Loblaw Companies Limited

NEWS RELEASE

Loblaw Delivers Adjusted EBITDA growth of 10.3% in the Third Quarter

BRAMPTON, ONTARIO November 16, 2022 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") announced today its unaudited financial results for the third quarter ended October 8, 2022.(1)

Loblaw delivered positive financial and operating performance as it continued to execute on retail excellence in its core businesses while advancing its growth and efficiencies initiatives, and furthering its Environmental, Social and Governance leadership.

In a continued period of global food inflation, Canadian retail food inflation remained among the lowest of G7 countries, however global inflationary forces continued to increase the cost of food in the quarter. Loblaw's efforts to moderate cost increases and provide superior value to customers through its PC Optimum™ Program and promotions resulted in strong sales and stable gross margins in Food Retail. Sales were led by strong performance in Discount banners such as No Frills® and Real Canadian Superstore®, and a continued shift to private label brands including President's Choice® and no name®. In Drug Retail, revenues benefited from elevated sales of higher margin categories like beauty, cough and cold.

"In a difficult economic environment, Loblaw is putting the strength of its unique assets to work for Canadians, offering record loyalty rewards, unmatched private-label brands, the best discount stores, and an inflation-fighting price freeze," said Galen G. Weston, Chairman and President, Loblaw Companies Limited. "Customer expectations for value have never been higher, and we are working hard to meet them."

2022 THIRD QUARTER HIGHLIGHTS

- Revenue was $17,388 million, an increase of $1,338 million, or 8.3%.
- Retail segment sales were $17,130 million, an increase of $1,299 million, or 8.2%.
  - Food Retail (Loblaw) same-stores sales increased by 6.9%.
  - Drug Retail (Shoppers Drug Mart) same-store sales increased by 7.7%.
- E-commerce sales increased by 3%.
- Operating income was $991 million, an increase of $128 million, or 14.8%.
- Adjusted EBITDA(2) was $1,846 million, an increase of $172 million, or 10.3%.
- Retail segment adjusted gross profit percentage(2) was 30.8%, an increase of 10 basis points.
- Net earnings available to common shareholders of the Company were $556 million, an increase of $125 million or 29.0%. Diluted net earnings per common share were $1.69, an increase of $0.42, or 33.1%.
- Adjusted net earnings available to common shareholders of the Company(2) were $663 million, an increase of $123 million, or 22.8%.
- Adjusted diluted net earnings per common share(2) were $2.01, an increase of $0.42 or 26.4%.
- Repurchased for cancellation, 3.4 million common shares at a cost of $403 million and invested $432 million in capital expenditures. Retail segment free cash flow(2) was $543 million.

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

CONSOLIDATED AND SEGMENT RESULTS OF OPERATIONS

The following tables provide key performance metrics for the Company by segment and same-store sales.

For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars)	**2022 (16 weeks)** Retail	Financial Services	Eliminations	Consolidated	2021 (16 weeks) Retail	Financial Services	Eliminations	Consolidated
Revenue	**$17,130**	**$ 350**	**$ (92)**	**$17,388**	$15,831	$ 297	$ (78)	$16,050
Adjusted gross profit(2)	$5,272	$ 294	$ (92)	$ 5,474	$4,856	$ 245	$ (78)	$5,023
Adjusted gross profit %(2)	30.8 %	N/A	— %	31.5 %	30.7 %	N/A	— %	31.3 %
Operating income (loss)	**$ 949**	**$ 42**	**$ —**	**$ 991**	$ 816	$ 47	$ —	$ 863
Adjusted operating Income(2)	1,091	42	—	1,133	965	47	—	1,012
Adjusted EBITDA(2)	$ 1,791	$ 55	$ —	$ 1,846	$ 1,617	$ 57	$ —	$ 1,674
Adjusted EBITDA margin(2)	10.5 %	N/A	— %	10.6 %	10.2 %	N/A	— %	10.4 %
Net interest expense and other financing charges	**$ 194**	**$ 23**	**$ —**	**$ 217**	$ 187	$ 16	$ —	$ 203
Adjusted net interest expense and other financing charges	194	23	—	217	187	16	—	203
Earnings before income taxes	**$ 755**	**$ 19**	**$ —**	**$ 774**	$ 629	$ 31	$ —	$ 660
Income Taxes				$ 199				$ 172
Adjusted income taxes(2)				234				212
Net earnings attributable to non-controlling interests				$ 16				$ 54
Prescribed dividends on preferred shares in share capital				3				3
Net earnings available to common shareholders of the Company				**$ 556**				$ 431
Adjusted net earnings available to common shareholders of the Company(2)				663				540
Diluted net earnings per common share ($)				**$ 1.69**				$ 1.27
Adjusted diluted net earnings per common share(2) ($)				$ 2.01				$ 1.59
Diluted weighted average common shares outstanding (in millions)				**329.6**				340.1

