Loblaw
Companies
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NEWS RELEASE

Loblaw Reports 2021 Fourth Quarter Results and Announces Net-Zero Carbon Emission Commitment[1]

BRAMPTON, ONTARIO February 24, 2022 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") announced today its unaudited financial results for the fourth quarter ended January 1, 2022 and the release of its 2021 Annual Report - Financial Review ("Annual Report"). The report includes the Company's audited financial statements and Management's Discussion and Analysis ("MD&A") for the fiscal year ended January 1, 2022. The Company's 2021 Annual Report will be available in the Investors section of the Company's website at loblaw.ca and will be filed on SEDAR and available at sedar.com.

2021 Q4 AND FULL YEAR FINANCIAL AND OPERATING RESULTS

In the fourth quarter, Loblaw experienced strong demand as consumers continued to eat-at-home, particularly over the holiday period. The Company's focus on retail excellence resulted in operational and financial improvements, despite supply chain and inflationary pressures. Discount banners (representing 60% of Loblaw's Food Retail network) benefited from the return of price-sensitive customers, and conventional Market stores extended strong performance, with impactful promotional strategies. Drug Retail front-store and prescription sales benefited from the loosening of social restrictions in the quarter. The Drug Retail business continued to play an important role in supporting communities nationwide with COVID-19 testing and vaccine services. Loyalty and data-driven marketing promotions across the portfolio were effective as customers responded favourably to mass and personalized offers.

"Loblaw showed strength in the fourth quarter as we delivered improved results across the board," said Galen G. Weston, Chairman and President, Loblaw Companies Limited. "We are effectively managing through a challenging environment of supply chain constraints and higher costs. With a clear strategic agenda, we remain confident in our ability to create value over the long term."

LOBLAW COMMITS TO NET-ZERO CARBON EMISSIONS

In 2016, Loblaw committed to a 30-percent reduction in corporate carbon emissions by 2030. It achieved the target in 2020, with advancements in energy management, equipment conversions, and through addressing refrigerant leaks. Informed by the Science Based Target Initiative, the Company is raising and expanding its ambitions to its full corporate, independent and franchise store network, its distribution centres, and ultimately its supplier network. Today, the Company announces a long-term roadmap: achieving net-zero carbon emissions for Loblaw's operational footprint by 2040, and achieving net-zero for Scope 3 emissions, including those generated by suppliers, by 2050.

"Climate change is one of the biggest issues of our time," said Galen G. Weston, Chairman and President, Loblaw Companies Limited. "We are committed to doing our part, extending our past progress by setting an ambitious net-zero target."

Founded on a long-standing corporate social responsibility program, Loblaw has a growing record of Environmental, Social and Governance (ESG) performance. It is committed to fighting climate change, taking action on carbon emissions, plastic waste and food waste, and it has impactful social commitments to deliver workforce diversity, equity and inclusion and nation-leading support for childhood hunger and women's access to care.

In the quarter, Loblaw continued its efforts to make a positive impact in the communities in which it operates:

- Demonstrated leadership on tackling plastic waste with the introduction of new Sustainable Packaging Standards to all control-brand suppliers, supporting Loblaw's commitment that all control-brand packaging will be recyclable or reusable by 2025. These standards align with the Golden Design Rules for packaging, established by global Consumer Goods Forum Plastic Waste Coalition of Action, co-sponsored by Loblaw President and Chairman, Galen G. Weston.
- Completed annual charitable activities donating and raising more than $90 million in support for community organizations, through the corporate and store activities, supported by colleagues, suppliers and customers.
- Mobilized an immediate response to support citizens affected by flooding in British Columbia. The Company matched in-store donations totaling $390,000 for the Canadian Red Cross, supplemented by in-kind items donated in-kind.

2021 FOURTH QUARTER HIGHLIGHTS

Unless otherwise indicated, the following highlights include the impact of COVID-19 and are presented on a comparable[(4)] 12 week basis.

- Revenue was $12,757 million. This represented an increase of $349 million, or 2.8% when compared to the fourth quarter of 2020.
- Retail segment sales were $12,486 million. This represented an increase of $321 million, or 2.6% when compared to the fourth quarter of 2020.
    - Food Retail (Loblaw) same-stores sales increased by 1.1%.
    - Drug Retail (Shoppers Drug Mart) same-store sales increased by 7.9%, with pharmacy same-store sales growth of 10.2% and front store same-store sales growth of 6.1%.
- The two year sales Compound Average Growth Rate ("CAGR")[(5)] was 4.8% and 5.5% for Food Retail and Drug Retail, respectively.
- The Company's e-commerce sales decreased by 8.4% (2020 – increased 158%) due to the lapping of high e-commerce sales in the fourth quarter of 2020.
- COVID-19 related costs were approximately $8 million (2020 – approximately $42 million).
- Retail segment adjusted gross profit percentage[(2)] was 30.9%. This represented an increase of 150 basis points compared to the fourth quarter of 2020.
- Operating income was $705 million. This represented an increase of $70 million, or 11.0% when compared to the fourth quarter of 2020.
- Adjusted EBITDA[(2)] was $1,324 million. This represented an increase of $78 million, or 6.3% when compared to the fourth quarter of 2020.
- Net earnings available to common shareholders of the Company were $744 million. This represented an increase of $434 million, or 140.0% when compared to the fourth quarter of 2020. Diluted net earnings per common share were $2.20. This represented an increase of $1.32, or 150.0% when compared to the fourth quarter of 2020.
    - Net loss attributable to non-controlling interests was $28 million in the fourth quarter of 2021 and represents the share of earnings that relates to the Company's Food Retail franchisees. Franchisee earnings are impacted by the timing of when profit sharing with franchisees is agreed and finalized under the terms of the agreements. On a full year basis, net earnings attributable to non-controlling interests of $101 million increased by $26 million when compared to 2020, reflecting an improvement in franchisee earnings.
    - During the quarter, the Company recorded a recovery of $301 million related to the Supreme Court of Canada's decision on the Glenhuron Bank Limited ("Glenhuron") tax matter, of which $173 million is recorded as interest income and $128 million is recorded as income tax recovery. In addition, net interest of $16 million, before tax, was recorded in respect of interest income earned on expected cash tax refunds. This recovery is expected to be received in 2022 and will increase the Company's cash and cash equivalents balance.
- Adjusted net earnings available to common shareholders of the Company[(2)] were $515 million. This represented an increase of $119 million, or 30.1% when compared to the fourth quarter of 2020.
- Adjusted diluted net earnings per common share[(2)] were $1.52. This represented an increase of $0.40, or 35.7% when compared to the fourth quarter of 2020. The two year adjusted diluted net earnings per common share CAGR[(5)] was 30.0%.
    - The two year adjusted diluted net earnings per common share CAGR[(5)] was positively impacted by lower fixed asset impairment in 2021 when compared to 2019. The impact on the CAGR[(5)] was 7.3%.
- The Company repurchased, for cancellation, 2.0 million common shares at a cost of $200 million and 15.6 million common shares at a cost of $1,200 million on a year-to-date basis.
- The Company invested $381 million in capital expenditures and generated $460 million of Retail Segment free cash flow[(2)].

