted	**276,569**	247,175
Settled	**(199,477)**	(3,834)
Forfeited	**(10,871)**	(5,458)
RSUs, end of period	**890,926**	1,095,989

The fair value of RSUs granted during the first quarter of 2018 was $18 million (2017 – $17 million).

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

(number of awards)	**March 24, 2018 (12 weeks)**	March 25, 2017 (12 weeks)
PSUs, beginning of period	**631,528**	965,863
Granted	**301,804**	206,504
Settled	**(265,776)**	(2,655)
Forfeited	**(6,429)**	(3,841)
PSUs, end of period	**661,127**	1,165,871

The fair value of PSUs granted during the first quarter of 2018 was $14 million (2017 – $14 million).

Settlement of Awards from Shares Held in Trust During the first quarter of 2018, the Company settled RSUs and PSUs totaling 465,253 (2017 – 6,489) through the trusts established for settlement of each of the RSU and PSU plans (see note 14). The settlements resulted in a $19 million (2017 – nominal) increase to retained earnings and a $9 million (2017 – nominal) increase to common share capital.

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

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

(millions of Canadian dollars)	**March 24, 2018 (12 weeks)**	March 25, 2017 (12 weeks)
Post-employment benefit costs recognized in operating income(i)	**$ 38**	$ 46
Other long term employee benefits costs recognized in operating income(ii)	**4**	4
Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 4)	**2**	2
Actuarial losses before income taxes recognized in other comprehensive income	**(24)**	(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 first quarter of 2017 of $7 million.

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

The actuarial losses recognized in the first quarter of 2018 were primarily driven by lower than expected returns on assets. The actuarial losses recognized in the first quarter of 2017 were primarily driven by declines in discount rates, partially offset by higher than expected returns on assets.

In the first quarter of 2017, the Company completed an annuity purchase and paid $110 million from the impacted plans' assets to settle $103 million of pension obligations and recorded settlement charges of $7 million in SG&A.

Subsequent to the end of first quarter of 2018, the Company completed an annuity purchase and paid $228 million from the impacted plans' assets to settle $228 million on pension obligations and recorded nominal settlement charges in SG&A.

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 March 24, 2018				As at March 25, 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	**$ —**	**$ —**	**$ 151**	**$ 151**	$ —	$ —	$ 194	$ 194	$ —	$ —	$ 166	$ 166
Certain other assets[(i)]	**—**	**—**	**14**	**14**	—	3	33	36	—	3	23	26
Fair value through other comprehensive income:												
Certain long term investments[(i)]	**30**	**—**	**—**	**30**	23	—	—	23	20	—	—	20
Derivatives included in prepaid expenses and other assets	**—**	**—**	**—**	**—**	—	1	—	1	—	—	—	—
Fair value through profit and loss:												
Security deposits	**—**	**1,295**	**—**	**1,295**	—	—	—	—	—	—	—	—
Derivatives included in prepaid expenses and other assets	**7**	**1**	**—**	**8**	5	9	—	14	6	—	2	8
Financial liabilities												
Amortized cost:												
Long term debt	**—**	**13,399**	**—**	**13,399**	—	12,009	—	12,009	—	12,103	—	12,103
Certain other liabilities[(i)]	**—**	**—**	**18**	**18**	—	—	21	21	—	—	18	18
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	**—**	**1**	**—**	**1**	—	—	—	—	—	1	—	1
Fair value through profit and loss:												
Trust Unit Liability	**849**	**—**	**—**	**849**	1,001	—	—	1,001	972	—	—	972
Derivatives included in trade payables and other liabilities	**—**	**2**	**3**	**5**	—	1	1	2	—	10	—	10

(i) Certain other assets, certain other 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 first quarter of 2018, the Company recognized a gain of $2 million (2017 – nominal loss) in operating income on financial instruments classified as amortized cost. In addition, during the first quarter of 2018, a net gain of $129 million (2017 – net loss of $42 million) 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 gain on the Trust Unit Liability.

Franchise Loans Receivable and Franchise Investments The value of Loblaw franchise loans receivable of $151 million (March 25, 2017 – $194 million; December 30, 2017 – $166 million) was recorded in the condensed consolidated balance sheet. In 2018, the Company recorded a gain of $1 million (2017 – nil) in operating income related to these loans receivable.