For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars except where otherwise indicated)	**2022 (16 weeks)** Sales	Same-store sales	2021 (16 weeks) Sales	Same-store sales
Food retail	**$ 12,221**	**6.9 %**	$ 11,382	0.2 %
Drug retail	**4,909**	**7.7 %**	4,449	4.4 %
Pharmacy and healthcare services	**2,466**	**4.7 %**	2,226	4.8 %
Front store	**2,443**	**10.7 %**	2,223	4.1 %

RETAIL SEGMENT

- Retail segment sales were $17,130 million, an increase of $1,299 million, or 8.2%.
  - Food Retail (Loblaw) sales were $12,221 million and Food Retail same-store sales grew by 6.9% (2021 – grew by 0.2%).
    - The Consumer Price Index as measured by The Consumer Price Index for Food Purchased From Stores was 10.7% (2021 – 2.6%) which was generally in line with the Company's internal food inflation.
    - Food Retail basket size decreased and traffic increased.
  - Drug Retail (Shoppers Drug Mart) sales were $4,909 million, and Drug Retail same-store sales grew by 7.7% (2021 – 4.4%), with pharmacy and healthcare services same-store sales growth of 4.7% (2021 – 4.8%) and front store same-store sales growth of 10.7% (2021 – 4.1%). Pharmacy and healthcare services sales include Lifemark Health Group ("Lifemark") revenues of $120 million. Lifemark revenues are excluded from same-store sales.
    - On a same-store basis, the number of prescriptions dispensed increased by 0.9% (2021 – 2.4%) and the average prescription value increased by 3.3% (2021 – 1.2%).
- Operating income was $949 million, an increase of $133 million, or 16.3%.
- Adjusted gross profit(2) was $5,272 million, an increase of $416 million, or 8.6%. The adjusted gross profit percentage(2) of 30.8% increased by 10 basis points, primarily driven from growth in higher margin Drug Retail front store categories. Compared to the third quarter of 2021, when inflation started to accelerate, Food Retail gross margins were flat.
- Adjusted EBITDA(2) was $1,791 million, an increase of $174 million, or 10.8%. The increase was driven by an increase in adjusted gross profit(2), partially offset by an increase in SG&A. SG&A as a percentage of sales was 20.3%, a favorable decrease of 20 basis points. The favourable decrease of 20 basis points was primarily due to operating leverage from higher sales and lower COVID-19 related expenses**.**
- Depreciation and amortization was $851 million, an increase of $44 million or 5.5%, primarily driven by an increase in IT assets and leased assets. Included in depreciation and amortization was the accelerated depreciation of $14 million due to the reassessment of the estimated useful life of certain IT assets, and the amortization of intangibles assets related to the acquisitions of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and Lifemark of $151 million (2021 – $155 million).
- Revenue of $120 million and nominal net earnings were contributed by Lifemark in the quarter. Net earnings includes amortization related to the acquired intangible assets of $3 million.
- Two food and drug stores were opened, and three stores were closed, resulting in a net decrease in Retail square footage of 0.3 million square feet, or 0.4%.

FINANCIAL SERVICES SEGMENT

- Revenue was $350 million, an increase of $53 million or 17.8%. The increase was primarily driven by higher interest income from growth in credit card receivable balances and higher interchange income and other credit card related fees from an increase in consumer spending.
- Earnings before income taxes were $19 million, a decrease in earnings of $12 million. The Financial Services business continued to benefit from the economic re-opening in the quarter. The decrease in earnings was mainly driven by higher contractual charge-off and an increase in the expected credit loss provision attributable to the increase in unemployment rate forecasts.

OUTLOOK[3]

Loblaw will continue to execute on retail excellence in its core grocery and pharmacy 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, the related industry volatility and inflationary environment on its 2022 financial results.

On a full year basis, the Company continues to expect:

- its Retail business to grow earnings faster than sales;
- 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.

