Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL" or the "Company") should be read in conjunction with the Company's third quarter 2016 unaudited interim period condensed consolidated financial statements and the accompanying notes on pages 33 to 59 of this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2015 and the related annual MD&A included in the Company's 2015 Annual Report. In addition, the following MD&A should be read in conjunction with the Company's "Forward-Looking Statements" beginning on page 2 of this Quarterly Report.

The Company's third quarter 2016 unaudited interim period condensed consolidated financial statements and the accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board. 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, except where otherwise noted.

The Company has two reportable operating segments, Loblaw Companies Limited ("Loblaw") and Weston Foods. The Company also holds cash, short term investments and an effective interest in Choice Properties Real Estate Investment Trust ("Choice Properties") of 6%. Loblaw has three reportable operating segments including retail businesses, a bank and Choice Properties. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, retail banking, credit card services, insurance and wireless mobile products and services. Loblaw also holds an 83% effective interest in Choice Properties, which owns, leases and manages income-producing commercial properties. The Weston Foods operating segment includes a leading fresh bakery business in Canada and frozen, artisan bakery and biscuit businesses throughout North America.

Under GAAP, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. Non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated and segment underlying operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. See the "Non-GAAP Financial Measures" section of this MD&A for more information on the Company's non-GAAP financial measures.

A glossary of terms and ratios used throughout this Quarterly Report can be found beginning on page 142 of the Company's 2015 Annual Report.

The information in this MD&A is current to November 21, 2016, unless otherwise noted.

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, synergies and other anticipated benefits associated with the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart"), anticipated insurance recoveries, future liquidity, planned capital investments, and status and impact of information technology ("IT") systems implementation. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, in the "Liquidity and Capital Resources" and "Outlook" sections 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", "maintain", "achieve", "grow", and "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2016 is based on certain assumptions including assumptions about sales and volume growth, anticipated cost savings, operating efficiencies, and continued growth from current initiatives. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the "Enterprise Risks and Risk Management" section of the Company's 2015 Annual Report and the Company's Annual Information Form ("AIF") for the year ended December 31, 2015. 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 to Loblaw;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to realize benefits from investments in Loblaw's new IT systems;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- public health events including those related to food and drug safety;
- failure by Loblaw to realize the anticipated strategic benefits associated with the acquisition of Shoppers Drug Mart;
- the inability of the Company to effectively develop and execute its strategy;
- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies associated with the Company's major initiatives, including those from restructuring;
- failure by Loblaw's franchisees or Shoppers Drug Mart licensees ("Associates") to operate in accordance with prescribed procedures or standards, or disruptions to Loblaw's relationship with its franchisees or Associates;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements, which could lead to work stoppages;
- changes in the Company's income, capital, commodity, property and other tax and regulatory liabilities, including changes in tax laws, regulations or future assessments;
- reliance on the performance and retention of third-party service providers, including those associated with the Company's supply chain and Loblaw's apparel business;
- issues with vendors in both advanced and developing markets;
- the risk that the Company would experience a financial loss if its counterparties fail to meet their obligations in accordance with the terms and conditions of their contracts with the Company;
- failure to merchandise effectively or in a manner that is responsive to customer demand;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- the inability of the Company to anticipate, identify and react to consumer and retail trends;
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates, changes in interest rates, currency exchange rates and derivative and commodity prices;
- the impact of potential environmental liabilities; and
- the inability of Loblaw to collect on or fund its credit card receivables.

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 from time to time, including without limitation, the section entitled "Operating and Financial Risks and Risk Management" in the Company's AIF for the year ended December 31, 2015. 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 Quarterly Report. 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.

KEY FINANCIAL PERFORMANCE INDICATORS

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

($ millions except where otherwise indicated)	16 Weeks Ended	
As at or for the periods ended as indicated	**Oct. 8, 2016**	Oct. 10, 2015
Sales	**$ 14,605**	$ 14,386
Loblaw Retail gross profit[(i)]	**$ 3,718**	$ 3,560
Adjusted EBITDA[(1)]	**$ 1,242**	$ 1,117
Adjusted EBITDA margin[(1)]	**8.5%**	7.8%
Net earnings attributable to shareholders of the Company	**$ 268**	$ 161
Net earnings available to common shareholders of the Company	**$ 254**	$ 147
Adjusted net earnings available to common shareholders of the Company[(1)]	**$ 266**	$ 212
Diluted net earnings per common share ($)	**$ 1.97**	$ 1.15
Adjusted diluted net earnings per common share[(1)] ($)	**$ 2.06**	$ 1.65
Cash and cash equivalents, short term investments and security deposits[(ii)]	**$ 2,865**	$ 2,984
Cash flows from operating activities	**$ 1,167**	$ 1,132
Free cash flow[(1)]	**$ 541**	$ 545
Total debt	**$ 12,906**	$ 13,386
Rolling year adjusted return on average equity attributable to common shareholders of the Company[(1)]	**11.9%**	11.2%
Rolling year adjusted return on capital[(1)]	**11.8%**	10.8%

(i) Loblaw Retail gross profit in the third quarter of 2016 includes a net gain of $4 million (2015 – nil) primarily related to the receipt of partial proceeds from Loblaw's insurance claim related to retail locations in Fort McMurray.
(ii) Includes $209 million of security deposits included in prepaid expenses and other assets in the third quarter of 2015 held by Loblaw.

CONSOLIDATED RESULTS OF OPERATIONS

($ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended Oct. 8, 2016	Oct. 10, 2015	$ Change	% Change	40 Weeks Ended Oct. 8, 2016	Oct. 10, 2015	$ Change	% Change
Sales	**$ 14,605**	**$ 14,386**	**$ 219**	**1.5 %**	**$ 36,480**	**$ 35,646**	**$ 834**	**2.3 %**
Adjusted EBITDA(1)	**$ 1,242**	$ 1,117	$ 125	11.2 %	**$ 3,113**	$ 2,880	$ 233	8.1 %
Adjusted EBITDA margin(1)	**8.5%**	7.8%			**8.5%**	8.1%		
Depreciation and amortization(i)	**$ 497**	$ 509	$ (12)	(2.4)%	**$ 1,262**	$ 1,285	$ (23)	(1.8)%
Net interest expense and other financing charges	**$ 129**	$ 225	$ (96)	(42.7)%	**$ 523**	$ 542	$ (19)	(3.5)%
Adjusted net interest expense and other financing charges(1)	**$ 164**	$ 164			**$ 433**	$ 442	$ (9)	(2.0)%
Income taxes	**$ 166**	$ 93	$ 73	78.5 %	**$ 382**	$ 318	$ 64	20.1 %
Adjusted income taxes(1)	**$ 198**	$ 167	$ 31	18.6 %	**$ 506**	$ 427	$ 79	18.5 %
Adjusted income tax rate(1)	**26.5%**	27.2%			**27.5%**	27.2%		
Net earnings attributable to shareholders of the Company	**$ 268**	**$ 161**	**$ 107**	**66.5 %**	**$ 458**	**$ 379**	**$ 79**	**20.8 %**
Net earnings available to common shareholders of the Company	**$ 254**	**$ 147**	**$ 107**	**72.8 %**	**$ 424**	**$ 345**	**$ 79**	**22.9 %**
Adjusted net earnings available to common shareholders of the Company(1)	**$ 266**	$ 212	$ 54	25.5 %	**$ 634**	$ 534	$ 100	18.7 %
Diluted net earnings per common share ($)	**$ 1.97**	**$ 1.15**	**$ 0.82**	**71.3 %**	**$ 3.28**	**$ 2.68**	**$ 0.60**	**22.4 %**
Adjusted diluted net earnings per common share(1) ($)	**$ 2.06**	$ 1.65	$ 0.41	24.8 %	**$ 4.92**	$ 4.15	$ 0.77	18.6 %

(i) Depreciation and amortization includes $164 million (2015 – $164 million) in the third quarter of 2016 and $411 million (2015 – $412 million) year-to-date of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $3 million (2015 – $5 million) in the third quarter of 2016 and $11 million (2015 – $5 million) year-to-date of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.

Net earnings available to common shareholders of the Company

Adjusted net earnings available to common shareholders of the Company(1) increased by $54 million ($0.41 per common share) to $266 million ($2.06 per common share) in the third quarter of 2016 compared to the same period in 2015. The improvement was primarily due to an increase in Loblaw earnings, driven by the improved performance of its Retail segment and the favourable impact of a decrease in depreciation and amortization. Adjusted net earnings available to common shareholders of the Company(1) also included the positive contribution from the increase in the Company's ownership interest in Loblaw, as a result of Loblaw's share repurchases.

Net earnings available to common shareholders of the Company increased by $107 million ($0.82 per common share) to $254 million ($1.97 per common share) in the third quarter of 2016 compared to the same period in 2015. The increase in net earnings available to common shareholders of the Company was primarily as a result of the improvement in operating performance, as described above, and the favourable year-over-year net impact of the following significant items:

- the favourable impact of a decrease in restructuring and other related charges of $113 million ($0.37 per common share);
- the favourable impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of $45 million ($0.26 per common share); and
- the favourable impact of the fair value adjustment of the Trust Unit liability of $47 million ($0.08 per common share);

partially offset by,

- the unfavourable impact of lower foreign currency translation of $35 million ($0.29 per common share).

Year-to-date adjusted net earnings available to common shareholders of the Company[1] were $634 million ($4.92 per common share) compared to $534 million ($4.15 per common share) in the same period in 2015. The year-to-date improvement of $100 million ($0.77 per common share) was primarily due to an increase in Loblaw earnings, driven by the improved performance of its Retail segment, the positive contribution from incremental net synergies and the favourable impact of a decrease in depreciation and amortization. Adjusted net earnings available to common shareholders of the Company[1] also included the positive contribution from the increase in the Company's ownership interest in Loblaw, as a result of Loblaw's share repurchases.