The value of Loblaw franchise investments of $12 million (March 25, 2017 – $30 million; December 30, 2017 – $20 million) was recorded in other assets. During the first quarter of 2018, the Company recorded a gain of $1 million (2017 – loss of $1 million) 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 first quarter of 2018, a loss of $5 million (2017 – gain of $1 million) was recorded in operating income related to these derivatives. In addition, a corresponding liability of $3 million was included in trade payable and other liabilities as at March 24, 2018 (March 25, 2017 – $1 million liability included in trade payable and other liabilities; December 30, 2017 – $2 million asset included in prepaid expenses and other assets). As at March 24, 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 first quarter of 2018, the Company recorded a fair value gain of $124 million (2017 – loss of $36 million) in net interest expense and other financing charges related to Choice Properties' Trust Units (see note 4).

As at March 24, 2018, 72,879,279 Units were held by unitholders other than the Company (March 25, 2017 – 71,469,168; December 30, 2017 – 72,800,965). During the first quarter of 2018, Choice Properties issued 78,314 units (2017 – 400,340), to eligible unitholders under its distribution reinvestment plan at an average price of $12.09 (2017 – $13.46).

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 March 24, 2018, the fair value of these investments of $30 million (March 25, 2017 – $23 million; December 30, 2017 – $20 million) was included in other assets. During 2018, PC Bank recorded a nominal unrealized fair value gain (2017 – nominal gain) 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:

			March 24, 2018 (12 weeks)
(millions of Canadian dollars)	**Net Asset/ (Liability) Fair value**	**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)]	**$ —**	**$ 1**	**$ —**
Interest Rate Risk - Bond Forwards[(iii)]	**(1)**	**(2)**	**—**
Total derivatives designated as cash flow hedges	**$ (1)**	**$ (1)**	**$ —**
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	**$ (1)**	**$ —**	**$ 8**
Other Non-Financial Derivatives	**3**	**—**	**2**
Total derivatives not designated in a formal hedging relationship	**$ 2**	**$ —**	**$ 10**
Total derivatives	**$ 1**	**$ (1)**	**$ 10**

(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 $28 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 $343 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.

			March 25, 2017 (12 weeks)
(millions of Canadian dollars)	Net Asset/ (Liability) Fair value	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]	$ 1	$ —	$ —
Total derivatives designated as cash flow hedges	$ 1	$ —	$ —
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	$ 8	$ —	$ (2)
Other Non-Financial Derivatives	2	—	(5)
Total derivatives not designated in a formal hedging relationship	$ 10	$ —	$ (7)
Total derivatives	$ 11	$ —	$ (7)

(i) Includes interest rate swap agreements with a notional value of $200 million. During the first quarter of 2017, a nominal unrealized fair value loss 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.

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.

The Company has been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron Bank Limited, a wholly owned Barbadian subsidiary, should be treated, and taxed, as income in Canada. The reassessments, which were received between 2015 and 2018, are for the 2000 to 2013 taxation years and total $437 million of taxes, interest and penalties. The Company believes the reassessments are without merit and is vigorously defending them. The Company has filed a Notice of Appeal with the Tax Court of Canada for the 2000 to 2010 taxation years and a Notice of Objection for the 2011 and 2012 taxation years and intends to file a Notice of Objection for the 2013 taxation year. The Tax Court of Canada trial is scheduled to commence in the second quarter of 2018. 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 first 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 that a reliable estimate of liability can be determined or the matter is ultimately resolved.

In 2017, as part of its response to this issue, the Company announced the Loblaw Card Program pursuant to which the Company is offering a $25 Loblaw Card to eligible customers. The Loblaw Card can be used to purchase items sold in Loblaw grocery stores across Canada. The Company recorded a charge of $107 million in relation to the Loblaw Card Program in the fourth quarter of 2017 and an additional $19 million in the first quarter of 2018. 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.

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

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; and
- The Choice Properties segment owns, manages and develops well-located retail and commercial real estate 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.