Based on its year to date operating and financial performance and momentum exiting the third quarter, the Company expects full year adjusted net earnings per common share[2] growth in the high teens.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

In the third quarter, the Company progressed its ESG pillars:

- *Fighting Climate Change*: Loblaw has disclosed, for the first time, comprehensive details regarding its approach to reducing carbon, climate risk mitigation and risks in line with the Task Force on Climate Related Financial Disclosures ("TCFD"). To see those disclosures please visit loblaw.ca/en/responsibility.
- *Advancing Social Equity*: Loblaw has released additional disclosures on its ongoing work to ensure that the Company and its partners are upholding the highest human rights standards. To see added details on that work please visit loblaw.ca/en/responsibility. This past quarter, in recognition of the heightened costs and community demand facing food security charities, Loblaw partnered with Food Banks Canada and Second Harvest to provide new capacity grants and to expand fundraising support. Last year, Loblaw provided more than $40 million to support food security programs nationwide.

NORMAL COURSE ISSUER BID PROGRAM

On a year-to-date basis, the Company repurchased 10.1 million common shares for cancellation at a cost of $1,158 million.

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, and economic conditions. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the "Consolidated and Segment 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 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 Management Discussion and Analysis ("MD&A") in the Company's 2021 Annual Report - Financial Review and Section 4 "Risks" of the Company's 2021 Annual Information Form for the year ended January 1, 2022.

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.

DECLARATION OF DIVIDENDS

Subsequent to the end of the third quarter of 2022, the Board of Directors declared a quarterly dividend on Common Shares and Second Preferred Shares, Series B.

Common Shares	$0.405 per common share, payable on December 30, 2022 to shareholders of record on December 15, 2022.
Second Preferred Shares, Series B	$0.33125 per share, payable on December 31, 2022 to shareholders of record on December 15, 2022.

EXCERPT OF NON-GAAP FINANCIAL MEASURES

The Company uses non-GAAP financial measures, as reconciled and fully described in Appendix 1 “Non-GAAP Financial Measures” of this News Release.

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.

The following table provides a summary of the differences between the Company’s consolidated GAAP and Non-GAAP financial measures, which are reconciled and fully described in Appendix 1.

For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars except where otherwise indicated)			**2022 (16 weeks)**			2021 (16 weeks)
	GAAP	**Adjusting Items**	**Non-GAAP(2)**	GAAP	Adjusting Items	Non-GAAP(2)
EBITDA	**$ 1,855**	**$ (9)**	**$ 1,846**	$ 1,680	$ (6)	$ 1,674
Operating Income	**$ 991**	**$ 142**	**$ 1,133**	$ 863	$ 149	$ 1,012
Net interest expense and other financing charges	**217**	**—**	**217**	203	—	203
Earnings before income taxes	**$ 774**	**$ 142**	**$ 916**	$ 660	$ 149	$ 809
Deduct the following:						
Income Taxes	**199**	**35**	**234**	172	40	212
Non-controlling Interests	**16**	**—**	**16**	54	—	54
Prescribed dividends on preferred shares	**3**	**—**	**3**	3	—	3
Net earnings available to common shareholders of the Company(i)	**$ 556**	**$ 107**	**$ 663**	$ 431	$ 109	$ 540
Diluted net earnings per common share ($)	**$ 1.69**	**$ 0.32**	**$ 2.01**	$ 1.27	$ 0.32	$ 1.59
Diluted weighted average common shares (millions)	**329.6**	**—**	**329.6**	340.1	—	340.1

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

The following table provides a summary of the Company's adjusting items which are reconciled and fully described in Appendix 1.

As at or for the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars except where otherwise indicated)	**2022 (16 weeks)**	2021 (16 weeks)
Operating Income	**$ 991**	$ 863
Add (Deduct) impact of the following:		
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 147**	$ 155
Amortization of intangible assets acquired with Lifemark	**4**	—
Gain on sale of non-operating properties	**(3)**	(7)
Fair value adjustment on fuel and foreign currency contracts	**(6)**	(8)
Restructuring and other related costs	**—**	9
Adjusting Items	**$ 142**	$ 149
Adjusted Operating Income(2)	**$ 1,133**	$ 1,012
Net interest expense and other financing charges	**$ 217**	$ 203
Adjusted Net interest expense and other financing charges(2)	**$ 217**	$ 203
Income Taxes	**$ 199**	$ 172
Add the impact of the following:		
Tax impact of items included in adjusted earnings before taxes	**$ 35**	$ 40
Adjusting Items	**$ 35**	$ 40
Adjusted Income Taxes(2)	**$ 234**	$ 212

CORPORATE PROFILE

2021 Annual Report and 2022 Third Quarter Report to Shareholders

The Company's 2021 Annual Report and 2022 Third Quarter Report to Shareholders are available in the "Investors" section of the Company's website at loblaw.ca and on sedar.com.