Year-to-date net earnings available to common shareholders of the Company increased by $79 million ($0.60 per common share) to $424 million ($3.28 per common share) compared to the same period in 2015. The increase in net earnings available to common shareholders of the Company was primarily as a result of the increase in operating performance, as described above, partially offset by the unfavourable year-over-year net impact of the following significant items:

- the unfavourable impact of foreign currency translation of $102 million ($0.75 per common share);
- the unfavourable impact of the fair value adjustment of derivatives of $22 million ($0.05 per common share); and
- the unfavourable impact of the fair value adjustment of the Trust Unit liability of $30 million ($0.04 per common share);

partially offset by,

- the favourable impact of a decrease in restructuring and other related charges of $125 million ($0.38 per common share);
- the favourable impact of a prior year statutory corporate income tax rate change of $42 million ($0.18 per common share); and
- the favourable impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of $25 million ($0.15 per common share).

Sales

($ millions except where otherwise indicated)	16 Weeks Ended				40 Weeks Ended			
For the periods ended as indicated	**Oct. 8, 2016**	Oct. 10, 2015	$ Change	% Change	**Oct. 8, 2016**	Oct. 10, 2015	$ Change	% Change
Weston Foods	**$ 673**	$ 649	$ 24	3.7 %	**$ 1,731**	$ 1,617	$ 114	7.1%
Loblaw	**$ 14,143**	$ 13,946	$ 197	1.4 %	**$ 35,255**	$ 34,529	$ 726	2.1%
Intersegment	**$ (211)**	$ (209)			**$ (506)**	$ (500)		
Consolidated	**$ 14,605**	$ 14,386	$ 219	1.5 %	**$ 36,480**	$ 35,646	$ 834	2.3%

Sales in the third quarter of 2016 were $14,605 million, an increase of $219 million compared to the same period in 2015. The Company's third quarter year-over-year increase in sales was impacted by each of its reportable operating segments as follows:

- Positively by 0.2% due to sales growth of 3.7% at Weston Foods, primarily due to an increase in volumes. Foreign currency translation had a nominal positive impact on sales compared to the third quarter of 2015.
- Positively by 1.4% due to sales growth of 1.4% at Loblaw, primarily driven by Retail. Retail sales increased by $176 million, or 1.3%, compared to the same period in 2015. Excluding the consolidation of franchises, Retail sales increased by $74 million. Food retail same-store sales growth was 0.8% and Loblaw's food retail average quarterly internal food price index declined and was lower than the average quarterly national food price inflation of 0.2% as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI"). CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores. Drug retail same-store sales growth was 2.8%.

Year-to-date sales were $36,480 million, an increase of $834 million compared to the same period in 2015. The Company's year-over-year increase in sales was impacted by each of its reportable operating segments as follows:

- Positively by 0.3% due to sales growth of 7.1% at Weston Foods. Foreign currency translation positively impacted sales by approximately 2.9%. Excluding the impact of foreign currency translation, sales increased by 4.2% primarily due to an increase in volumes.
- Positively by 2.0% due to sales growth of 2.1% at Loblaw, primarily driven by Retail. Retail sales increased by $676 million, or 2.0%, compared to the same period in 2015. Excluding the consolidation of franchises, Retail sales increased by $440 million. Food retail same-store sales growth was 1.1% and drug retail same-store sales growth was 4.2%.

Adjusted EBITDA(1)

($ millions except where otherwise indicated)	16 Weeks Ended				40 Weeks Ended			
For the periods ended as indicated	**Oct. 8, 2016**	Oct. 10, 2015	$ Change	% Change	**Oct. 8, 2016**	Oct. 10, 2015	$ Change	% Change
Weston Foods	**$ 101**	$ 97	$ 4	4.1 %	**$ 223**	$ 218	$ 5	2.3 %
Loblaw	**$ 1,141**	$ 1,020	$ 121	11.9 %	**$ 2,890**	$ 2,662	$ 228	8.6 %
Consolidated	**$ 1,242**	$ 1,117	$ 125	11.2 %	**$ 3,113**	$ 2,880	$ 233	8.1 %

Adjusted EBITDA(1) in the third quarter of 2016 increased by $125 million to $1,242 million compared to the same period in 2015. The Company's third quarter year-over-year increase in adjusted EBITDA(1) was impacted by each of its reportable operating segments as follows:

- Positively by 0.4% due to an increase of 4.1% in adjusted EBITDA(1) at Weston Foods driven by the positive impact of the increase in sales and productivity improvements, partially offset by continued investments in the business.
- Positively by 10.8% due to an increase of 11.9% in adjusted EBITDA(1) at Loblaw, primarily driven by Retail. Excluding the impact of consolidated franchises, the improvement in Retail adjusted EBITDA(1) was primarily driven by higher sales, stable gross margins and lower selling, general and administrative expenses ("SG&A").

Year-to-date adjusted EBITDA(1) increased by $233 million to $3,113 million compared to the same period in 2015. The increase in adjusted EBITDA(1) was impacted by each of its reportable operating segments as follows:

- Positively by 0.2% due to an increase of 2.3% in adjusted EBITDA(1) at Weston Foods. The improvement was due to the increase in sales and productivity improvements, partially offset by continued investments in the business and new plant costs.
- Positively by 7.9% due to an increase of 8.6% in adjusted EBITDA(1) at Loblaw, primarily driven by Retail. Excluding the impact of the consolidation of franchises, the increase in Retail adjusted EBITDA(1) was primarily driven by higher sales, stable gross margins, the positive impact of incremental net synergies and lower SG&A.

Depreciation and Amortization

($ millions except where otherwise indicated)	16 Weeks Ended				40 Weeks Ended			
For the periods ended as indicated	**Oct. 8, 2016**	Oct. 10, 2015	$ Change	% Change	**Oct. 8, 2016**	Oct. 10, 2015	$ Change	% Change
Weston Foods	**$ 33**	$ 32	$ 1	3.1%	**$ 84**	$ 69	$ 15	21.7 %
Loblaw	**$ 464**	$ 477	$ (13)	(2.7)%	**$ 1,178**	$ 1,216	$ (38)	(3.1)%
Consolidated	**$ 497**	$ 509	$ (12)	(2.4)%	**$ 1,262**	$ 1,285	$ (23)	(1.8)%

Depreciation and amortization was $497 million in the third quarter of 2016, a decrease of $12 million compared to the same period in 2015, and included $164 million (2015 – $164 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart and $3 million (2015 – $5 million) of accelerated depreciation incurred by Weston Foods. Excluding these amounts, depreciation and amortization decreased by $10 million driven by:

- the decline in Loblaw Retail depreciation and amortization, primarily due to a change in the estimated useful life of certain equipment and fixtures in the second quarter of 2016;

partially offset by,

- higher depreciation due to investments in capital at Weston Foods.

Year-to-date depreciation and amortization was $1,262 million, a decrease of $23 million compared to the same period in 2015, and included $411 million (2015 – $412 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart and $11 million (2015 – $5 million) of accelerated depreciation incurred by Weston Foods. Excluding these amounts, the year-to-date decrease of $28 million was primarily driven by:

- the decline in Loblaw Retail depreciation and amortization, primarily due to a change in the estimated useful life of certain equipment and fixtures in the second quarter of 2016 and lower depreciation of older supply chain assets;

partially offset by,

- higher depreciation due to investments in capital at Weston Foods.

Net Interest Expense and Other Financing Charges

($ millions)	16 Weeks Ended		40 Weeks Ended	
For the periods ended as indicated	**Oct. 8, 2016**	Oct. 10, 2015	**Oct. 8, 2016**	Oct. 10, 2015
Net interest expense and other financing charges	**$ 129**	$ 225	**$ 523**	$ 542
Add: Fair value adjustment of the Trust Unit liability	**14**	(33)	**(80)**	(50)
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**21**	(24)	**(10)**	(35)
Accelerated amortization of deferred financing costs		(4)		(15)
Adjusted net interest expense and other financing charges(1)	**$ 164**	$ 164	**$ 433**	$ 442

In the third quarter of 2016, net interest expense and other financing charges decreased by $96 million to $129 million compared to the same period in 2015. Adjusted net interest expense and other financing charges(1) was flat compared to the same period in 2015 and included lower interest expense on long term debt due to repayments of Loblaw's Retail segment debt offset by higher interest expense on long term debt as a result of debt issuances by Choice Properties to third parties.

Year-to-date net interest expense and other financing charges decreased by $19 million to $523 million compared to the same period in 2015. Adjusted net interest expense and other financing charges(1) were $433 million, a decrease of $9 million compared to the same period in 2015, primarily driven by:

- lower interest expense on long term debt due to repayments of Loblaw's Retail segment debt, partially offset by higher interest expense on long term debt as a result of debt issuances by Choice Properties to third parties;
- lower interest expense due to the redemption of Loblaw's capital securities at par in the third quarter of 2015; and
- lower interest expense in Loblaw's Financial Services segment due to the *Eagle Credit Card Trust® ("Eagle")* debt repayment.

Income Taxes

($ millions except where otherwise indicated)	16 Weeks Ended		40 Weeks Ended	
For the periods ended as indicated	**Oct. 8, 2016**	Oct. 10, 2015	**Oct. 8, 2016**	Oct. 10, 2015
Income taxes	**$ 166**	$ 93	**$ 382**	$ 318
Add: Tax impact of items excluded from adjusted earnings before taxes[(1)(i)]	**32**	74	**127**	154
Statutory corporate income tax rate change			**(3)**	(45)
Adjusted income taxes[(1)]	**$ 198**	$ 167	**$ 506**	$ 427
Effective income tax rate applicable to earnings before taxes	**25.4%**	27.3%	**30.8%**	32.9%
Adjusted income tax rate applicable to adjusted earnings before taxes[(1)]	**26.5%**	27.2%	**27.5%**	27.2%

(i) See the EBITDA and adjusted EBITDA table and the adjusted net interest expense and other financing charges table included in the "Non-GAAP Financial Measures" section of this MD&A for a complete list of items excluded from adjusted earnings before taxes[(1)].

The effective tax rate in the third quarter of 2016 was 25.4%, a decrease of 1.9% compared to the same period in 2015. The decrease in the effective tax rate was primarily attributable to:

- a decrease in the non-deductible fair value adjustment of the Trust Unit liability; and
- a decrease in certain other non-deductible items;

partially offset by,

- an increase in current tax as a result of a prorated increase in the Alberta statutory corporate income tax rate from 10.0% to 12.0% enacted in the second quarter of 2015.