The following table provides the Company's fourth quarter highlights both including and excluding the approximate impact of the 53rd week in 2020:

For the periods ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars except where otherwise indicated)	**2021** (12 weeks)	2020[4] (13 weeks)	2020[4] (12 weeks)	(12 week vs. 13 week) $ Change	(12 week vs. 13 week) % Change	(12 week vs. 12 week) $ Change	(12 week vs. 12 week) % Change
Revenue	**$12,757**	$ 13,286	$ 12,408	$ (529)	(4.0)%	$ 349	2.8 %
Operating income	**705**	702	635	3	0.4 %	70	11.0 %
Adjusted EBITDA[2]	**1,324**	1,313	1,246	11	0.8 %	78	6.3 %
Adjusted EBITDA margin[2]	**10.4 %**	9.9 %	10.0 %				
Depreciation and amortization	**$ 623**	$ 609	$ 609	$ 14	2.3 %	$ 14	2.3 %
Diluted net earnings per common share ($)	**$ 2.20**	$ 0.98	$ 0.88	$ 1.22	124.5 %	$ 1.32	150.0 %
Adjusted diluted net earnings per common share[2] ($)	**$ 1.52**	$ 1.22	$ 1.12	$ 0.30	24.6 %	$ 0.40	35.7 %

The following table provides the approximate impact of the 53rd week on the Retail segment and consolidated results of the Company in the fourth quarter of 2020. The 53rd week does not impact the Financial Services segment.

For the period ended January 2, 2021 (millions of Canadian dollars except where otherwise indicated)	53rd Week Impact 2020
Revenue	$ 878
Operating income	67
Adjusted EBITDA[2]	67
Adjusted EBITDA margin[2]	7.6 %
Diluted net earnings per common share ($)	$ 0.10
Adjusted Diluted net earnings per common share[2] ($)	$ 0.10

2021 SELECT ANNUAL HIGHLIGHTS

On a comparable 52 week basis, the Company:

- Delivered Food Retail same-store sales growth of 0.3% and Drug Retail same-store sales growth of 5.0%.
- Delivered adjusted net earnings available to common shareholders of the Company[2] of $1,911 million. When compared to 2020, this represented an increase of 30.5%.
- Delivered adjusted diluted net earnings per common share[2] of $5.59. When compared to 2020, this represented an increase of 36.7%.

In 2021, the Company:

- Invested approximately $1,103 million in capital expenditures, net of proceeds from property disposals.
- Returned capital to shareholders by allocating a significant portion of the Company's Retail segment free cash flow[2] of approximately $2,004 million to share repurchases. In 2021, the Company repurchased, for cancellation, 15.6 million common shares at a cost of $1,200 million.
- The Company's e-commerce sales were $3.1 billion and grew by 13.9% when compared to the prior year.

The following table provides the Company's fiscal year highlights both including and excluding the approximate impact of the 53rd week:

For the years ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars except where otherwise indicated)	**2021 (52 weeks)**	2020[4] (53 weeks)	2020[4] (52 weeks)	(52 week vs. 53 week) $ Change	(52 week vs. 53 week) % Change	(52 week vs. 52 week) $ Change	(52 week vs. 52 week) % Change
Revenue	**$ 53,170**	$ 52,714	$ 51,836	$ 456	0.9 %	$ 1,334	2.6 %
Operating income	**2,937**	2,365	2,298	572	24.2 %	639	27.8 %
Adjusted EBITDA[2]	**5,587**	5,004	4,937	583	11.7 %	650	13.2 %
Adjusted EBITDA margin[2]	**10.5 %**	9.5 %	9.5 %				
Depreciation and amortization	**$ 2,664**	$ 2,596	$ 2,596	$ 68	2.6 %	$ 68	2.6 %
Diluted net earnings per common share ($)	**$ 5.45**	$ 3.06	$ 2.96	$ 2.39	78.1 %	$ 2.49	84.1 %
Adjusted diluted net earnings per common share[2] ($)	**$ 5.59**	$ 4.18	$ 4.09	$ 1.41	33.7 %	$ 1.50	36.7 %

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

CONSOLIDATED RESULTS OF OPERATIONS

For the periods ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars except where otherwise indicated)	**2021 (12 weeks)**	2020[4] (13 weeks)	$ Change	% Change	**2021 (52 weeks)**	2020[4] (53 weeks)	$ Change	% Change
Revenue	**$ 12,757**	$ 13,286	$ (529)	(4.0)%	**$ 53,170**	$ 52,714	$ 456	0.9 %
Operating income	**705**	702	3	0.4 %	**2,937**	2,365	572	24.2 %
Adjusted EBITDA[2]	**1,324**	1,313	11	0.8 %	**5,587**	5,004	583	11.7 %
Adjusted EBITDA margin[2]	**10.4 %**	9.9 %			**10.5 %**	9.5 %		
Net earnings attributable to shareholders of the Company	**$ 747**	$ 348	$ 399	114.7 %	**$ 1,875**	$ 1,108	$ 767	69.2 %
Net earnings available to common shareholders of the Company[i]	**744**	345	399	115.7 %	**1,863**	1,096	767	70.0 %
Adjusted net earnings available to common shareholders of the Company[2]	**515**	431	84	19.5 %	**1,911**	1,499	412	27.5 %
Diluted net earnings per common share ($)	**$ 2.20**	$ 0.98	$ 1.22	124.5 %	**$ 5.45**	$ 3.06	$ 2.39	78.1 %
Adjusted diluted net earnings per common share[2] ($)	**$ 1.52**	$ 1.22	$ 0.30	24.6 %	**$ 5.59**	$ 4.18	$ 1.41	33.7 %
Diluted weighted average common shares outstanding (in millions)	**338.1**	353.8			**341.8**	358.2		

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

REPORTABLE OPERATING SEGMENTS

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

- The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores. The Retail segment also includes in-store pharmacies and other health and beauty products and apparel and other general merchandise; and
- The Financial Services segment provides credit card and everyday banking services, the *PC Optimum*[TM] Program, insurance brokerage services, and telecommunication services.