Investor Relations

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

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on November 16, 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: 576182#. 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 in Appendix 1 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 2022 Third Quarter Report to Shareholders.

APPENDIX 1: NON-GAAP FINANCIAL MEASURES

The Company uses the following non-GAAP financial measures and ratios: 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, and free cash flow. The Company believes these non-GAAP financial measures and ratios 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 adjusts for these 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.

				2022 (16 weeks)				2021 (16 weeks)
For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$ 17,130**	**$ 350**	**$ (92)**	**$ 17,388**	$ 15,831	$ 297	$ (78)	$16,050
Cost of merchandise inventories sold	**11,858**	**56**	**—**	**11,914**	10,975	52	—	11,027
Gross profit	**$ 5,272**	**$ 294**	**$ (92)**	**$ 5,474**	$ 4,856	$ 245	$ (78)	$ 5,023
Adjusted gross profit	**$ 5,272**	**$ 294**	**$ (92)**	**$ 5,474**	$ 4,856	$ 245	$ (78)	$ 5,023

				2022 (40 weeks)				2021 (40 weeks)
For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$ 41,798**	**$ 921**	**$ (222)**	**$42,497**	$ 39,783	$ 822	$ (192)	$ 40,413
Cost of merchandise inventories sold	**28,821**	**120**	**—**	**28,941**	27,601	130	—	27,731
Gross profit	**$ 12,977**	**$ 801**	**$ (222)**	**$ 13,556**	$ 12,182	$ 692	$ (192)	$12,682
Adjusted gross profit	**$ 12,977**	**$ 801**	**$ (222)**	**$ 13,556**	$ 12,182	$ 692	$ (192)	$12,682

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.

			2022 (16 weeks)			2021 (16 weeks)
For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Consolidated**	Retail	Financial Services	Consolidated
Net earnings attributable to shareholders of the Company			**$ 559**			$ 434
Add impact of the following:						
Non-controlling interests			**16**			54
Net interest expense and other financing charges			**217**			203
Income taxes			**199**			172
Operating income	**$ 949**	**$ 42**	**$ 991**	$ 816	$ 47	$ 863
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 147**	**$ —**	**$ 147**	$ 155	$ —	$ 155
Amortization of intangible assets acquired with Lifemark	**4**	**—**	**4**	—	—	—
Restructuring and other related costs	**—**	**—**	**—**	9	—	9
Gain on sale of non-operating properties	**(3)**	**—**	**(3)**	(7)	—	(7)
Fair value adjustment on fuel and foreign currency contracts	**(6)**	**—**	**(6)**	(8)	—	(8)
Adjusting items	**$ 142**	**$ —**	**$ 142**	$ 149	$ —	$ 149
Adjusted operating income	**$ 1,091**	**$ 42**	**$ 1,133**	$ 965	$ 47	$ 1,012
Depreciation and amortization	**851**	**13**	**864**	807	10	817
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(151)**	**—**	**(151)**	(155)	—	(155)
Adjusted EBITDA	**$ 1,791**	**$ 55**	**$ 1,846**	$ 1,617	$ 57	$ 1,674

For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars)	**2022 (40 weeks)** Retail	Financial Services	Consolidated	2021 (40 weeks) Retail	Financial Services	Consolidated
Net earnings attributable to shareholders of the Company			**$ 1,389**			$ 1,128
Add impact of the following:						
Non-controlling interests			**87**			129
Net interest expense and other financing charges			**511**			524
Income taxes			**484**			451
Operating income	**$2,450**	**$ 21**	**$ 2,471**	$ 2,077	$ 155	$ 2,232
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 375**	**$ —**	**$ 375**	$ 389	$ —	$ 389
Amortization of intangible assets acquired with Lifemark	**7**	**—**	**7**	—	—	—
Charge related to PC Bank commodity tax matter	**—**	**111**	**111**	—	—	—
Lifemark transaction costs	**16**	**—**	**16**	—	—	—
Gain on sale of non-operating properties	**(7)**	**—**	**(7)**	(12)	—	(12)
Restructuring and other related costs	**(15)**	**—**	**(15)**	21	—	21
Fair value adjustment on fuel and foreign currency contracts	**(16)**	**—**	**(16)**	(19)	—	(19)
Adjusting items	**$ 360**	**$ 111**	**$ 471**	$ 379	$ —	$ 379
Adjusted operating income	**$ 2,810**	**$ 132**	**$ 2,942**	$ 2,456	$ 155	$ 2,611
Depreciation and amortization	**2,093**	**35**	**2,128**	2,011	30	2,041
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(382)**	**—**	**(382)**	(389)	—	(389)
Adjusted EBITDA	**$ 4,521**	**$ 167**	**$ 4,688**	$ 4,078	$ 185	$ 4,263

In addition to the items described in the Retail segment adjusted gross profit section above, when applicable, 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.