The adjusted income tax rate[(1)] for the third quarter of 2016 was 26.5%, a decrease of 0.7% compared to the same period in 2015. The decrease was primarily attributable to a decrease in certain non-deductible items, partially offset by an increase in current tax resulting from the prorated increase in the Alberta statutory corporate income tax rate in 2015, as described above.

The year-to-date effective tax rate was 30.8%, a decrease of 2.1% compared to the same period in 2015. The decrease was primarily attributable to:

- a decrease in deferred tax expense resulting from a prior year charge related to the remeasurement of deferred tax liabilities as a result of the increase in the Alberta statutory corporate income tax rate, as described above, net of an increase in deferred tax expense in the first quarter of 2016 as a result of the increase in New Brunswick statutory corporate income tax rate, as described below;

partially offset by,

- an increase in the non-deductible fair value adjustment of the Trust Unit liability; and
- an increase in current tax as a result of a prorated increase in the Alberta statutory corporate income tax rate, as described above.

The year-to-date adjusted income tax rate[(1)] was 27.5%, an increase of 0.3% compared to the same period in 2015. The increase was primarily attributable to an increase in current tax as a result of the prorated increase in the Alberta statutory corporate income tax rate in 2015.

In the first quarter of 2016, the Government of New Brunswick announced a 2.0% increase in the provincial statutory corporate income tax rate from 12.0% to 14.0%. Loblaw recorded a charge of $3 million in the first quarter of 2016 and year-to-date related to the remeasurement of its deferred tax liabilities.

REPORTABLE OPERATING SEGMENTS

WESTON FOODS SEGMENT RESULTS

($ millions except where otherwise indicated)	16 Weeks Ended				40 Weeks Ended			
For the periods ended as indicated	**Oct. 8, 2016**	Oct. 10, 2015	$ Change	% Change	**Oct. 8, 2016**	Oct. 10, 2015	$ Change	% Change
Sales	**$ 673**	$ 649	$ 24	3.7 %	**$ 1,731**	$ 1,617	$ 114	7.1 %
Adjusted EBITDA[(1)]	**$ 101**	$ 97	$ 4	4.1 %	**$ 223**	$ 218	$ 5	2.3 %
Adjusted EBITDA margin[(1)]	**15.0%**	14.9%			**12.9%**	13.5%		
Depreciation and amortization[(i)]	**$ 33**	$ 32	$ 1	3.1 %	**$ 84**	$ 69	$ 15	21.7 %

(i) Depreciation and amortization includes $3 million (2015 – $5 million) in the third quarter of 2016 and $11 million (2015 – $5 million) year-to-date of accelerated depreciation related to restructuring and other charges.

Sales Weston Foods sales in the third quarter of 2016 were $673 million, an increase of $24 million, or 3.7%, compared to the same period in 2015, primarily due to an increase in volumes. Foreign currency translation had a nominal positive impact on sales compared to the third quarter of 2015.

On a year-to-date basis, sales of $1,731 million increased by $114 million, or 7.1%, compared to the same period in 2015. Sales included the positive impact of foreign currency translation of approximately 2.9%. Excluding the impact of foreign currency translation, sales increased by 4.2% primarily due to an increase in volumes.

Adjusted EBITDA[(1)] Weston Foods adjusted EBITDA[(1)] in the third quarter of 2016 was $101 million, an increase of $4 million, or 4.1%, compared to the same period in 2015. The increase was driven by the positive impact of the increase in sales and productivity improvements, partially offset by continued investments in the business.

Year-to-date adjusted EBITDA[(1)] was $223 million, an increase of $5 million, or 2.3%, compared to the same period in 2015. The improvement was due to the increase in sales and productivity improvements, partially offset by continued investments in the business and new plant costs.

Adjusted EBITDA margin[(1)] in the third quarter of 2016 improved slightly to 15.0% compared to 14.9% in the same period in 2015. Year-to-date adjusted EBITDA margin[(1)] was 12.9% compared to 13.5% in the same period in 2015. The year-to-date decline in adjusted EBITDA margin[(1)] was mainly due to incremental investments in the business and new plant costs.

Depreciation and Amortization Weston Foods depreciation and amortization was $33 million in the third quarter of 2016, and $84 million year-to-date, increases of $1 million and $15 million, respectively, compared to the same periods in 2015. Depreciation and amortization included $3 million (2015 – $5 million) in the third quarter of 2016 and $11 million (2015 – $5 million) year-to-date of accelerated depreciation related to the planned closures of bread, pie and cake manufacturing facilities. Excluding these amounts, depreciation and amortization increased in the third quarter of 2016 and year-to-date by $3 million and $9 million, respectively, due to investments in capital.

Weston Foods Other Business Matters

Restructuring Weston Foods continuously evaluates strategic and cost reduction initiatives related to its manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. In the third quarter of 2016, Weston Foods recorded a net gain of $4 million (2015 – charge of $14 million) driven by the disposal of land and building, partially offset by restructuring and other charges, including $3 million (2015 – $5 million) of accelerated depreciation. Year-to-date, Weston Foods recorded restructuring and other charges of $10 million (2015 – $18 million), including $11 million (2015 – $5 million) of accelerated depreciation. These charges primarily relate to restructuring plans to close manufacturing facilities in Canada and the U.S. with production transferring to other facilities.

Inventory loss In the third quarter of 2016, Weston Foods' damaged inventory of $6 million (U.S. $5 million) was written-off and was recorded in SG&A in the Company's consolidated statement of earnings. An insurance claim is in progress and proceeds are expected to be recorded as the claim progresses. Additional losses or charges associated with this inventory will be recorded as incurred.

LOBLAW SEGMENT RESULTS

($ millions except where otherwise indicated)	16 Weeks Ended				40 Weeks Ended			
For the periods ended as indicated	**Oct. 8, 2016**	Oct. 10, 2015	$ Change	% Change	**Oct. 8, 2016**	Oct. 10, 2015	$ Change	% Change
Sales	**$ 14,143**	$ 13,946	$ 197	1.4 %	**$ 35,255**	$ 34,529	$ 726	2.1 %
Retail gross profit[(i)]	**$ 3,718**	$ 3,560	$ 158	4.4 %	**$ 9,305**	$ 8,895	$ 410	4.6 %
Adjusted EBITDA[(1)]	**$ 1,141**	$ 1,020	$ 121	11.9 %	**$ 2,890**	$ 2,662	$ 228	8.6 %
Adjusted EBITDA margin[(1)]	**8.1%**	7.3%			**8.2%**	7.7%		
Depreciation and amortization[(ii)]	**$ 464**	$ 477	$ (13)	(2.7)%	**$ 1,178**	$ 1,216	$ (38)	(3.1)%

(i) Loblaw Retail gross profit in the third quarter of 2016 and year-to-date includes the impact of certain items described in the Retail Gross Profit section below that are excluded from adjusted EBITDA[(1)].

(ii) Depreciation and amortization includes $164 million (2015 – $164 million) in the third quarter of 2016 and $411 million (2015 – $412 million) year-to-date of amortization of intangible assets acquired with Shoppers Drug Mart.

Overall Loblaw Performance Loblaw adjusted EBITDA[(1)] increased by $121 million in the third quarter of 2016 and $228 million year-to-date compared to the same periods in 2015, primarily driven by Retail. Excluding the impact of consolidated franchises, Retail adjusted EBITDA[(1)] increased by $105 million in the third quarter of 2016 and $212 million year-to-date driven by higher sales, stable gross margins and lower SG&A. Incremental net synergies were also a contributor to year-to-date Retail adjusted EBITDA[(1)].

Sales, Retail gross profit, and adjusted EBITDA[(1)] in the third quarter of 2016 and year-to-date included the impacts of the consolidation of franchises, as set out in "Loblaw Other Business Matters".

Sales Loblaw sales in the third quarter of 2016 were $14,143 million, an increase of $197 million compared to the same period in 2015, primarily driven by Retail. Retail sales increased by $176 million, or 1.3%, compared to the same period in 2015 and included food retail sales of $10,278 million (2015 – $10,178 million) and drug retail sales of $3,613 million (2015 – $3,537 million).

Excluding the consolidation of franchises, Retail sales increased by $74 million primarily driven by the following factors:

- food retail same-store sales growth was 1.4%, after excluding gas bar (0.6%). Food retail same-store sales also reflect the impact of retail promotional investments. Including gas bar, food retail same-store sales growth was 0.8%. Loblaw's food retail average quarterly internal food price index declined and was lower than the average quarterly national food price inflation of 0.2% as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores;
- drug retail same-store sales growth was 2.8%, including same-store pharmacy sales growth of 1.6% and front store same-store sales growth of 3.9%; and
- 44 food and drug stores were opened and 69 food and drug stores were closed in the last 12 months, resulting in a decrease in Retail net square footage of 0.2 million square feet, or 0.3%, primarily driven by Loblaw's store closure plan announced in 2015.

On a year-to-date basis, Loblaw sales were $35,255 million, an increase of $726 million compared to the same period in 2015, primarily driven by Retail. Retail sales increased by $676 million, or 2.0%, compared to the same period in 2015 and included food retail sales of $25,386 million (2015 – $25,041 million) and drug retail sales of $9,153 million (2015 – $8,822 million). Year-to-date food retail same-store sales growth was 1.5%, after excluding gas bar (0.4%). Including gas bar, food retail same-store sales growth was 1.1%. Year-to-date drug retail same-store sales growth was 4.2%, driven by same-store sales pharmacy sales growth of 3.0% and same-store front store sales growth of 5.3%.

Retail Gross Profit Loblaw Retail gross profit in the third quarter of 2016 was $3,718 million, an increase of $158 million compared to the same period in 2015 and included a net gain of $4 million (2015 – nil) primarily related to the receipt of partial proceeds from Loblaw's insurance claim related to retail locations in Fort McMurray impacted by the wildfire.

