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Loblaw Companies Limited

Third Quarter Report to Shareholders

40 weeks ended October 8, 2022

2022 Third Quarter Report to Shareholders

The following Management's Discussion and Analysis ("MD&A") for Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") should be read in conjunction with the Company's third quarter 2022 unaudited interim period condensed consolidated financial statements and the accompanying notes included in this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended January 1, 2022 and the related MD&A included in the Company's 2021 Annual Report - Financial Review ("2021 Annual Report").

The Company's third quarter 2022 unaudited interim period condensed consolidated financial statements and the accompanying notes have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. These unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except when otherwise noted.

Management uses non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. The Company 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. See Section 11 "Non-GAAP Financial Measures" for more information on the Company's non-GAAP financial measures.

A glossary of terms used throughout this Quarterly Report can be found at the back of the Company's 2021 Annual Report.

The information in this MD&A is current to November 15, 2022, unless otherwise noted.

1. Forward-Looking Statements

This Quarterly Report, including this MD&A, contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Quarterly Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes, and economic conditions. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, Section 5 "Liquidity and Capital Resources", Section 10 "Outlook" and Section 11 "Non-GAAP Financial Measures". 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 MD&A in the 2021 Annual Report, and the Company's 2021 Annual Information Form ("AIF") for the year ended January 1, 2022. Such risks and uncertainties include:

- inability of the Company's information technology ("IT") infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to maintain an effective supply chain and consequently an appropriate assortment of available product at the store and digital retail level;
- failure to attract and retain talent for key roles that may impact the Company's ability to effectively operate and achieve financial performance goals;
- failure to execute the Company's e-commerce initiatives or to adapt its business model to shifts in the retail landscape caused by digital advances;
- failure to realize benefits from investments in the Company's new IT systems and related processes;
- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- public health events including those related to food and drug safety;
- errors made through medication dispensing or errors related to patient services or consultation;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- adverse outcomes of legal and regulatory proceedings and related matters;
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, political uncertainty, interest rates, currency exchange rates or derivative and commodity prices;
- duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the Company, as well as on vendor operations, consumer behaviour and the economy in general;
- failure to adapt to environmental and social risks, including failure to execute against the Company's climate change and social equity initiatives;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- reliance on the performance and retention of third party service providers, including those associated with the Company's supply chain and apparel business and located in both advanced and developing markets;
- failure to realize the anticipated benefits associated with the Company's strategic priorities and major initiatives, including revenue growth, anticipated cost savings and operating efficiencies, or organizational changes that may impact the relationships with franchisees and Associates; and
- changes to any of the laws, rules, regulations or policies applicable to the Company's business.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities ("securities regulators") from time to time, including, without limitation, the section entitled "Risks" in the Company's 2021 AIF (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 MD&A. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2. Key Financial Performance Indicators[1]

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

As at or for the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars except where otherwise indicated)	**2022 (16 weeks)**	2021 (16 weeks)
Consolidated:		
Revenue growth	**8.3 %**	2.4 %
Operating income	**$ 991**	$ 863
Adjusted EBITDA[2]	**1,846**	1,674
Adjusted EBITDA margin[2]	**10.6 %**	10.4 %
Net earnings	**$ 575**	$ 488
Net earnings attributable to shareholders of the Company	**559**	434
Net earnings available to common shareholders of the Company[i]	**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
Cash and cash equivalents and short term investments	**$ 1,708**	$ 2,373
Cash flows from operating activities	**1,499**	1,316
Free cash flow[2]	**519**	455
Financial Measures:		
Retail debt to rolling year retail adjusted EBITDA[2]	**2.4 x**	2.6 x
Rolling year adjusted return on equity[2]	**20.1 %**	16.7 %
Rolling year adjusted return on capital[2]	**10.6 %**	9.8 %
Retail Segment:		
Food retail same-store sales growth	**6.9 %**	0.2 %
Drug retail same-store sales growth	**7.7 %**	4.4 %
Operating income	**$ 949**	$ 816
Adjusted gross profit[2]	**5,272**	4,856
Adjusted gross profit %[2]	**30.8 %**	30.7 %
Adjusted EBITDA[2]	**$ 1,791**	$ 1,617
Adjusted EBITDA margin[2]	**10.5 %**	10.2 %
Financial Services Segment:		
Earnings before income taxes	**$ 19**	$ 31
Annualized yield on average quarterly gross credit card receivables	**13.0 %**	12.8 %
Annualized credit loss rate on average quarterly gross credit card receivables	**2.6 %**	2.7 %