Amortization of intangible assets acquired with Lifemark The acquisition of Lifemark in the second quarter of 2022 included approximately $299 million of definite life intangible assets, which are being amortized over their estimated useful lives. In the third quarter of 2022 and year-to-date, net earnings includes amortization related to the acquired intangible assets of $3 million and $5 million, respectively.

Charge related to President's Choice Bank commodity tax matter In the second quarter of 2022, the Company recorded a charge of $111 million, inclusive of interest. On July 19, 2022, the Tax Court released its decision and ruled that President's Choice Bank ("PC Bank") is not entitled to claim notional input tax credits for certain payments it made to Loblaws Inc. in respect of redemptions of loyalty points. On September 29, 2022, PC Bank filed a Notice of Appeal with the Federal Court of the Appeal.

Lifemark transaction costs In connection with the acquisition of Lifemark, the Company recorded acquisition costs of $16 million in operating income on a year-to-date basis.

Gain/loss on sale of non-operating properties In the third quarter of 2022, the Company recorded a gain related to the sale of non-operating properties of $3 million (2021 –$7 million). Year-to-date, the Company disposed of non-operating properties to a third party and recorded a gain of $7 million (2021 – $12 million).

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 third quarter of 2022, the Company did not record any restructuring and other related recoveries or charges (2021 – charges of $9 million). Year-to-date, the Company recorded approximately $15 million (2021 – charges of $21 million) of restructuring and other related recoveries mainly in connection to the previously announced closure of two distribution centres in Laval and Ottawa. In the first quarter of 2022, the Company disposed of one of the distribution centres for proceeds of $26 million and recognized a gain of $19 million, which was partially offset by $4 million of restructuring and other related charges. The Company invested to build a modern and efficient expansion to its Cornwall distribution centre to serve its food and drug retail businesses in Ontario and Quebec and volumes have been transferred.

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.

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

For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars)	**2022 (16 weeks)**	2021 (16 weeks)	**2022 (40 weeks)**	2021 (40 weeks)
Net interest expense and other financing charges	**$ 217**	$ 203	**$ 511**	$ 524
Add: Recovery related to Glenhuron Bank Ltd.	**—**	—	**11**	—
Adjusted net interest expense and other financing charges	**$ 217**	$ 203	**$ 522**	$ 524

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 expense and other financing charges.

For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars except where otherwise indicated)	**2022 (16 weeks)**	2021 (16 weeks)	**2022 (40 weeks)**	2021 (40 weeks)
Adjusted operating income(i)	**$ 1,133**	$ 1,012	**$ 2,942**	$ 2,611
Adjusted net interest expense and other financing charges(i)	**217**	203	**522**	524
Adjusted earnings before taxes	**$ 916**	$ 809	**$ 2,420**	$ 2,087
Income taxes	**$ 199**	$ 172	**$ 484**	$ 451
Add (deduct) impact of the following:				
Tax impact of items included in adjusted earnings before taxes(ii)	**35**	40	**119**	102
Recovery related to Glenhuron Bank Ltd.	**—**	—	**33**	—
Adjusted income taxes	**$ 234**	$ 212	**$ 636**	$ 553
Effective tax rate	**25.7 %**	26.1 %	**24.7 %**	26.4 %
Adjusted income tax rate	**25.5 %**	26.2 %	**26.3 %**	26.5 %

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

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

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net Earnings Per Common Share

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

For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars except where otherwise indicated)	**2022 (16 weeks)**	2021 (16 weeks)	**2022 (40 weeks)**	2021 (40 weeks)
Net earnings attributable to shareholders of the Company	**$ 559**	$ 434	**$ 1,389**	$ 1,128
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(9)**	(9)
Net earnings available to common shareholders of the Company	**$ 556**	$ 431	**$ 1,380**	$ 1,119
Net earnings attributable to shareholders of the Company	**$ 559**	$ 434	**$ 1,389**	$ 1,128
Adjusting items (refer to the following table)	**107**	109	**308**	277
Adjusted net earnings attributable to shareholders of the Company	**$ 666**	$ 543	**$ 1,697**	$ 1,405
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(9)**	(9)
Adjusted net earnings available to common shareholders of the Company	**$ 663**	$ 540	**$ 1,688**	$ 1,396
Diluted weighted average common shares outstanding (millions)	**329.6**	340.1	**331.1**	343.1