Excluding this impact, Retail gross profit increased $154 million to $3,714 million and Retail gross profit percentage of 26.7% increased by 70 basis points compared to the third quarter of 2015. Excluding the consolidation of franchises, Retail gross profit percentage was 26.1%, an increase of 30 basis points compared to the third quarter of 2015. Food retail promotional investment drove margins lower, however drug retail pharmacy margins improved and offset the impacts of promotional investments. Retail gross profit percentage improved largely due to improvements in shrink compared to the same period in 2015.

Year-to-date Loblaw Retail gross profit was $9,305 million, an increase of $410 million compared to the same period in 2015. Year-to-date Loblaw Retail gross profit included the unfavourable year-over-year net impact of the following:

- a charge of $5 million related to inventory losses and related costs at retail locations in Fort McMurray impacted by the wildfire, net of recoveries;
- a charge of $4 million related to inventory impairment as a result of Loblaw's revised plans to restructure certain drug retail ancillary assets that were previously marketed for sale; and
- a charge of $3 million related to restructuring and other charges;

partially offset by,

- a prior year charge of $8 million related to apparel inventory.

Excluding these impacts, year-to-date Retail gross profit increased by $414 million to $9,317 million and Retail gross profit percentage was 27.0% compared to 26.3% for the same period in 2015. Excluding the consolidation of franchises, Retail gross profit percentage was 26.4%, an increase of 20 basis points compared to the same period in 2015, primarily driven by the achievement of operational synergies, and improvements in shrink partially offset by lower food retail margins due to promotional investments.

Adjusted EBITDA(1) Loblaw adjusted EBITDA(1) in the third quarter of 2016 was $1,141 million, an increase of $121 million compared to the same period in 2015, primarily driven by Retail. Retail adjusted EBITDA(1) increased $111 million driven by an increase in Retail gross profit, as described above, partially offset by an increase in Retail SG&A of $43 million. Retail SG&A as a percentage of sales was 18.9%, an increase of 10 basis points compared to the third quarter of 2015. Excluding the consolidation of franchises, Retail SG&A as a percentage of sales was 18.2%, an improvement of 50 basis points compared to the third quarter of 2015, driven by the following factors:

- the positive impact of Loblaw's store closure plan announced in 2015;
- favourable changes in the value of Loblaw's investments in its franchise business;
- favourable year-over-year foreign exchange impacts; and
- the favourable impact related to settlement of collective agreements in the third quarter of 2015.

Year-to-date adjusted EBITDA(1) was $2,890 million, an increase of $228 million compared to the same period in 2015, primarily driven by Retail. Retail adjusted EBITDA(1) increased $213 million primarily driven by the increase in the year-to-date Retail gross profit described above, partially offset by an increase in Retail SG&A of $201 million. Retail SG&A as a percentage of sales was 19.0%, an increase of 20 basis points compared to the same period in 2015. Excluding the consolidation of franchises, Retail SG&A as a percentage of sales, was 18.4%, an improvement of 30 basis points compared to the same period in 2015, driven by the following factors:

- the positive impact of Loblaw's store closure plan announced in 2015;
- the favourable changes in the value of Loblaw's investments in its franchise business;
- the favourable year-over-year foreign exchange impacts; and
- the operational efficiencies in retail stores.

Loblaw adjusted EBITDA(1) in the third quarter of 2016 and year-to-date also included the increase in Financial Services adjusted EBITDA(1) of $5 million and $10 million, respectively, and the increase in Choice Properties adjusted EBITDA(1) of $5 million and $5 million, respectively.

The increase in Financial Services adjusted EBITDA[1] was driven by the growth in the credit card portfolio and higher Mobile Shop sales. The increase in Choice Properties adjusted EBITDA[1] was driven by an increase in base rent and net recoveries of property tax and operating costs from existing properties.

Depreciation and Amortization Loblaw's depreciation and amortization was $464 million in the third quarter of 2016, a decrease of $13 million compared to the same period in 2015. The decline in depreciation and amortization was primarily attributable to a change in the estimated useful life of certain equipment and fixtures in the second quarter of 2016.

Year-to-date, depreciation and amortization was $1,178 million, a decrease of $38 million compared to the same period in 2015. The decline in depreciation and amortization was primarily attributable to a change in the estimated useful life of certain equipment and fixtures in the second quarter of 2016 and lower depreciation of older supply chain assets.

Depreciation and amortization included $164 million (2015 – $164 million) in the third quarter of 2016 and $411 million (2015 – $412 million) year-to-date of amortization of intangible assets acquired with Shoppers Drug Mart.

Loblaw Other Business Matters

QHR Corporation Subsequent to the end of the third quarter of 2016, Loblaw, through its wholly-owned subsidiary Shoppers Drug Mart, completed the acquisition of all of the issued and outstanding common shares of QHR Corporation ("QHR"), a publicly traded healthcare technology company. The shares of QHR were acquired for cash consideration of approximately $162 million. Loblaw has not yet finalized the purchase price allocation related to this acquisition.

Consolidation of Franchises Loblaw has more than 500 franchise food retail stores in its network. As at the end of the third quarter of 2016, 165 of these stores were consolidated for accounting purposes under a new, simplified franchise agreement ("Franchise Agreement") implemented in 2015.

Loblaw will convert franchises to the Franchise Agreement as existing agreements expire, at the end of which all franchises will be consolidated. The following table presents the franchises consolidated in the third quarter of 2016 and year-to-date, and the total impact of the consolidated franchises:

($ millions)	16 Weeks Ended		40 Weeks Ended	
For the periods ended as indicated	**Oct. 8, 2016**	Oct. 10, 2015	**Oct. 8, 2016**	Oct. 10, 2015
Number of Consolidated Franchise stores, beginning of period	**132**	16	**85**	
Add: Number of Consolidated Franchise stores in the period	**33**	27	**80**	43
Number of Consolidated Franchise stores, end of period	**165**	43	**165**	43
Sales	**$ 125**	$ 23	**$ 264**	$ 28
Retail gross profit	**120**	21	**254**	26
Adjusted EBITDA[1]		(6)	**(7)**	(8)
Depreciation and amortization	**7**	2	**15**	2
Net loss attributable to Non-Controlling Interest	**(7)**	(6)	**(21)**	(5)

Loblaw expects that the impact in 2016 of new and current consolidated franchises will be incremental revenue of approximately $350 million, an increase to adjusted EBITDA[1] of approximately $20 million and an increase in depreciation and amortization of approximately $20 million.

Retail locations in Fort McMurray In the second quarter of 2016, 10 Loblaw retail locations in Fort McMurray were impacted by a wildfire that caused an evacuation of the city. During the second quarter of 2016, Loblaw recognized a charge of $12 million related to inventory losses, site clean-up and restoration costs at these locations. During the third quarter of 2016, Loblaw received partial proceeds of $5 million from the insurance claim. The insurance claim remains in progress and further proceeds are expected to be recorded as the claim progresses.

Loblaw estimates the financial impact to Loblaw's year-to-date 2016 results from the temporary closure of these retail locations as follows: a decrease in sales of approximately $27 million and a decrease in adjusted EBITDA(1) of approximately $7 million. Loblaw maintains business interruption insurance and expects that certain losses will be recoverable under this insurance coverage.

Gas Bar Network In the second quarter of 2016, Loblaw began engaging with potential buyers for the sale of its gas bar operations. The gas bar network is comprised of approximately 200 retail fuel sites. On an annual basis, the gas bar operations sell approximately 1,700 million litres of gas and generate sales of approximately $1,600 million.

Restructuring and other related charges In the second quarter of 2016 and year-to-date, Loblaw recorded an additional charge related to store closures of approximately $43 million and $44 million, respectively. This amount was primarily related to the closure of the remaining Joe Fresh retail location in the U.S.

Drug Retail Ancillary Assets In 2015, Loblaw began actively marketing the sale of certain assets of the Shoppers Drug Mart ancillary healthcare business and recorded asset impairments on these assets and other related restructuring charges. In the second quarter of 2016, Loblaw signed agreements for the sale of a portion of these assets. The Company expects the annualized impact of the divestiture to be a decrease in sales of approximately $129 million and an increase in adjusted EBITDA(1) of $8 million.

In the second quarter of 2016, Loblaw ceased actively marketing the remaining assets and restructured those assets as part of ongoing operations. As a result, Loblaw recorded a charge of $4 million related to inventory impairment and reversals of $8 million of previous asset impairments and other related restructuring charges in the second quarter and year-to-date.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

($ millions) For the periods ended as indicated	16 Weeks Ended **Oct. 8, 2016**	Oct. 10, 2015	Change	40 Weeks Ended **Oct. 8, 2016**	Oct. 10, 2015	Change
Cash and cash equivalents, beginning of period	**$ 1,564**	$ 1,592	$ (28)	**$ 1,413**	$ 1,333	$ 80
Cash flows from operating activities	**$ 1,167**	$ 1,132	$ 35	**$ 2,784**	$ 2,683	$ 101
Cash flows used in investing activities	**$ (291)**	$ (545)	$ 254	**$ (549)**	$ (1,139)	$ 590
Cash flows used in financing activities	**$ (586)**	$ (587)	$ 1	**$ (1,769)**	$ (1,294)	$ (475)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 9**	$ 13	$ (4)	**$ (16)**	$ 22	$ (38)
Cash and cash equivalents, end of period	**$ 1,863**	$ 1,605	$ 258	**$ 1,863**	$ 1,605	$ 258

Cash Flows from Operating Activities The year-over-year increase in cash inflows in the third quarter of 2016 was $35 million, primarily due to:

- higher cash earnings;

partially offset by,

- an increase in income taxes paid; and
- non-cash working capital, driven by an increase in inventory and a reduction in current provisions, partially offset by an increase in trade payables and other liabilities.

On a year-to-date basis, the increase in cash inflows was $101 million, primarily due to:

- higher cash earnings; and
- an increase in collections on credit card receivables, driven by the growth in the active customer base in Loblaw's Financial Services segment;

partially offset by,

- non-cash working capital driven by the reduction in trade payables and other liabilities and a reduction in current provisions, partially offset by lower accounts receivable and a reduction in inventory; and
- an increase in income taxes paid.

Cash Flows used in Investing Activities The year-over-year decrease in cash outflows in the third quarter of 2016 was $254 million, primarily due to security deposits in the prior year that were used to fund the repayment of *Eagle* notes maturing in the fourth quarter of 2015.