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 March 24, 2018 and March 25, 2017 (millions of Canadian dollars)	March 24, 2018 (12 weeks) Retail	Financial Services	Choice Properties	Consolidation & Eliminations(i)	Consolidated	March 25, 2017(v) (12 weeks) Retail	Financial Services	Choice Properties	Consolidation & Eliminations(i)	Consolidated
Revenue(ii)	**$ 10,105**	**$ 230**	**$ 215**	**$ (183)**	**$ 10,367**	$ 10,166	$ 213	$ 203	$ (178)	$ 10,404
Operating income	$ 399	$ 76	$ 178	$ (173)	$ 480	$ 446	$ 42	$ 237	$ (230)	$ 495
Net interest expense and other financing charges	74	15	(449)	373	13	72	14	213	(138)	161
Earnings before Income Taxes	**$ 325**	**$ 61**	**$ 627**	**$ (546)**	**$ 467**	$ 374	$ 28	$ 24	$ (92)	$ 334
Operating Income	**$ 399**	**$ 76**	**$ 178**	**$ (173)**	**$ 480**	$ 446	$ 42	$ 237	$ (230)	$ 495
Depreciation and Amortization	361	2	—	6	369	352	3	—	5	360
Adjusting items(iii)	153	(17)	12	—	148	134	—	—	—	134
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(121)	—	—	—	(121)	(121)	—	—	—	(121)
Adjusted EBITDA(iii)	$ 792	$ 61	$ 190	$ (167)	$ 876	$ 811	$ 45	$ 237	$ (225)	$ 868
Depreciation and Amortization(iv)	240	2	—	6	248	231	3	—	5	239
Adjusted Operating Income	**$ 552**	**$ 59**	**$ 190**	**$ (173)**	**$ 628**	$ 580	$ 42	$ 237	$ (230)	$ 629

(i) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $133 million (2017 – $133 million) of rental revenue, $50 million (2017 – $45 million) of cost recovery recognized by Choice Properties generated from the Retail Segment.
- Adjusted operating income includes the elimination of the $133 million (2017 – $133 million) of rental revenue described above, the elimination of a $33 million gain (2017 – $93 million gain) recognized by Choice Properties related to the fair value adjustments on investment properties, which are classified as Fixed Assets or Investment Properties by the Company and measured at cost; the recognition of $6 million (2017 – $5 million) of depreciation expense for certain investment properties recorded by Choice Properties; the elimination of intercompany charges of $1 million (2017 – nil); 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 $71 million (2017 – $69 million) of interest expense included in Choice Properties related to debt owing to the Company and a fair value gain of $555 million (2017 – loss of $118 million) recognized by Choice Properties on Class B Limited Partnership units held by the Company. Net interest and other financing charges also includes Unit distributions to external unitholders of $13 million (2017 – $13 million), which excludes distributions paid to the Company and a $124 million fair value gain (2017 – loss of $36 million) on the Company's Trust Unit Liability.

(ii) Included in Financial Services revenue is $102 million (2017 – $97 million) of interest income.

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

(iv) Depreciation and amortization for the calculation of adjusted EBITDA(2) excludes $121 million (2017 – $121 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

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

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)	March 24, 2018 (12 weeks)	March 25, 2017[(i)] (12 weeks)
Food retail	$ 7,221	$ 7,393
Drug retail		
Pharmacy	1,393	1,343
Front Store	1,491	1,430
	$ 2,884	$ 2,773
Retail Total	$ 10,105	$ 10,166
Financial Services	230	213
Choice Properties	215	203
Consolidation and Eliminations(ii)	(183)	(178)
Total	$ 10,367	$ 10,404

(millions of Canadian dollars)	As at March 24, 2018	As at March 25, 2017	As at December 30, 2017
Total Assets			
Retail	$ 29,220	$ 29,364	$ 30,192
Financial Services	3,559	3,338	3,837
Choice Properties	11,121	9,380	9,924
Consolidation and Eliminations[(ii)]	(8,689)	(8,497)	(8,847)
Total	$ 35,211	$ 33,585	$ 35,106

(millions of Canadian dollars)	March 24, 2018 (12 weeks)	March 25, 2017 (12 weeks)
Additions to Fixed Assets and Intangible Assets		
Retail	$ 158	$ 122
Financial Services	5	2
Choice Properties	59	30
Total	$ 222	$ 154

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

(ii) 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 investment properties measured at cost.