For the periods ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars)	**2021 (12 weeks)** Retail	Financial Services	Eliminations[(i)]	Total	2020[(4)] (13 weeks) Retail	Financial Services	Eliminations[(i)]	Total
Revenue	**$12,486**	**$ 360**	**$ (89)**	**$12,757**	$13,043	$ 320	$ (77)	$13,286
Adjusted gross profit[(2)]	$3,859	$ 282	$ (89)	$4,052	$3,832	$ 253	$ (77)	$4,008
Adjusted gross profit %[(2)]	30.9 %	N/A	— %	31.8 %	29.4 %	N/A	— %	30.2 %
Operating income	**$ 636**	**$ 69**	**$ —**	**$ 705**	$ 649	$ 53	$ —	$ 702
Net interest (recovery) / expense and other financing charges	(45)	16	—	(29)	146	20	—	166
Earnings before income taxes	**$ 681**	**$ 53**	**$ —**	**$ 734**	$ 503	$ 33	$ —	$ 536
Depreciation and amortization	$ 612	$ 11	$ —	$ 623	$ 600	$ 9	$ —	$ 609
Adjusted EBITDA[(2)]	1,244	80	—	1,324	1,251	62	—	1,313
Adjusted EBITDA margin[(2)]	10.0 %	N/A	— %	10.4 %	9.6 %	N/A	— %	9.9 %

For the years ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars)	**2021 (52 weeks)** Retail	Financial Services	Eliminations[(i)]	Total	2020[(4)] (53 weeks) Retail	Financial Services	Eliminations[(i)]	Total
Revenue	**$52,269**	**$ 1,182**	**$ (281)**	**$53,170**	$51,859	$ 1,097	$ (242)	$52,714
Adjusted gross profit[(2)]	$ 16,041	$ 974	$ (281)	**$16,734**	$15,300	$ 931	$ (242)	$15,989
Adjusted gross profit %[(2)]	30.7 %	N/A	— %	31.5 %	29.5 %	N/A	— %	30.3 %
Operating income	**$ 2,713**	**$ 224**	**$ —**	**$ 2,937**	$ 2,231	$ 134	$ —	$2,365
Net interest expense and other financing charges	431	64	—	495	655	87	—	742
Earnings before income taxes	**$ 2,282**	**$ 160**	**$ —**	**$ 2,442**	$ 1,576	$ 47	$ —	$ 1,623
Depreciation and amortization	$ 2,623	$ 41	$ —	$ 2,664	$ 2,571	$ 25	$ —	$2,596
Adjusted EBITDA[(2)]	5,322	265	—	5,587	4,845	159	—	5,004
Adjusted EBITDA margin[(2)]	10.2 %	N/A	— %	10.5 %	9.3 %	N/A	— %	9.5 %

(i) Eliminations include the reclassification of revenue related to PC® Mastercard® loyalty awards in the Financial Services segment.

RETAIL SEGMENT

- Retail segment sales in the fourth quarter of 2021 were $12,486 million. This represented a decrease of $557 million, or 4.3% when compared to the fourth quarter of 2020. The decrease included the impact of the 53rd week in 2020 of $878 million.
  - Food Retail (Loblaw) sales were $8,742 million and Food Retail same-store sales grew by 1.1% (2020 – 8.6%). Sales were impacted by lower eat-at-home trends after strong growth last year, offset by higher industry inflation levels. The two year Food Retail sales CAGR[5] was 4.8%.
    - Sales growth in food was modest;
    - Sales growth in pharmacy was modest;
    - The Consumer Price Index ("CPI") as measured by The Consumer Price Index for Food Purchased From Stores was 4.8% (2020 – 1.5%) which was slightly lower than the Company's internal food inflation.
    - Food Retail basket size decreased and traffic increased in the quarter when compared to the fourth quarter of 2020.
  - Drug Retail (Shoppers Drug Mart) sales were $3,744 million, and Drug Retail same-store sales grew by 7.9% (2020 – 3.7%), with pharmacy same-store sales growth of 10.2% (2020 – 5.0%) and front store same-store sales growth of 6.1% (2020 – 2.8%). Pharmacy same-store sales growth benefited from strong sales in pharmacy related services. Front store same-store sales growth benefited from the economic re-opening in the third quarter of 2021. The two year Drug Retail sales CAGR[5] was 5.5%.
    - On a same-store basis, the number of prescriptions dispensed increased by 8.8% (2020 – 1.9%) and the average prescription value increased by 1.1% (2020 – 2.0%).
- Operating income in the fourth quarter of 2021 was $636 million. This represented a decrease of $13 million, or 2.0% when compared to the fourth quarter of 2020. The decrease included the negative impact of the 53rd week in 2020 of $67 million.
- Adjusted gross profit[2] in the fourth quarter of 2021 was $3,859 million. This represented an increase of $27 million, or 0.7% when compared to the fourth quarter of 2020. The adjusted gross profit percentage[2] of 30.9% increased by 150 basis points compared to the fourth quarter of 2020, from favourable changes in sales mix in both Food and Drug Retail and improved business initiatives.
- Adjusted EBITDA[2] in the fourth quarter of 2021 was $1,244 million. This represented a decrease of $7 million, or 0.6% when compared to the fourth quarter of 2020. The decrease included the negative impact of the 53rd week in 2020 of $67 million, and was driven by an increase in SG&A as described below, partially offset by an increase in adjusted gross profit[2]. SG&A as a percentage of sales was 20.9%, an increase of 110 basis points compared to the fourth quarter of 2020. The unfavourable increase of 110 basis points was primarily driven by higher expenses related to the normalization of post-lockdown operating conditions, corporate costs including network optimization costs and higher costs incurred in Drug Retail from providing pharmacy related services, partially offset by a reduction in COVID-19 costs.
- Depreciation and amortization in the fourth quarter of 2021 was $612 million, an increase of $12 million compared to the fourth quarter of 2020, primarily driven by an increase in IT assets and an increase in depreciation of leased assets. Included in depreciation and amortization was the amortization of intangibles assets related to the acquisition of Shoppers Drug Mart Corporation of $117 million (2020 – $117 million).
- In the fourth quarter of 2021, the Company finalized network optimization plans that will result in banner conversions, closures and right-sizing of approximately 20 unprofitable retail locations across a range of banners and formats, the majority of which will be banner conversions and 3 will be closures within Food retail. The Company expects to record charges of approximately $25 million to $35 million resulting from this network optimization. These charges will be recorded as incurred and are expected to include equipment, severance, lease related and other costs and will not be considered an adjusting item. The Company expects to realize approximately $25 million in annualized EBITDA run-rate savings related to these plans. In the fourth quarter of 2021, the Company recorded charges of $19 million as a result of this network optimization project. Further charges will be recorded as they are incurred throughout 2022.