On a year-to-date basis, the decrease in cash outflows of $590 million was primarily due to security deposits in the prior year that were used to fund the repayment of *Eagle* notes, as described above, a decrease in short term investments and lower net capital investments.

The following table summarizes the Company's capital investments by each of its reportable operating segments:

($ millions) For the periods ended as indicated	16 Weeks Ended **Oct. 8, 2016**	Oct. 10, 2015	40 Weeks Ended **Oct. 8, 2016**	Oct. 10, 2015
Weston Foods	**$ 56**	$ 74	**$ 143**	$ 167
Loblaw	**383**	356	**754**	808
Total capital investments	**$ 439**	$ 430	**$ 897**	$ 975

Cash Flows used in Financing Activities The year-over-year decrease in cash outflows in the third quarter of 2016 was $1 million, primarily driven by Loblaw's redemption of capital securities in 2015, partially offset by Loblaw's higher repurchases of common shares for cancellation, the increase in President's Choice Bank's ("PC Bank's") co-ownership interest held with Other Independent Securitization Trusts in 2015 and Loblaw's lower net issuances of long term debt.

On a year-to-date basis, the increase in cash outflows was $475 million, primarily driven by Loblaw's higher repurchases of common shares for cancellation and a decrease in PC Bank's co-ownership interest held with Other Independent Securitization Trusts, partially offset by lower net repayments of long term debt. In 2015, cash flow from financing activities also included Loblaw's proceeds from the issuance of preferred shares offset by Loblaw's redemption of capital securities.

The Company's significant long term debt transactions are set out in the "Liquidity" section of this MD&A.

Free Cash Flow[1]

($ millions)	16 Weeks Ended			40 Weeks Ended		
For the periods ended as indicated	**Oct. 8, 2016**	Oct. 10, 2015	Change	**Oct. 8, 2016**	Oct. 10, 2015	Change
Cash flows from operating activities	**$ 1,167**	$ 1,132	$ 35	**$ 2,784**	$ 2,683	$ 101
Less: Interest paid	**187**	157	30	**467**	467	
Fixed asset purchases	**349**	371	(22)	**677**	846	(169)
Intangible asset additions	**90**	59	31	**220**	129	91
Free cash flow	**$ 541**	$ 545	$ (4)	**$ 1,420**	$ 1,241	$ 179

The year-over-year decrease in free cash flow[1] in the third quarter of 2016 was $4 million, primarily due to higher interest payments and higher net capital investments, partially offset by higher cash flows from operating activities.

On a year-to-date basis, the increase in free cash flow[1] was $179 million, primarily due to higher cash flows from operating activities and lower net capital investments.

LIQUIDITY

The Company (excluding Loblaw) expects that cash and cash equivalents, short term investments and future operating cash flows will enable it to finance its capital investment program and fund its ongoing business requirements, including working capital, pension plan funding requirements and financial obligations over the next 12 months. The Company (excluding Loblaw) does not foresee any impediments in obtaining financing to satisfy its long term obligations.

Loblaw 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 it to finance its capital investment program and fund its ongoing business requirements, including working capital, pension plan funding requirements and financial obligations, over the next 12 months. Choice Properties expects to obtain long term financing for the acquisition of accretive properties primarily through the issuance of equity and unsecured debentures.

Loblaw and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at the end of the third quarter and throughout 2016, Loblaw and Choice Properties were in compliance with their respective covenants.

For details on the Company's cash flows, see the "Cash Flows" section of this MD&A.

Total Debt The following table presents total debt, as monitored by management:

	As at		
($ millions)	**Oct. 8, 2016**	Oct. 10, 2015	Dec. 31, 2015
Bank indebtedness	**$ 257**	$ 243	$ 143
Short term debt	**1,041**	1,106	1,086
Long term debt due within one year	**651**	1,344	1,348
Long term debt	**11,328**	11,025	10,928
Certain other liabilities	**31**	31	30
Fair value of financial derivatives related to the above debt	**(402)**	(363)	(381)
Total debt	**$ 12,906**	$ 13,386	$ 13,154

Management targets credit metrics consistent with those of an investment grade profile. The Company (excluding Loblaw) holds significant cash and cash equivalents and short term investments and as a result monitors its leverage on a net debt basis. The Company (excluding Loblaw) has total debt of $1,429 million (October 10, 2015 – $1,428 million, December 31, 2015 – $1,420 million) and cash and cash equivalents and short term investments of $1,310 million (October 10, 2015 – $1,368 million, December 31, 2015 – $1,497 million), resulting in a $119 million net debt position (October 10, 2015 – $60 million net debt position, December 31, 2015 – $77 million net cash position).

Loblaw's management is focused on managing total debt on a segmented basis to ensure that each of its operating segments is employing a capital structure that is appropriate for the industry in which it operates.

- Loblaw targets maintaining Retail segment credit metrics consistent with those of investment grade retailers. Loblaw monitors the Retail segment's debt to rolling year adjusted EBITDA(1) ratio as a measure of the leverage being employed. The Retail segment debt to rolling year adjusted EBITDA(1) ratio decreased compared to the third quarter of 2015 and year end 2015 primarily as a result of adjusted EBITDA(1) growth and repayment of $525 million Medium Term Notes ("MTNs") that matured in the second quarter of 2016.
- Choice Properties targets maintaining credit metrics consistent with those of investment grade Real Estate Investment Trusts ("REIT"). Choice Properties monitors metrics relevant to the REIT industry including targeting an appropriate debt to total assets ratio.
- 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 capital requirements as defined by the Office of the Superintendent of Financial Institutions. As at the end of the third quarter of 2016, PC Bank has met all applicable regulatory requirements.

Components of Total Debt The following summarizes significant changes to the components of the Company's total debt:

Debentures and MTNs The following table summarizes the debentures and MTNs issued in the periods ended as indicated:

			40 Weeks Ended	
			Oct. 8, 2016	Oct. 10, 2015
($ millions)	Interest Rate	Maturity Date	**Principal Amount**	Principal Amount
Choice Properties senior unsecured debentures				
– Series G(i)	3.20%	March 7, 2023	**$ 250**	
– Series H(i)	5.27%	March 7, 2046	**100**	
– Series E	2.30%	September 14, 2020		$ 250
Total debentures and MTNs issued			**$ 350**	$ 250

(i) Offerings were made under Choice Properties' Short Form Base Shelf Prospectus Supplement filed in the fourth quarter of 2015.

There were no issuances in the third quarters of 2016 and 2015.

The following table summarizes the debentures and MTNs repaid in the periods ended as indicated:

			40 Weeks Ended	
			Oct. 8, 2016	Oct. 10, 2015
($ millions)	Interest Rate	Maturity Date	**Principal Amount**	Principal Amount
Loblaw Companies Limited notes	7.10%	June 1, 2016	**$ 300**	
Shoppers Drug Mart notes	2.01%	May 24, 2016	**225**	
Choice Properties senior unsecured debentures – Series 5	3.00%	March 7, 2016	**300**	
Total debentures and MTNs repaid			**$ 825**	

There were no debentures or MTNs repaid in the third quarters of 2016 and 2015. Subsequent to the end of the third quarter of 2016, GWL's $350 million 3.78% MTN due October 25, 2016 matured and was repaid.

Loblaw Unsecured Term Loan Facilities In the third quarter of 2015 and year-to-date, Loblaw made net repayments of $312 million and $931 million on its unsecured term loan facilities.

Independent Securitization Trusts Loblaw, 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 the Other Independent Securitization Trusts, in accordance with its financing requirements.

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

	As at		
($ millions)	**Oct. 8, 2016**	Oct. 10, 2015	Dec. 31, 2015
Securitized to independent securitization trusts:			
Securitized to *Eagle*	**$ 650**	$ 1,000	$ 650
Securitized to the Other Independent Securitization Trusts	**475**	580	550
Total securitized to independent securitization trusts	**$ 1,125**	$ 1,580	$ 1,200

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 the end of the third quarter of 2016 and throughout 2016.

Independent Funding Trusts In the second quarter of 2016, Loblaw amended the committed credit facility agreement associated with its independent funding trusts to increase the size of the facility to $700 million and extended the maturity date to June 10, 2019, with all other terms and conditions remaining substantially the same.

Committed Credit Facilities The components of the committed lines of credit available were as follows:

	As at					
	Oct. 8, 2016		Oct. 10, 2015		Dec. 31, 2015	
($ millions)	**Available Credit**	**Drawn**	Available Credit	Drawn	Available Credit	Drawn
Loblaw's committed credit facility	**$ 1,000**		$ 1,000		$ 1,000	
Choice Properties' committed credit facility	**500**	**$ 148**	500	$ 133	500	
Committed credit facilities	**$ 1,500**	**$ 148**	$ 1,500	$ 133	$ 1,500	

In the second quarter of 2016, Loblaw amended its committed credit facility agreement to extend the maturity date to June 10, 2021, with all other terms and conditions remaining substantially the same. In the third quarter of 2016, Choice Properties extended the maturity date of its facility to July 5, 2021, with all other terms and conditions remaining substantially the same.

FINANCIAL CONDITION

	As at		
	Oct. 8, 2016	Oct. 10, 2015	Dec. 31, 2015
Rolling year adjusted return on average equity attributable to common shareholders of the Company[1]	**11.9%**	11.2%	10.7%
Rolling year adjusted return on capital[1]	**11.8%**	10.8%	10.6%

The rolling year adjusted return on average equity attributable to common shareholders of the Company[1] increased as at the end of the third quarter of 2016 compared to the end of the third quarter of 2015 and year end 2015, due to Loblaw earnings growth and share repurchases in the last twelve months. The rolling year adjusted return on capital[1] increased as at the end of the third quarter of 2016 compared to the end of the third quarter of 2015 and year end 2015, due to the factors described above and Loblaw debt reduction in the last twelve months.

CREDIT RATINGS

In the second quarter of 2016, Standard & Poor's reaffirmed credit ratings and outlook for GWL. In the first quarter of 2016, Dominion Bond Rating Service ("DBRS") reaffirmed credit ratings and trends for GWL.