Financial Summary[1]

As at or for the periods ended March 24, 2018 and March 25, 2017 (millions of Canadian dollars except where otherwise indicated)	2018 (12 weeks)	2017[3] (12 weeks)
Consolidated Results of Operations		
Revenue	**$ 10,367**	$ 10,404
Revenue (decline) growth	**(0.4)%**	0.2 %
Operating Income	**$ 480**	$ 495
Adjusted EBITDA[2]	**876**	868
Adjusted EBITDA margin[2]	**8.4 %**	8.3 %
Net interest expense and other financing charges	**$ 13**	$ 161
Adjusted net interest expense and other financing charges[2]	**137**	125
Net earnings	**375**	234
Net earnings attributable to shareholders of the Company	**380**	235
Net earnings available to common shareholders of the Company	**377**	232
Adjusted net earnings available to common shareholders of the Company[2]	**361**	366
Consolidated Per Common Share ($)		
Diluted net earnings	**$ 0.98**	$ 0.58
Adjusted diluted net earnings[2]	**$ 0.94**	$ 0.91
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents and short term investments	**$ 1,719**	$ 1,392
Cash flows from operating activities	**434**	379
Capital investments	**222**	154
Free cash flow[2]	**57**	77
Financial Measures		
Retail debt to rolling year retail adjusted EBITDA[2]	**1.7x**	1.7x
Rolling year adjusted return on equity[2]	**14.2 %**	13.3 %
Rolling year adjusted return on capital[2]	**9.6 %**	9.0 %
Retail Results of Operations		
Sales	**$ 10,105**	$ 10,166
Operating Income	**399**	446
Adjusted gross profit[2]	**2,929**	2,844
Adjusted EBITDA[2]	**792**	811
Adjusted EBITDA margin[2]	**7.8 %**	8.0 %
Depreciation and amortization	**$ 361**	$ 352
Retail Operating Statistics		
Food retail same-store sales growth (decline)	**1.9 %**	(1.2)%
Drug retail same-store sales growth	**3.7 %**	0.9 %
Total retail square footage (in millions)	**70.2**	70.1
Number of corporate stores	**551**	564
Number of franchise stores	**533**	532
Number of Associate-owned drug stores	**1,335**	1,324
Financial Services Results of Operations		
Revenue	**$ 230**	$ 213
Earnings before income taxes	**61**	28
Financial Services Operating Measures and Statistics		
Average quarterly net credit card receivables	**$ 2,939**	$ 2,808
Credit card receivables	**2,778**	2,689
Allowance for credit card receivables	**175**	49
Annualized yield on average quarterly gross credit card receivables	**13.4 %**	13.8 %
Annualized credit loss rate on average quarterly gross credit card receivables	**3.5 %**	4.1 %
Choice Properties Results of Operations		
Revenue	**$ 215**	$ 203
Net interest expense and other financing charges	**(449)**	213
Net Income	**627**	24
Funds from operations[2]	**106**	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 unaudited interim period condensed consolidated financial statements.

Corporate Profile

Loblaw Companies Limited is Canada's food and pharmacy leader, the nation's largest retailer, and the majority unit holder of Choice Properties Real Estate Investment Trust. 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.

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

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

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on May 2, 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: 4492196. To access via audio webcast, please go to the "Investors" section of loblaw.ca. Pre-registration will be available.

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

Annual and Special Meeting of Shareholders

The 2018 Annual and Special Meeting of Shareholders of Loblaw Companies Limited will take place on May 3, 2018 at 11:00 a.m. (ET) at the Mattamy Athletic Centre, 50 Carlton Street, Toronto, Ontario, Canada M5B 1J2.

To access via tele-conference, please dial (647) 427-7450 or (888) 231-8191. The playback will be made available approximately two hours after the event at (416) 849-0833 or (855) 859-2056, access code: 7064819. To access via audio webcast, please go to the "Investors" section of loblaw.ca. Pre-registration will be available.

Ce rapport est disponible en français.

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