FINANCIAL SERVICES SEGMENT

- Revenue in the fourth quarter of 2021 was $360 million. This represented an increase of $40 million when compared to the fourth quarter of 2020. The increase was primarily driven by higher interchange income from an increase in customer spending and an increase in sales from *The Mobile Shop™*.
- In the fourth quarter of 2021, earnings before income taxes were $53 million. This represented an increase in earnings of $20 million when compared to the fourth quarter of 2020. The increase was primarily driven by higher revenue as described above, the reversal of commodity taxes that were accrued in the amount of $27 million, lower contractual charge-off and lower funding costs. This was partially offset by higher loyalty program costs and operating costs.

DECLARATION OF DIVIDENDS

Subsequent to the end of the fourth quarter of 2021, the Board of Directors declared a quarterly dividend on Common Shares and Second Preferred Shares, Series B.

Common Shares	$0.365 per common share, payable on April 1, 2022 to shareholders of record on March 15, 2022.
Second Preferred Shares, Series B	$0.33125 per share, payable on March 31, 2022 to shareholders of record on March 15, 2022.

STRATEGIC UPDATE AND OUTLOOK(3)

Strategic Update

Two years into the pandemic, Loblaw's portfolio of businesses remains strong and well-positioned. With best-in-class assets, the Company continues to meet Canadians' everyday needs for food, health and wellness in an evolving landscape. Management's commitment to food and drug retail excellence comes with clarity and a sense of urgency to continue to deliver steady performance throughout 2022. This overarching priority is further strengthened by four strategic initiatives which are expected to drive incremental growth in the medium to long-term.

Retail Excellence Loblaw creates value through the disciplined execution of core retail operations and by leveraging its scale and strategic assets. Supported by ongoing process and efficiency initiatives, retail excellence activities focus on growing sales while improving gross margins and reducing operating costs. In 2022, the Company is focused on strategic buying and procurement opportunities to deliver reliability, selection and economies of scale to support its grocery and pharmacy network. Leveraging its customer loyalty program and billions of customer interactions across food, pharmacy, apparel, and financial services, Loblaw will increase its promotional effectiveness while delivering personalized value and unmatched service to Canadians. As announced in the third quarter of 2021, the Company also continues to optimize its retail network, to better serve customers and improve its overall profitability.

Strategic Growth Initiatives Loblaw continues to invest in targeted areas to further differentiate its portfolio of assets, generate competitive advantages in products, services and price, improve its operational efficiencies, and create new areas of growth. The four priority areas are: Digital Retail, Loblaw Media, *PC Optimum*™ and Connected Healthcare. The Company's Digital Retail platform delivered over $3.1 billion of sales in 2021 expanding its offering of food, front store pharmacy, prescriptions, Joe Fresh, and marketplace products. In 2022, the Company is focused on opportunities to optimize operational efficiencies particularly as they relate to delivery, and to offset the costs of e-commerce fulfillment through additional promotional and advertising strategies. The Loblaw Media platform presents the opportunity to expand advertising opportunities on the Company's digital platforms and in-stores, delivering an unmatched value proposition to vendors. The Company's *PC Optimum*™ loyalty program continues to evolve, with increasing digital engagement, more meaningful personalized offers, and an improving campaign return on investment while strengthening the loyalty loop and increasing share of customer wallet. Over the longer-term, Loblaw's Connected Healthcare strategy will grow its ecosystem by connecting patients and providers, underpinned by an unmatched network of pharmacies and healthcare professionals. In 2021, the rollout of tools, technology and centralized services allowed pharmacists to play an elevated role in the delivery of care, and the Company saw over 172% of growth in pharmacy services revenue. The Company will continue to expand the capability and reach of PC Health by building on the momentum of its virtual care visits via Maple Corporation and the recently announced partnership with Lifemark Health Group, Canada's largest physiotherapy and rehabilitation company.

Outlook(3)

Loblaw will continue to execute on retail excellence in its core grocery, pharmacy and apparel businesses while advancing its growth initiatives in 2022. In the third year of the pandemic, the Company's businesses remain well placed to service the everyday needs of Canadians. However, the Company cannot predict the precise impacts of COVID-19 and the current industry volatility on its 2022 financial results. Loblaw anticipates that in the first half of 2022 sales will benefit from the continued impact of the pandemic and elevated industry-wide inflation. As economies reopen and the Company starts to lap elevated 2021 inflationary prices and COVID-related pharmacy services, year on year revenue growth will be more challenged.

The Company expects:

- its Retail business to grow earnings faster than sales;
- Earnings per Common Share growth in the low double digits, with higher growth in the first half of the year;
- to invest approximately $1.4 billion in capital expenditures, net of proceeds from property disposals, reflecting incremental store and distribution network investments; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

NON-GAAP FINANCIAL MEASURES

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

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

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

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

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

				2021 (12 weeks)				2020 (13 weeks)
For the periods ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$12,486**	**$ 360**	**$ (89)**	**$ 12,757**	$13,043	$ 320	$ (77)	$ 13,286
Cost of merchandise inventories sold	**8,627**	**78**	**—**	**8,705**	9,211	67	—	9,278
Gross profit	**$ 3,859**	**$ 282**	**$ (89)**	**$ 4,052**	$ 3,832	$ 253	$ (77)	$ 4,008
Adjusted gross profit	**$ 3,859**	**$ 282**	**$ (89)**	**$ 4,052**	$ 3,832	$ 253	$ (77)	$ 4,008

				2021 (52 weeks)				2020 (53 weeks)
For the years ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$52,269**	**$ 1,182**	**$ (281)**	**$ 53,170**	$51,859	$ 1,097	$ (242)	$ 52,714
Cost of merchandise inventories sold	**36,228**	**208**	**—**	**36,436**	36,559	166	—	36,725
Gross profit	**$ 16,041**	**$ 974**	**$ (281)**	**$ 16,734**	$15,300	$ 931	$ (242)	$15,989
Adjusted gross profit	**$ 16,041**	**$ 974**	**$ (281)**	**$ 16,734**	$15,300	$ 931	$ (242)	$15,989