In the second quarter of 2016, Standard & Poor's reaffirmed the credit ratings for Loblaw and Choice Properties. In the first quarter of 2016, DBRS reaffirmed credit ratings and changed the trends to Positive from Stable for Loblaw and Choice Properties.

The following table sets out the current credit ratings of GWL:

	DBRS		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
Preferred shares	Pfd-3	Stable	P-3 (high)	n/a

The following table sets out the current credit ratings of Loblaw:

	DBRS		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Positive	BBB	Stable
Medium term notes	BBB	Positive	BBB	n/a
Other notes and debentures	BBB	Positive	BBB	n/a
Second Preferred shares, Series B	Pfd-3	Positive	P-3 (high)	n/a

The following table sets out the current credit ratings of Choice Properties:

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

SHARE CAPITAL

Common Share Capital The following table summarizes the activity in the Company's common shares issued and outstanding for the periods ended as indicated:

	16 Weeks Ended		40 Weeks Ended	
(number of common shares)	**Oct. 8, 2016**	Oct. 10, 2015	**Oct. 8, 2016**	Oct. 10, 2015
Issued and outstanding, beginning of period	**127,896,610**	127,928,419	**127,911,661**	127,901,231
Issued for settlement of stock options	**6,888**	89,580	**41,837**	126,178
Purchased and cancelled		(124,546)	**(50,000)**	(133,956)
Issued and outstanding, end of period	**127,903,498**	127,893,453	**127,903,498**	127,893,453
Shares held in trusts, beginning of period	**(274,692)**	(244,650)	**(272,031)**	(291,304)
Purchased for future settlement of RSUs and PSUs		(27,561)	**(102,006)**	(71,858)
Released for settlement of RSUs and PSUs	**6,977**	119	**106,322**	91,070
Shares held in trusts, end of period	**(267,715)**	(272,092)	**(267,715)**	(272,092)
Issued and outstanding net of shares held in trusts, end of period	**127,635,783**	127,621,361	**127,635,783**	127,621,361
Weighted average outstanding, net of shares held in trusts	**127,627,086**	127,715,256	**127,678,285**	127,689,681

Normal Course Issuer Bid ("NCIB") Program The following table summarizes the Company's activity under its NCIB program in the periods ended as indicated:

	16 Weeks Ended		40 Weeks Ended	
($ millions except where otherwise indicated)	**Oct. 8, 2016**	Oct. 10, 2015	**Oct. 8, 2016**	Oct. 10, 2015
Purchased for future settlement of RSUs and PSUs (number of shares)		27,561	**102,006**	71,858
Purchased and cancelled (number of shares)		124,546	**50,000**	133,956
Cash consideration paid				
Purchased and held in trusts		$ (3)	**$ (11)**	$ (7)
Purchased and cancelled		(13)	**(6)**	(14)
Premium charged to retained earnings		$ 16	**$ 17**	$ 21

In the second quarter of 2016, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 6,397,215 of its common shares, representing approximately 5% of the common shares outstanding. In accordance with the rules and regulations of the TSX, any purchases must be at the then market price of such shares.

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

	16 Weeks Ended		40 Weeks Ended	
($)	**Oct. 8, 2016**	Oct. 10, 2015	**Oct. 8, 2016**	Oct. 10, 2015
Dividends declared per share(i):				
Common share	**$ 0.440**	$ 0.425	**$ 1.305**	$ 1.270
Preferred share:				
Series I	**$ 0.36**	$ 0.36	**$ 1.09**	$ 1.09
Series III	**$ 0.32**	$ 0.32	**$ 0.97**	$ 0.97
Series IV	**$ 0.32**	$ 0.32	**$ 0.97**	$ 0.97
Series V	**$ 0.29**	$ 0.29	**$ 0.89**	$ 0.89

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on October 1, 2016. Dividends declared on Preferred Shares, Series I were paid on September 15, 2016.

The following table summarizes the Company's cash dividends declared subsequent to the end of the third quarter of 2016:

($)		
Dividends declared per share(i)	– Common share	**$ 0.440**
	– Preferred share:	
	Series I	**$ 0.36**
	Series III	**$ 0.33**
	Series IV	**$ 0.33**
	Series V	**$ 0.30**

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V are payable on January 1, 2017. Dividends declared on Preferred Shares, Series I are payable on December 15, 2016.

At the time such dividends are declared, GWL identifies on its website (www.weston.ca) the designation of eligible and ineligible dividends in accordance with the administrative position of the Canada Revenue Agency.

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 three quarters of 2016. For a discussion of the Company's significant off-balance sheet arrangements see Section 8, "Off-Balance Sheet Arrangements", of the Company's 2015 Annual Report.

QUARTERLY RESULTS OF OPERATIONS

The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. Each of the years ended December 31, 2016 and December 31, 2015 contained 52 weeks. 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. When a fiscal year such as 2014 contains 53 weeks, the fourth quarter is 13 weeks in duration.

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.

Selected Quarterly Information

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
	2016	2015	2016	2015	2016	2015	2015	2014
($ millions except where otherwise indicated)	**(16 weeks)**	(16 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(13 weeks)
Sales	**$ 14,605**	$ 14,386	$ 11,075	$ 10,851	$ 10,800	$ 10,409	$ 11,248	$ 11,734
Adjusted EBITDA(1)	**$ 1,242**	$ 1,117	$ 981	$ 913	$ 890	$ 850	$ 946	$ 1,022
Depreciation and amortization(i)	**$ 497**	$ 509	$ 370	$ 388	$ 395	$ 388	$ 401	$ 410
Net earnings attributable to shareholders of the Company	**$ 268**	$ 161	$ 143	$ 51	$ 47	$ 167	$ 148	$ 161
Net earnings available to common shareholders of the Company	**$ 254**	$ 147	$ 133	$ 41	$ 37	$ 157	$ 138	$ 151
Net earnings per common share ($) - basic	**$ 1.99**	$ 1.15	$ 1.04	$ 0.32	$ 0.29	$ 1.23	$ 1.08	$ 1.18
Net earnings per common share ($) - diluted	**$ 1.97**	$ 1.15	$ 1.04	$ 0.31	$ 0.29	$ 1.23	$ 1.08	$ 1.17
Adjusted diluted net earnings per common share(1) ($)	**$ 2.06**	$ 1.65	$ 1.56	$ 1.32	$ 1.31	$ 1.19	$ 1.43	$ 1.57
Average quarterly national food price inflation (as measured by CPI)	**0.2%**	3.8%	1.8%	3.9%	4.3%	4.6%	4.1%	3.5%
Food retail same-store sales growth	**0.8%**	1.3%	0.4%	2.1%	2.0%	2.0%	2.4%	2.4%
Drug retail same-store sales growth	**2.8%**	4.9%	4.0%	3.8%	6.3%	3.1%	5.0%	3.8%

(i) Depreciation and amortization includes amortization of intangible assets acquired with Shoppers Drug Mart recorded by Loblaw and accelerated depreciation recorded by Weston Foods in 2015 and 2016, related to restructuring and other charges.

Impact of Trends and Seasonality on Quarterly Results Consolidated quarterly results for the last eight quarters were impacted by the following significant items: foreign currency exchange rates, seasonality and the timing of holidays, and the 53rd week in the fourth quarter of 2014. The impact of Weston Foods seasonality is greatest in the third and fourth quarters and least in the first quarter. The impact of Loblaw seasonality is greatest in the fourth quarter and least in the first quarter.

Adjusted diluted net earnings per common share[1] Consolidated quarterly adjusted diluted net earnings per common share[1] for the last eight quarters excluded a number of items as described in the "Non-GAAP Financial Measures" section of this MD&A. The consolidated quarterly net earnings for the fourth quarters of 2015 and 2014 were also impacted by items management excludes when assessing underlying operating performance, including the following significant items:

- the impairment of Loblaw drug retail ancillary assets held for sale in the fourth quarter of 2015;
- charges related to inventory measurement and other conversion differences related to the implementation of a perpetual inventory system at Loblaw in the fourth quarter of 2015;
- the transition of certain Loblaw stores to more cost effective and efficient Labour Agreements in the fourth quarter of 2015;
- the impact of restructured fee arrangements with franchisees of certain franchise banners of Loblaw in the fourth quarters of 2015 and 2014;
- net insurance proceeds at Weston Foods in the fourth quarter of 2014;
- the fair value adjustment of Shoppers Drug Mart's share-based compensation liability in the fourth quarter of 2014;
- a multi-employer pension plan withdrawal liability at Weston Foods in the fourth quarter of 2014; and
- the impact of a charge incurred in the fourth quarter of 2014 related to the fair value increment on the acquired inventory sold associated with the acquisition of Shoppers Drug Mart.

In addition to the items described above, consolidated quarterly adjusted diluted net earnings per common share[1] were impacted by net synergies associated with Loblaw's acquisition of Shoppers Drug Mart.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Changes in Internal Control over Financial Reporting There were no changes in the Company's internal controls over financial reporting in the third quarter of 2016 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

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 31, 2015 and the MD&A included in the Company's 2015 Annual Report, which are hereby incorporated by reference. The Company's 2015 Annual Report and AIF are available online on www.sedar.com. Those risks and risk management strategies remain unchanged.

ACCOUNTING STANDARDS

Presentation of Financial Statements The Company implemented the amendments to International Accounting Standard ("IAS") 1, "Presentation of Financial Statements", in the first quarter of 2016, with no significant impact on the Company's unaudited interim period condensed consolidated financial statements.

Income Taxes The Company is awaiting final publication of the IFRS Interpretations Committee's agenda decision related to the expected manner of recovery of indefinite life intangible assets when measuring deferred income taxes in accordance with IAS 12, "Income Taxes". The Company expects that the Committee will finalize and publish the agenda decision in the upcoming weeks. Following publication of the Committee's agenda decision, the Company will implement this guidance in subsequent financial statements on a retrospective basis as an accounting policy change in accordance with IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors". Although the Company is still assessing the impact of the change in accounting policy on its consolidated financial statements, Loblaw expects an increase in goodwill and deferred income tax liabilities and an impact to prior year net earnings related to the remeasurement of deferred income tax liabilities as a result of the Alberta statutory corporate income tax rate change in 2015.