For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars/ Canadian dollars)	**2022 (16 weeks)** Net Earnings (Losses) Available to Common Shareholders of the Company	**2022 (16 weeks)** Diluted Net Earnings (Losses) Per Common Share	2021 (16 weeks) Net Earnings (Losses) Available to Common Shareholders of the Company	2021 (16 weeks) Diluted Net Earnings (Losses) Per Common Share	**2022 (40 weeks)** Net Earnings (Losses) Available to Common Shareholders of the Company	**2022 (40 weeks)** Diluted Net Earnings (Losses) Per Common Share	2021 (40 weeks) Net Earnings (Losses) Available to Common Shareholders of the Company	2021 (40 weeks) Diluted Net Earnings (Losses) Per Common Share
As reported	**$ 556**	**$ 1.69**	$ 431	$ 1.27	**$ 1,380**	**$ 4.17**	$ 1,119	$ 3.26
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 109**	**$ 0.33**	$ 113	$ 0.33	**$ 277**	**$ 0.84**	$ 285	$ 0.83
Amortization of intangible assets acquired with Lifemark	**3**	**0.01**	—	—	**5**	**0.02**	—	—
Charge related to PC Bank commodity tax matter	**—**	**—**	—	—	**86**	**0.25**	—	—
Lifemark transaction costs	**—**	**—**	—	—	**12**	**0.04**	—	—
Restructuring and other related costs	**—**	**—**	8	0.03	**(14)**	**(0.04)**	16	0.05
Recovery related to Glenhuron Bank Ltd.	**—**	**—**	—	—	**(42)**	**(0.13)**	—	—
Gain on sale of non-operating properties	**(1)**	**—**	(6)	(0.02)	**(4)**	**(0.01)**	(10)	(0.03)
Fair value adjustment on fuel and foreign currency contracts	**(4)**	**(0.02)**	(6)	(0.02)	**(12)**	**(0.04)**	(14)	(0.04)
Adjusting items	**$ 107**	**$ 0.32**	$ 109	$ 0.32	**$ 308**	**$ 0.93**	$ 277	$ 0.81
Adjusted	**$ 663**	**$ 2.01**	$ 540	$ 1.59	**$ 1,688**	**$ 5.10**	$ 1,396	$ 4.07

Free Cash Flow The following table reconciles, by reportable operating segments, free cash flow to cash flows from operating activities. The Company believes that free cash flow is the appropriate measure in assessing the Company's cash available for additional financing and investing activities.

For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars)	**2022 (16 weeks)** Retail	Financial Services	Eliminations(i)	Consolidated	2021 (16 weeks) Retail	Financial Services	Eliminations(i)	Consolidated
Cash flows from (used in) operating activities	**$ 1,496**	**$ (15)**	**$ 18**	**$ 1,499**	$ 1,335	$ (37)	$ 18	$ 1,316
Less:								
Capital investments	**423**	**9**	**—**	**432**	324	6	—	330
Interest paid	**76**	**—**	**18**	**94**	73	—	18	91
Lease payments, net	**454**	**—**	**—**	**454**	440	—	—	440
Free cash flow(2)	**$ 543**	**$ (24)**	**$ —**	**$ 519**	$ 498	$ (43)	$ —	$ 455

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

For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars)	**2022 (40 weeks)** Retail	Financial Services	Eliminations(i)	Consolidated	2021 (40 weeks) Retail	Financial Services	Eliminations(i)	Consolidated
Cash flows from (used in) operating activities	**$ 3,786**	**$ (226)**	**$ 47**	**$ 3,607**	$ 3,582	$ 170	$ 51	$ 3,803
Less:								
Capital investments	**898**	**22**	**—**	**920**	773	18	—	791
Interest paid	**212**	**—**	**47**	**259**	213	—	51	264
Lease payments, net	**1,079**	**—**	**—**	**1,079**	1,052	—	—	1,052
Free cash flow(2)	**$ 1,597**	**$ (248)**	**$ —**	**$ 1,349**	$ 1,544	$ 152	$ —	$ 1,696

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