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

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

			2021 (12 weeks)			2020[4] (13 weeks)
For the periods ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Consolidated**	Retail	Financial Services	Consolidated
Net earnings attributable to shareholders of the Company			**$ 747**			$ 348
Add impact of the following:						
Non-controlling interests			**(28)**			46
Net interest expense and other financing charges			**(29)**			166
Income taxes			**15**			142
Operating income	**$ 636**	**$ 69**	**$ 705**	$ 649	$ 53	$ 702
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 117**	**$ —**	**$ 117**	$ 117	$ —	$ 117
Restructuring and other related costs	**(8)**	**—**	**(8)**	8	—	8
Fair value adjustment on fuel and foreign currency contracts	**6**	**—**	**6**	(7)	—	(7)
Gain on sale of non-operating properties	**—**	**—**	**—**	(8)	—	(8)
Fair value adjustment on non-operating properties	**(2)**	**—**	**(2)**	9	—	9
Adjusting items	**$ 113**	**$ —**	**$ 113**	$ 119	$ —	$ 119
Adjusted operating income	**$ 749**	**$ 69**	**$ 818**	$ 768	$ 53	$ 821
Depreciation and amortization	**612**	**11**	**623**	600	9	609
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(117)**	**—**	**(117)**	(117)	—	(117)
Adjusted EBITDA	**$1,244**	**$ 80**	**$ 1,324**	$ 1,251	$ 62	$ 1,313

For the years ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars)	**2021 (52 weeks)** Retail	Financial Services	Consolidated	2020[4] (53 weeks) Retail	Financial Services	Consolidated
Net earnings attributable to shareholders of the Company			**$ 1,875**			$ 1,108
Add impact of the following:						
Non-controlling interests			**101**			84
Net interest expense and other financing charges			**495**			742
Income taxes			**466**			431
Operating income	**$ 2,713**	**$ 224**	**$ 2,937**	$ 2,231	$ 134	$ 2,365
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 506**	**$ —**	**$ 506**	$ 509	$ —	$ 509
Restructuring and other related costs	**13**	**—**	**13**	38	—	38
Fair value adjustment on non-operating properties	**(2)**	**—**	**(2)**	9	—	9
Gain on sale of non-operating properties	**(12)**	**—**	**(12)**	(9)	—	(9)
Fair value adjustment on fuel and foreign currency contracts	**(13)**	**—**	**(13)**	5	—	5
Adjusting items	**$ 492**	**$ —**	**$ 492**	$ 552	$ —	$ 552
Adjusted operating income	**$3,205**	**$ 224**	**$ 3,429**	$ 2,783	$ 134	$ 2,917
Depreciation and amortization	**2,623**	**41**	**2,664**	2,571	25	2,596
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(506)**	**—**	**(506)**	(509)	—	(509)
Adjusted EBITDA	**$5,322**	**$ 265**	**$ 5,587**	$ 4,845	$ 159	$ 5,004

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

Amortization of intangible assets acquired with Shoppers Drug Mart The acquisition of Shoppers Drug Mart in 2014 included approximately $6,050 million of definite life intangible assets, which are being amortized over their estimated useful lives. Annual amortization associated with the acquired intangibles will be approximately $500 million until 2024 and will decrease thereafter.

Restructuring and other related costs The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Only restructuring activities that are publicly announced related to these initiatives are considered adjusting items.

In the fourth quarter of 2021, the Company recovered approximately $8 million of restructuring and other related recoveries related to the previously announced closure of two distribution centres in Laval and Ottawa. The recovery is due to a true-up in estimate of restructuring charges. The year-to-date restructuring and other related charges were $13 million. The Company is investing to build a modern and efficient expansion to its Cornwall distribution centre to serve its food and drug retail businesses in Ontario and Quebec. Volumes from the distribution centre in Laval will be transferred to Cornwall and the Company expects to incur additional restructuring costs in 2022 related to these closures.

Fair value adjustment on non-operating properties The Company measures non-operating properties, which are investment properties and assets held for sale that were transferred from investment properties, at fair value. Under the fair value model, non-operating properties are initially measured at cost and subsequently measured at fair value. Fair value using the income approach include assumptions as to market rental rates for properties of similar size and condition located within the same geographical areas, recoverable operating costs for leases with tenants, non-recoverable operating costs, vacancy periods, tenant inducements and terminal capitalization rates. Gains and losses arising from changes in the fair value are recognized in operating income in the period in which they arise.

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

Gain/loss on sale of non-operating properties In 2021, the Company record a gain related to the sale of non-operating properties of $12 million. In 2020, the Company disposed of non-operating properties to a third party and recorded a gain of $9 million related to the sale.

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

For the periods ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars)	**2021 (12 weeks)**	2020 (13 weeks)	**2021 (52 weeks)**	2020 (53 weeks)
Net interest (recovery)/expense and other financing charges	**$ (29)**	$ 166	**$ 495**	$ 742
Recovery related to Glenhuron	**189**	—	**189**	—
Adjusted net interest expense and other financing charges	**$ 160**	$ 166	**$ 684**	$ 742

Recovery related to Glenhuron In the fourth quarter of 2021, the Company recorded a recovery of $301 million related to the Supreme Court's decision on Glenhuron. Of the total recovery, $173 million was recorded in net interest and other financing charges and $128 million was recorded in income taxes. In addition, interest of $16 million, before taxes was recorded in respect of interest income earned on expected cash tax refunds.

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

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

For the periods ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars except where otherwise indicated)	**2021** **(12 weeks)**	2020[4] (13 weeks)	**2021** **(52 weeks)**	2020[4] (53 weeks)
Adjusted operating income[i]	**$ 818**	$ 821	**$ 3,429**	$ 2,917
Adjusted net interest expense and other financing charges[i]	**160**	166	**684**	742
Adjusted earnings before taxes	**$ 658**	$ 655	**$ 2,745**	$ 2,175
Income taxes	**$ 15**	$ 142	**$ 466**	$ 431
Add (deduct) impact of the following:				
Tax impact of items included in adjusted earnings before taxes[ii]	**25**	33	**127**	149
Recovery related to Glenhuron	**128**	—	**128**	$ —
Adjusted income taxes	**$ 168**	$ 175	**$ 721**	$ 580
Effective tax rate	**2.0 %**	26.5 %	**19.1 %**	26.6 %
Adjusted income tax rate	**25.5 %**	26.7 %	**26.3 %**	26.7 %

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

Recovery related to Glenhuron In the fourth quarter of 2021, the Company recorded a recovery of $301 million related to the Supreme Court's decision on Glenhuron. Of the total recovery, $173 million was recorded in net interest and other financing charges and $128 million was recorded in income taxes. In addition, interest of $16 million, before taxes was recorded in respect of interest income earned on expected cash tax refunds.