SIGNIFICANT ACCOUNTING POLICIES

Changes in Accounting Estimates

Fixed Assets In the second quarter of 2016, Loblaw reassessed and revised the useful life of certain classes of equipment and fixtures from eight to ten years. This revision represents a change in estimate which will result in a current year reduction of depreciation and amortization expense, related to these assets, of approximately $66 million compared to 2015.

OUTLOOK[2]

Weston Foods expects sales growth generated by new capacity and productivity improvements to drive an increase in adjusted EBITDA[1] in 2016 when compared to 2015. The increase in adjusted EBITDA[1] is expected to be greater in the second half of the year as new plant capacity and capability come on-line. Management now expects to make capital investments of approximately $210 million in 2016 compared to $275 million previously stated. Depreciation is projected to increase in 2016 when compared to 2015, and more than offset the improvement in adjusted EBITDA[1]. The competitive retail landscape continues to intensify, particularly in fresh bakery and this will put added pressure on the business.

Loblaw remains focused on its strategic framework, delivering the best in food, best in health and beauty, operational excellence and growth. This strategic framework is supported by a financial strategy of maintaining a stable trading environment that targets positive same-store sales and stable gross margin; surfacing efficiencies; delivering synergies as a result of its acquisition of Shoppers Drug Mart; and returning capital to shareholders. In 2016, Loblaw expects to:

- deliver positive same-store sales and stable gross margin in its Retail segment in a highly competitive grocery market and with continued negative pressure from healthcare reform;
- grow adjusted net earnings[1];
- 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.

For 2016, the Company expects growth in net earnings to be driven by an increase in net earnings at Loblaw, and the positive impact of the Company's increased ownership in Loblaw as a result of Loblaw's share repurchases.

NON-GAAP FINANCIAL MEASURES

The Company uses the following non-GAAP financial measures: EBITDA, adjusted EBITDA and adjusted EBITDA margin, adjusted net earnings attributable to shareholders of the Company, adjusted net earnings available to common shareholders of the Company, adjusted diluted net earnings per common share, rolling year adjusted return on average equity attributable to common shareholders of the Company, rolling year adjusted return on capital and free cash flow. In addition to these items, the following measures are used by management in calculating adjusted diluted net earnings per common share: adjusted net interest expense and other financing charges, adjusted income taxes and adjusted income tax rate. 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 consolidated and segment underlying operating performance. The excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude 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 they should not be construed as an alternative to other financial measures determined in accordance with GAAP.

EBITDA and Adjusted EBITDA The Company believes adjusted EBITDA is useful in assessing and making decisions regarding the underlying operating performance of the Company's ongoing operations and in assessing the Company's ability to generate cash flows to fund its cash requirements, including its capital investment program.

The following table reconciles EBITDA and adjusted EBITDA to operating income, which is reconciled to GAAP net earnings attributable to shareholders of the Company reported for the periods ended as indicated.

	16 Weeks Ended							
				Oct. 8, 2016				Oct. 10, 2015
($ millions)	**Weston Foods**	**Loblaw**	**Other(i)**	**Consolidated**	Weston Foods	Loblaw	Other(i)	Consolidated
Net earnings attributable to shareholders of the Company				**$ 268**				$ 161
Add impact of the following:								
Non-controlling interests				**219**				87
Income taxes				**166**				93
Net interest expense and other financing charges				**129**				225
Operating income	**$ 75**	**$ 688**	**$ 19**	**$ 782**	$ 56	$ 456	$ 54	$ 566
Depreciation and amortization	**33**	**464**		**497**	32	477		509
EBITDA	**$ 108**	**$ 1,152**	**$ 19**	**$ 1,279**	$ 88	$ 933	$ 54	$ 1,075
Operating income	**$ 75**	**$ 688**	**$ 19**	**$ 782**	$ 56	$ 456	$ 54	$ 566
Add impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart		**164**		**164**		164		164
Restructuring and other charges	**(4)**			**(4)**	14	95		109
Fair value adjustment of derivatives	**(6)**	**(9)**		**(15)**		(12)		(12)
Charges related to retail locations in Fort McMurray, net of recoveries		**(5)**		**(5)**				
Fixed asset and other related impairments, net of recoveries		**3**		**3**		2		2
Pension annuities and buy-outs						2		2
Inventory loss	**6**			**6**				
Foreign currency translation			**(19)**	**(19)**			(54)	(54)
Adjusted operating income	**$ 71**	**$ 841**		**$ 912**	$ 70	$ 707		$ 777
Depreciation and amortization excluding the impact of the above adjustments(ii)	**30**	**300**		**330**	27	313		340
Adjusted EBITDA	**$ 101**	**$ 1,141**		**$ 1,242**	$ 97	$ 1,020		$ 1,117

(i) Represents the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and cash equivalents and short term investments held by foreign operations.

(ii) Depreciation and amortization for the calculation of adjusted EBITDA excludes $164 million (2015 – $164 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $3 million (2015 – $5 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.

	40 Weeks Ended							
				Oct. 8, 2016				Oct. 10, 2015
($ millions)	Weston Foods	Loblaw	Other[(i)]	Consolidated	Weston Foods	Loblaw	Other[(i)]	Consolidated
Net earnings attributable to shareholders of the Company				$ 458				$ 379
Add impact of the following:								
Non-controlling interests				401				269
Income taxes				382				318
Net interest expense and other financing charges				523				542
Operating income	$ 135	$ 1,637	$ (8)	$ 1,764	$ 135	$ 1,279	$ 94	$ 1,508
Depreciation and amortization	84	1,178		1,262	69	1,216		1,285
EBITDA	$ 219	$ 2,815	$ (8)	$ 3,026	$ 204	$ 2,495	$ 94	$ 2,793
Operating income	$ 135	$ 1,637	$ (8)	$ 1,764	$ 135	$ 1,279	$ 94	$ 1,508
Add impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart		411		411		412		412
Restructuring and other charges	10	44		54	18	161		179
Fair value adjustment of derivatives	(4)	11		7		(15)		(15)
Prior year tax assessment		10		10				
Charges related to retail locations in Fort McMurray, net of recoveries		7		7				
Fixed asset and other related impairments, net of recoveries		5		5		9		9
Pension annuities and buy-outs	3	2		5		2		2
Drug retail ancillary assets		(4)		(4)				
Inventory losses	6			6	1			1
Charge related to apparel inventory						8		8
Shoppers Drug Mart divestitures loss						2		2
Foreign currency translation			8	8			(94)	(94)
Adjusted operating income	$ 150	$ 2,123		$ 2,273	$ 154	$ 1,858		$ 2,012
Depreciation and amortization excluding the impact of the above adjustments[(ii)]	73	767		840	64	804		868
Adjusted EBITDA	$ 223	$ 2,890		$ 3,113	$ 218	$ 2,662		$ 2,880

(i) Represents the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and cash equivalents and short term investments held by foreign operations.

(ii) Depreciation and amortization for the calculation of adjusted EBITDA excludes $411 million (2015 – $412 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $11 million (2015 – $5 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.

The following items impacted operating income in the third quarters of 2016 and 2015, and on a year-to-date basis:

Amortization of intangible assets acquired with Shoppers Drug Mart The acquisition of Shoppers Drug Mart in 2014 included approximately $6 billion of definite life intangible assets, which are being amortized over their estimated useful lives. Loblaw expects to recognize annual amortization associated with the acquired intangible assets of approximately $550 million until 2024, and decreasing thereafter.

Restructuring and other charges The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure.

Fair value adjustment of derivatives The Company is exposed to commodity price and U.S. dollar exchange rate fluctuations primarily as a result of purchases of certain raw materials, fuels and utilities. In accordance with the Company's commodity risk management policy, the Company enters into commodity and foreign currency derivatives to reduce the impact of price fluctuations in forecasted raw material and fuel purchases over a specified period of time. These derivatives are not acquired for trading or speculative purposes. Pursuant to the Company's derivative instruments accounting policy, certain changes in fair value, which include realized and unrealized gains and losses related to future purchases of raw materials and fuel, 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.

Prior year tax assessment In the first quarter of 2016, the province of Ontario enacted retroactive amendments to the Land Transfer Tax Act. The amendments were applicable to land transfer activities between related parties that occurred on or after July 19, 1989. The amendments impacted certain land transfers between Loblaw and Choice Properties at the time of the initial public offering, resulting in a charge to SG&A in the first quarter of 2016.

Charges related to retail locations in Fort McMurray, net of recoveries In the second quarter of 2016, 10 retail locations in Fort McMurray were impacted by the wildfire that caused the evacuation of the city. Loblaw recognized charges related to the inventory losses, site clean-up and other restoration costs as set out in the "Loblaw Other Business Matters" section of this MD&A. During the third quarter of 2016, Loblaw received partial proceeds from the insurance claim. The insurance claim remains in progress and further proceeds are expected to be recorded as the claim progresses.

Fixed asset and other related impairments, net of recoveries At each balance sheet date, the Company assesses and, when required, records impairments and recoveries of previous impairments related to the carrying value of its fixed assets, investment properties and intangible assets.

Pension annuities and buy-outs The Company is undertaking several 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.

Drug retail ancillary assets In the second quarter of 2016, Loblaw ceased actively marketing the remaining assets in certain drug retail ancillary operations that were previously marketed for sale as set out in the "Loblaw Other Business Matters" section of this MD&A.

Inventory losses In the third quarter of 2016, Weston Foods' damaged inventory of $6 million (U.S. $5 million) was written-off and was recorded in SG&A in the Company's consolidated statement of earnings. An insurance claim is in progress and proceeds are expected to be recorded as the claim progresses. Additional losses or charges associated with this inventory will be recorded as incurred.

On August 31, 2014, a weather event in the U.S. caused significant damage to Weston Foods' inventory stored at a third-party warehouse. In the first quarter of 2015, a charge of $1 million (approximately U.S. $1 million) was recorded in SG&A.

Charge related to apparel inventory In the second quarter of 2015, Loblaw recorded a charge related to an agreement to liquidate, in the U.S., certain older Canadian apparel inventory.

Shoppers Drug Mart divestitures loss In the first quarter of 2015, Loblaw completed the remaining divestitures required by the Competition Bureau and recorded a divestiture loss.

Foreign currency translation The Company's consolidated financial statements are expressed in Canadian dollars. A portion of the Company's (excluding Loblaw's) net assets are denominated in U.S. dollars and as a result, the Company is exposed to foreign currency translation gains and losses. The impact of foreign currency translation on a portion of the U.S. dollar denominated net assets, primarily cash and cash equivalents and short term investments held by foreign operations, is recorded in SG&A and the associated tax, if any, is recorded in income taxes. In the third quarter of 2016, a foreign currency translation gain of $19 million (2015 – $54 million) was recorded in SG&A as a result of the appreciation of the U.S. dollar relative to the Canadian dollar. An income tax expense of $2 million (2015 – recovery of $1 million) was also recorded associated with this foreign currency translation gain. Year-to-date, a foreign currency translation loss of $8 million (2015 – gain of $94 million) was recorded in SG&A as a result of the depreciation (2015 – appreciation) of the U.S. dollar relative to the Canadian dollar. Income tax recovery of $1 million (2015 – expense of $5 million) was also recorded associated with this foreign currency translation loss (2015 – gain).

Adjusted Net Interest Expense and Other Financing Charges The Company believes adjusted net interest expense and other financing charges is useful in assessing the ongoing net financing costs of the Company.

The following table reconciles adjusted net interest expense and other financing charges to GAAP net interest expense and other financing charges reported for the periods ended as indicated.

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 8, 2016**	Oct. 10, 2015	**Oct. 8, 2016**	Oct. 10, 2015
Net interest expense and other financing charges	**$ 129**	$ 225	**$ 523**	$ 542
Add: Fair value adjustment of the Trust Unit liability	**14**	(33)	**(80)**	(50)
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**21**	(24)	**(10)**	(35)
Accelerated amortization of deferred financing costs		(4)		(15)
Adjusted net interest expense and other financing charges	**$ 164**	$ 164	**$ 433**	$ 442

In addition to certain items described in the "EBITDA and Adjusted EBITDA" section above, the following items impacted net interest expense and other financing charges in the third quarters of 2016 and 2015, and on a year-to-date basis:

Fair value adjustment of the Trust Unit liability The Company is exposed to market price fluctuations as a result of the Choice Properties Trust Units held by unitholders other than the Company. These Trust Units are presented as a liability on the Company's unaudited interim period 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 Trust Units at the end of each period. An increase (decrease) in the market price of Trust Units results in a charge (income) to net interest expense and other financing charges.

Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares The fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares is non-cash and is included in net interest expense and other financing charges. The adjustment is determined by changes in the value of the underlying Loblaw common shares. An increase (decrease) in the market price of Loblaw common shares results in a charge (income) to net interest expense and other financing charges.

Accelerated amortization of deferred financing costs In the first three quarters of 2015, Loblaw recorded charges related to the accelerated amortization of deferred financing costs due to the early repayments of debt in 2015.

Adjusted Income Taxes and Adjusted Income Tax Rate The Company believes the adjusted income tax rate applicable to adjusted earnings before taxes is useful in assessing the underlying operating performance of its business.

The following table reconciles the effective income tax rate applicable to adjusted earnings before taxes to the GAAP effective income tax rate applicable to earnings before taxes as reported for the periods ended as indicated.

	16 Weeks Ended		40 Weeks Ended	
($ millions except where otherwise indicated)	**Oct. 8, 2016**	Oct. 10, 2015	**Oct. 8, 2016**	Oct. 10, 2015
Adjusted operating income(i)	**$ 912**	$ 777	**$ 2,273**	$ 2,012
Adjusted net interest expense and other financing charges(i)	**164**	164	**433**	442
Adjusted earnings before taxes	**$ 748**	$ 613	**$ 1,840**	$ 1,570
Income taxes	**$ 166**	$ 93	**$ 382**	$ 318
Add: Tax impact of items excluded from adjusted earnings before taxes(ii)	**32**	74	**127**	154
Statutory corporate income tax rate change			**(3)**	(45)
Adjusted income taxes	**$ 198**	$ 167	**$ 506**	$ 427
Effective income tax rate applicable to earnings before taxes	**25.4%**	27.3%	**30.8%**	32.9%
Adjusted income tax rate applicable to adjusted earnings before taxes	**26.5%**	27.2%	**27.5%**	27.2%

(i) See reconciliations of adjusted operating income and adjusted net interest expense and other financing charges above.
(ii) See the EBITDA and adjusted EBITDA table and the adjusted net interest expense and other financing charges table above for a complete list of items excluded from adjusted earnings before taxes.

In addition to certain items described in the "EBITDA and Adjusted EBITDA" and "Adjusted Net Interest Expense and Other Financing Charges" sections above, the following item impacted income taxes and the effective income tax rate in the third quarter of 2016 and on a year-to-date basis:

Statutory corporate income tax rate change The Company's deferred income tax assets and liabilities are impacted by changes to provincial and federal statutory corporate income tax rates resulting in a charge or benefit to earnings. The Company implements changes in the statutory corporate income tax rate in the same period the change is substantively enacted by the legislative body.

In the first quarter of 2016, the Government of New Brunswick announced a 2.0% increase in the provincial statutory corporate income tax rate from 12.0% to 14.0%. Loblaw recorded a charge of $3 million in the first quarter of 2016 and year-to-date related to the remeasurement of deferred tax liabilities.

In the second quarter of 2015, the Government of Alberta announced a 2.0% increase in the provincial statutory corporate income tax rate from 10.0% to 12.0%. The Company recorded a charge of $45 million in the second quarter of 2015 and year-to-date related to the remeasurement of deferred tax liabilities.

Adjusted Diluted Net Earnings per Common Share and Adjusted Net Earnings The Company believes adjusted diluted net earnings per common share and adjusted net earnings are useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

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

	16 Weeks Ended		40 Weeks Ended	
($ except where otherwise indicated)	**Oct. 8, 2016**	Oct. 10, 2015	**Oct. 8, 2016**	Oct. 10, 2015
Weighted average common shares outstanding[i] (millions)	**128.2**	128.3	**128.3**	128.2
Net earnings attributable to shareholders of the Company ($ millions)	**$ 268**	$ 161	**$ 458**	$ 379
Prescribed dividends on preferred shares in share capital ($ millions)	**14**	14	**34**	34
Net earnings available to common shareholders of the Company ($ millions)	**$ 254**	$ 147	**$ 424**	$ 345
Reduction in net earnings due to dilution at Loblaw ($ millions)	**2**		**3**	2
Net earnings available to common shareholders for diluted earnings per share ($ millions)	**$ 252**	$ 147	**$ 421**	$ 343
Diluted net earnings per common share	**$ 1.97**	$ 1.15	**$ 3.28**	$ 2.68
Add impact of the following[ii]:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**0.44**	0.42	**1.10**	1.07
Restructuring and other charges	**(0.03)**	0.34	**0.19**	0.57
Fair value adjustment of derivatives	**(0.05)**	(0.03)	**0.01**	(0.04)
Prior year tax assessment			**0.02**	
Charges related to retail locations in Fort McMurray, net of recoveries	**(0.02)**		**0.02**	
Fixed asset and other related impairments, net of recoveries	**0.01**		**0.02**	0.02
Pension annuities and buy-outs			**0.03**	
Drug retail ancillary assets			**(0.01)**	
Inventory losses	**0.03**		**0.03**	0.01
Charge related to apparel inventory				0.02
Shoppers Drug Mart divestitures loss				0.01
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**(0.12)**	0.14	**0.05**	0.20
Fair value adjustment of the Trust Unit liability	**(0.03)**	0.05	**0.12**	0.08
Accelerated amortization of deferred financing costs		0.01		0.04
Statutory corporate income tax rate change			**0.01**	0.19
Foreign currency translation	**(0.14)**	(0.43)	**0.05**	(0.70)
Adjusted diluted net earnings per common share	**$ 2.06**	$ 1.65	**$ 4.92**	$ 4.15
Adjusted net earnings attributable to shareholders of the Company ($ millions)	**$ 280**	$ 226	**$ 668**	$ 568
Prescribed dividends on preferred shares in share capital ($ millions)	**14**	14	**34**	34
Adjusted net earnings available to common shareholders of the Company ($ millions)	**$ 266**	$ 212	**$ 634**	$ 534
Reduction in net earnings due to dilution at Loblaw ($ millions)	**2**		**3**	2
Adjusted net earnings available to common shareholders for diluted earnings per share ($ millions)	**$ 264**	$ 212	**$ 631**	$ 532

(i) Includes impact of dilutive instruments for purposes of calculating adjusted diluted net earnings per common share.
(ii) Net of income taxes and non-controlling interests, as applicable.

Free Cash Flow The Company believes free cash flow is useful in assessing the Company's cash available for additional financing and investing activities.

The following table reconciles free cash flow to GAAP measures reported for the periods ended as indicated.

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 8, 2016**	Oct. 10, 2015	**Oct. 8, 2016**	Oct. 10, 2015
Cash flows from operating activities	**$ 1,167**	$ 1,132	**$ 2,784**	$ 2,683
Less: Interest paid	**187**	157	**467**	467
Fixed asset purchases	**349**	371	**677**	846
Intangible asset additions	**90**	59	**220**	129
Free cash flow	**$ 541**	$ 545	**$ 1,420**	$ 1,241

ADDITIONAL INFORMATION

Additional information about the Company has been filed electronically with the Canadian securities regulatory authorities through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com.

This Quarterly Report includes selected information on Loblaw, a public company with shares trading on the TSX. For information regarding Loblaw, readers should also refer to the materials filed by Loblaw with SEDAR from time to time. These filings are also available on Loblaw's website at www.loblaw.ca.

Toronto, Canada

November 21, 2016

Footnote Legend

(1)	See "Non-GAAP Financial Measures" section of the Company's 2016 Third Quarter Management's Discussion and Analysis beginning on page 25.
(2)	To be read in conjunction with "Forward-Looking Statements" beginning on page 2.