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

For the periods ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars except where otherwise indicated)	**2021 (12 weeks)**	2020[4] (13 weeks)	**2021 (52 weeks)**	2020[4] (53 weeks)
Net earnings attributable to shareholders of the Company	**$ 747**	$ 348	**$ 1,875**	$ 1,108
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(12)**	(12)
Net earnings available to common shareholders of the Company	**$ 744**	$ 345	**$ 1,863**	$ 1,096
Net earnings attributable to shareholders of the Company	**$ 747**	$ 348	**$ 1,875**	$ 1,108
Adjusting items (refer to the following table)	**(229)**	86	**48**	403
Adjusted net earnings attributable to shareholders of the Company	**$ 518**	$ 434	**$ 1,923**	$ 1,511
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(12)**	(12)
Adjusted net earnings available to common shareholders of the Company	**$ 515**	$ 431	**$ 1,911**	$ 1,499
Diluted weighted average common shares outstanding (millions)	**338.1**	353.8	**341.8**	358.2

For the periods ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars/ Canadian dollars)	**2021 (12 weeks)** Net Earnings (Losses) Available to Common Shareholders of the Company	**2021 (12 weeks)** Diluted Net Earnings (Losses) Per Common Share	2020[4] (13 weeks) Net Earnings (Losses) Available to Common Shareholders of the Company	2020[4] (13 weeks) Diluted Net Earnings (Losses) Per Common Share	**2021 (52 weeks)** Net Earnings (Losses) Available to Common Shareholders of the Company	**2021 (52 weeks)** Diluted Net Earnings (Losses) Per Common Share	2020[4] (53 weeks) Net Earnings (Losses) Available to Common Shareholders of the Company	2020[4] (53 weeks) Diluted Net Earnings (Losses) Per Common Share
As reported	**$ 744**	**$ 2.20**	$ 345	$ 0.98	**$ 1,863**	**$ 5.45**	$ 1,096	$ 3.06
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 87**	**$ 0.25**	$ 86	$ 0.23	**$ 372**	**$ 1.09**	$ 373	$ 1.03
Fair value adjustment on fuel and foreign currency contracts	**4**	**0.01**	(5)	(0.01)	**(10)**	**(0.03)**	4	0.01
Fair value adjustment on non-operating properties	**(1)**	**—**	7	0.02	**(1)**	**—**	7	0.02
Restructuring and other related costs	**(6)**	**(0.02)**	5	0.02	**10**	**0.03**	27	0.08
Gain on sale of non-operating properties	**—**	**—**	(7)	(0.02)	**(10)**	**(0.03)**	(8)	(0.02)
Recovery related to Glenhuron	**(313)**	**(0.92)**	—	—	**(313)**	**(0.92)**	—	—
Adjusting items	**$ (229)**	**$ (0.68)**	$ 86	$ 0.24	**$ 48**	**$ 0.14**	$ 403	$ 1.12
Adjusted[(i)]	**$ 515**	**$ 1.52**	$ 431	$ 1.22	**$ 1,911**	**$ 5.59**	$ 1,499	$ 4.18

Free Cash Flow(2) The following table reconciles, by reportable operating segments, free cash flow to cash flows from operating activities as reported in the consolidated statements of cash flows for the periods ended as indicated. The Company believes that free cash flow is the appropriate measure in assessing the Company's cash available for additional financing and investing activities.

				2021 (12 weeks)				2020 (13 weeks)
For the periods ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations(i)**	**Consolidated**	Retail	Financial Services	Eliminations(i)	Consolidated
Cash flows from (used in) operating activities	**$ 1,193**	**$ (186)**	**$ 17**	**$ 1,024**	$ 1,399	$ (44)	$ 25	$ 1,380
Less:								
Capital investments	**381**	**11**	**—**	**392**	413	5	—	418
Interest paid	**58**	**—**	**17**	**75**	46	—	25	71
Lease payments, net	**294**	**—**	**—**	**294**	285	—	—	285
Free cash flow(2)	**$ 460**	**$ (197)**	**$ —**	**$ 263**	$ 655	$ (49)	$ —	$ 606

(i) Interest paid is included in cash flows used in operating activities under the Financial Services segment.

				2021 (52 weeks)				2020 (53 weeks)
For the years ended January 1, 2022 and January 2, 2021 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations(i)**	**Consolidated**	Retail	Financial Services	Eliminations(i)	Consolidated
Cash flows from (used in) operating activities	**$4,775**	**$ (16)**	**$ 68**	**$ 4,827**	$4,424	$ 683	$ 84	$ 5,191
Less:								
Capital investments	**1,154**	**29**	**—**	**1,183**	1,193	31	—	1,224
Interest paid	**271**	**—**	**68**	**339**	252	—	84	336
Lease payments, net	**1,346**	**—**	**—**	**1,346**	1,384	—	—	1,384
Free cash flow(2)	**$2,004**	**$ (45)**	**$ —**	**$ 1,959**	$1,595	$ 652	$ —	$ 2,247

(i) Interest paid is included in cash flows used in operating activities under the Financial Services segment.

Non-GAAP Financial Measures Policy Change Commencing Fiscal 2021

In 2020, management undertook a review of historical adjusting items as part of an effort to reduce the number of items it excludes from its non-GAAP financial measures. Management concluded that, in order to present adjusting items in a manner more consistent with that of its Canadian and U.S. peers, the Company will no longer adjust for fixed asset and other related impairments (net of recoveries), certain restructuring and other related costs, pension settlement costs, statutory income tax rate changes or other items.

Starting in the first quarter of 2021, restructuring and other related costs will be considered an adjusting item only if significant and if part of a publicly announced restructuring plan. Other unusual items will be assessed on a case by case basis based on their nature, magnitude and propensity to re-occur. This change took effect in the first quarter of 2021 with restatement of comparative periods at that time.

The below summary reconciles the non-GAAP financial measures as previously reported in 2020 and 2019 to those reported under the new policy starting in the first quarter of 2021:

	12 weeks ended March 21, 2020			12 weeks ended June 13, 2020			16 weeks ended October 3, 2020			13 weeks ended January 2, 2021			**53 weeks ended January 2, 2021**		
(millions of Canadian dollars)	Retail	Financial Services	Consol-idated	Retail	Financial Services	Consol-idated	Retail	Financial Services	Consol-idated	Retail	Financial Services	Consol-idated	**Retail**	**Financial Services**	**Consol-idated**
Adjusted operating income - Previously reported	$ 691	$ 3	$ 694	$502	$ 34	$ 536	$ 840	$ 44	$ 884	$ 787	$ 53	$ 840	**$2,820**	**$ 134**	**$ 2,954**
Add (deduct) impact of the following:															
Fixed asset and other related Impairments, net of recoveries	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ (17)	$ —	$ (17)	**$ (17)**	**$ —**	**$ (17)**
Restructuring and other related costs	(4)	—	(4)	(8)	—	(8)	(6)	—	(6)	(2)	—	(2)	**(20)**	**—**	**(20)**
Adjusting Items	$ (4)	$ —	$ (4)	$ (8)	$ —	$ (8)	$ (6)	$ —	$ (6)	$ (19)	$ —	$ (19)	**$ (37)**	**$ —**	**$ (37)**
Adjusted operating income - Restated	$ 687	$ 3	$ 690	$494	$ 34	$ 528	$ 834	$ 44	$ 878	$ 768	$ 53	$ 821	**$2,783**	**$ 134**	**$ 2,917**
Depreciation and amortization	589	5	594	593	5	598	789	6	795	600	9	609	**2,571**	**25**	**2,596**
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(119)	—	(119)	(118)	—	(118)	(155)	—	(155)	(117)	—	(117)	**(509)**	**—**	**(509)**
Adjusted EBITDA - Restated	$1,157	$ 8	$1,165	$969	$ 39	$1,008	$1,468	$ 50	$1,518	$1,251	$ 62	$1,313	**$4,845**	**$ 159**	**$ 5,004**

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net earnings per Common Share are presented below:

	12 weeks ended March 21, 2020		12 weeks ended June 13, 2020		16 weeks ended October 3, 2020		13 weeks ended January 2, 2021		**53 weeks ended January 2, 2021**	
(millions of Canadian dollars/Canadian dollars)	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	**Net Earnings Available to Common Shareholders of the Company**	**Diluted Net Earnings Per Common Share**
Adjusted - As previously reported	$ 352	$ 0.97	$ 266	$ 0.74	$ 464	$ 1.30	$ 445	$ 1.26	**$ 1,527**	**$ 4.26**
Add (deduct) impact of the following:										
Fixed asset and other related impairments, net of recoveries	$ —	$ —	$ —	$ —	$ —	$ —	$ (13)	$ (0.04)	**$ (13)**	**$ (0.04)**
Restructuring and other related costs	(3)	—	(6)	(0.02)	(5)	(0.02)	(1)	—	**(15)**	**(0.04)**
Adjusting items	$ (3)	$ —	$ (6)	$ (0.02)	$ (5)	$ (0.02)	$ (14)	$ (0.04)	**$ (28)**	**$ (0.08)**
Adjusted - Restated	$ 349	$ 0.97	$ 260	$ 0.72	$ 459	$ 1.28	$ 431	$ 1.22	**$ 1,499**	**$ 4.18**

This policy change did not impact previously reported Retail segment gross profit, Retail segment adjusted gross profit and Retail segment adjusted gross profit percentage or adjusted net interest (recovery)/expense and other financing charges, as reported in the Company's 2020 annual and interim MD&A.

SELECTED FINANCIAL INFORMATION

The following includes selected quarterly and annual financial information, which is prepared by management in accordance with International Financial Reporting Standards ("IFRS") and is based on the Company's audited annual consolidated financial statements for the year ended January 1, 2022. This financial information does not contain all disclosures required by IFRS, and accordingly, should be read in conjunction with the Company's 2020 Annual Report, which is available in the Investors section of the Company's website at loblaw.ca and on sedar.com.

Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated)	**January 1, 2022 (12 weeks) (unaudited)**	January 2, 2021 (13 weeks) (unaudited)	**January 1, 2022 (52 weeks) (audited)**	January 2, 2021 (53 weeks) (audited)
Revenue	**$ 12,757**	$ 13,286	**$ 53,170**	$ 52,714
Cost of merchandise inventories sold	**8,705**	9,278	**36,436**	36,725
Selling, general and administrative expenses	**3,347**	3,306	**13,797**	13,624
Operating income	**$ 705**	$ 702	**$ 2,937**	$ 2,365
Net interest expense and other financing charges	**(29)**	166	**495**	742
Earnings before income taxes	**$ 734**	$ 536	**$ 2,442**	$ 1,623
Income taxes	**15**	142	**466**	431
Net earnings	**$ 719**	$ 394	**$ 1,976**	$ 1,192
Attributable to:				
Shareholders of the Company	**$ 747**	$ 348	**$ 1,875**	$ 1,108
Non-controlling interests	**(28)**	46	**101**	84
Net earnings	**$ 719**	$ 394	**$ 1,976**	$ 1,192
Net earnings per Common Share ($)				
Basic	**$ 2.23**	$ 0.98	**$ 5.49**	$ 3.08
Diluted	**$ 2.20**	$ 0.98	**$ 5.45**	$ 3.06
Weighted average Common Shares outstanding (millions)				
Basic	**334.2**	351.3	**339.1**	355.5
Diluted	**338.1**	353.8	**341.8**	358.2

Consolidated Balance Sheets

(millions of Canadian dollars)	**As at January 1, 2022**	As at January 2, 2021[6]
Assets		
Current assets		
Cash and cash equivalents	**$ 1,976**	$ 1,668
Short term investments	**464**	269
Accounts receivable	**947**	977
Credit card receivables	**3,443**	3,109
Inventories	**5,166**	5,195
Income tax recoverable	**301**	—
Prepaid expenses and other assets	**249**	216
Assets held for sale	**91**	108
Total current assets	**$ 12,637**	$ 11,542
Fixed assets	**5,447**	5,540
Right-of-use assets	**7,175**	7,207
Investment properties	**111**	128
Intangible assets	**6,402**	6,870
Goodwill	**3,949**	3,948
Deferred income tax assets	**91**	113
Other assets	**802**	525
Total assets	**$ 36,614**	$ 35,873
Liabilities		
Current liabilities		
Bank indebtedness	**$ 52**	$ 86
Trade payables and other liabilities	**5,433**	5,395
Loyalty liability	**190**	194
Provisions	**111**	81
Income taxes payable	**153**	83
Demand deposits from customers	**75**	24
Short term debt	**450**	575
Long term debt due within one year	**1,002**	597
Lease liabilities due within one year	**1,297**	1,379
Associate interest	**433**	349
Total current liabilities	**$ 9,196**	$ 8,763
Provisions	**114**	132
Long term debt	**6,211**	6,449
Lease liabilities	**7,542**	7,522
Deferred income tax liabilities	**1,346**	1,380
Other liabilities	**468**	508
Total liabilities	**$ 24,877**	$ 24,754
Equity		
Share capital	**$ 6,852**	$ 7,045
Retained earnings	**4,591**	3,813
Contributed surplus	**116**	109
Accumulated other comprehensive income	**14**	21
Total equity attributable to shareholders of the Company	**$ 11,573**	$ 10,988
Non-controlling interests	**164**	131
Total equity	**$ 11,737**	$ 11,119
Total liabilities and equity	**$ 36,614**	$ 35,873

Consolidated Statements of Cash Flows

(millions of Canadian dollars)	**January 1, 2022 (12 weeks)**	January 2, 2021 (13 weeks)	**January 1, 2022 (52 weeks)**	January 2, 2021 (53 weeks)
Operating activities				
Net earnings	**$ 719**	$ 394	**$ 1,976**	$ 1,192
Add (Deduct):				
Income taxes	**15**	142	**466**	431
Net interest (recovery) expense and other financing charges	**(29)**	166	**495**	742
Adjustment to fair value of investment properties	**(2)**	9	**(2)**	9
Depreciation and amortization	**623**	609	**2,664**	2,596
Asset impairments, net of recoveries	**46**	19	**54**	33
Change in allowance for credit card receivables	**—**	(10)	**(32)**	41
Change in provisions	**(6)**	(8)	**12**	4
	$ 1,366	$ 1,321	**$ 5,633**	$ 5,048
Change in non-cash working capital	**100**	253	**90**	76
Change in gross credit card receivables	**(289)**	(91)	**(302)**	474
Income taxes paid	**(161)**	(105)	**(643)**	(452)
Interest received	**—**	1	**4**	7
Interest received from finance leases	**1**	1	**4**	4
Other	**7**	—	**41**	34
Cash flows from operating activities	**$ 1,024**	$ 1,380	**$ 4,827**	$ 5,191
Investing activities				
Fixed asset purchases	**$ (286)**	$ (350)	**$ (803)**	$ (820)
Intangible asset additions	**(106)**	(68)	**(379)**	(338)
Cash assumed on initial consolidation of franchises	**—**	—	**—**	14
Change in short term investments	**129**	76	**(164)**	(212)
Proceeds from disposal of assets	**24**	25	**80**	76
Lease payments received from finance leases	**5**	2	**14**	9
Other	**(15)**	40	**(19)**	(105)
Cash flows used in investing activities	**$ (249)**	$ (275)	**$ (1,271)**	$ (1,376)
Financing activities				
Change in bank indebtedness	**$ (114)**	$ (107)	**$ (34)**	$ 68
Change in short term debt	**150**	75	**(125)**	(150)
Change in demand deposits from customers	**16**	24	**51**	24
Long term debt				
Issued	**214**	84	**772**	1,417
Retired	**(171)**	(261)	**(603)**	(1,486)
Interest paid	**(75)**	(71)	**(339)**	(336)
Cash rent paid on lease liabilities - Interest	**(77)**	(84)	**(340)**	(369)
Cash rent paid on lease liabilities - Principal	**(222)**	(200)	**(1,020)**	(1,024)
Dividends paid on common and preferred shares	**(125)**	(120)	**(484)**	(580)
Common share capital				
Issued	**24**	1	**102**	30
Purchased and held in trust	**(50)**	—	**(50)**	(10)
Purchased and cancelled	**(200)**	(350)	**(1,200)**	(888)
Proceeds from other financing	**12**	46	**12**	46
Other	**40**	23	**9**	(24)
Cash flows used in financing activities	**$ (578)**	$ (940)	**$ (3,249)**	$ (3,282)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ (1)**	$ 4	**$ 1**	$ 2
Change in cash and cash equivalents	**$ 196**	$ 169	**$ 308**	$ 535
Cash and cash equivalents, beginning of period	**1,780**	1,499	**1,668**	1,133
Cash and cash equivalents, end of period	**$ 1,976**	$ 1,668	**$ 1,976**	$ 1,668

FORWARD-LOOKING STATEMENTS

This News Release contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this News Release include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of Information Technology systems implementation. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the "Consolidated Results of Operations" and "Outlook" section of this News Release. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, including the COVID-19 pandemic 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 Company's MD&A in the 2021 Annual Report and Section 4 "Risks" of the Company's 2021 Annual Information Form for the year ended January 1, 2022, which include detailed risks and disclosure regarding COVID-19 and its impact on the Company.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this News Release. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

CORPORATE PROFILE

2021 Annual Report

The Company's 2021 Annual Report is available in the "Investors" section of the Company's website at loblaw.ca and on sedar.com.

Investor Relations

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

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on February 24, 2022 at 10:00 a.m. (ET).

To access via tele-conference, please dial (416) 764-8688 or (888) 390-0546. The playback will be made available approximately two hours after the event at (416) 764-8677 or (888) 390-0541, access code: 189623#. To access via audio webcast, please go to the "Investor" section of loblaw.ca. Pre-registration will be available.

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

News Release Endnotes

(1) This News Release contains forward-looking information. See "Forward-Looking Statements" section of this News Release and the Company's 2021 Annual Report for a discussion of material factors that could cause actual results to differ materially from the forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This News Release should be read in conjunction with Loblaw Companies Limited's filings with securities regulators made from time to time, all of which can be found at sedar.com and at loblaw.ca.

(2) See "Non-GAAP Financial Measures" section of this News Release, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

(3) To be read in conjunction with the "Forward-Looking Statements" section of this News Release and the Company's 2021 Fourth Quarter Report to Shareholders.

(4) Certain figures have been restated due to the non-GAAP financial measures policy change. See section 17 "Non-GAAP Financial Measures" of the Company's 2021 Annual Report - Financial Review.

(5) Compound Average Growth Rate ("CAGR") is the measure of annualized growth over a period longer than one year. CAGR as disclosed by the Company is the mean annual growth rate over a two year period, 2019 to 2021.

(6) Certain comparative figures have been restated to conform with current year presentation.