(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.

3. Consolidated Results of Operations

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)	$ Change	% Change	**2022 (40 weeks)**	2021 (40 weeks)	$ Change	% Change
Revenue	**$17,388**	$16,050	$ 1,338	8.3 %	**$42,497**	$ 40,413	$ 2,084	5.2 %
Operating income	**991**	863	128	14.8 %	**2,471**	2,232	239	10.7 %
Adjusted EBITDA(2)	**1,846**	1,674	172	10.3 %	**4,688**	4,263	425	10.0 %
Adjusted EBITDA margin(2)	**10.6 %**	10.4 %			**11.0 %**	10.5 %		
Depreciation and amortization	**$ 864**	$ 817	$ 47	5.8 %	**$ 2,128**	$ 2,041	$ 87	4.3 %
Net interest expense and other financing charges	**217**	203	14	6.9 %	**511**	524	(13)	(2.5)%
Adjusted net interest expense and other financing charges(2)	**217**	203	14	6.9 %	**522**	524	(2)	(0.4)%
Income taxes	**199**	172	27	15.7 %	**484**	451	33	7.3 %
Adjusted income taxes(2)	**234**	212	22	10.4 %	**636**	553	83	15.0 %
Adjusted effective tax rate(2)	**25.5 %**	26.2 %			**26.3 %**	26.5 %		
Net earnings attributable to non-controlling interests	**$ 16**	$ 54	$ (38)	(70.4)%	**$ 87**	$ 129	$ (42)	(32.6)%
Net earnings attributable to shareholders of the Company	**$ 559**	$ 434	$ 125	28.8 %	**$ 1,389**	$ 1,128	$ 261	23.1 %
Net earnings available to common shareholders of the Company(i)	**556**	431	125	29.0 %	**1,380**	1,119	261	23.3 %
Adjusted net earnings available to common shareholders of the Company(2)	**663**	540	123	22.8 %	**1,688**	1,396	292	20.9 %
Diluted net earnings per common share ($)	**$ 1.69**	$ 1.27	$ 0.42	33.1 %	**$ 4.17**	$ 3.26	$ 0.91	27.9 %
Adjusted diluted net earnings per common share(2) ($)	**$ 2.01**	$ 1.59	$ 0.42	26.4 %	**$ 5.10**	$ 4.07	$ 1.03	25.3 %
Diluted weighted average common shares outstanding (in millions)	**329.6**	340.1			**331.1**	343.1		

(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.

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.

Net Earnings Available to Common Shareholders of the Company and Diluted Net Earnings Per Common Share
Net earnings available to common shareholders of the Company in the third quarter of 2022 were $556 million ($1.69 per common share). When compared to the third quarter of 2021, this represented an increase of $125 million ($0.42 per common share). The increase included improvements in the underlying operating performance of $123 million and the favourable change in adjusting items totaling $2 million, as described below:

- the improvement in underlying operating performance of $123 million ($0.36 per common share) was primarily due to the following:
  - an improvement in the underlying operating performance in the Retail segment driven by an increase in adjusted gross profit[2], partially offset by an increase in selling, general and administrative expenses ("SG&A") and depreciation and amortization; and
  - the favourable impact from non-controlling interests;

  partially offset by,
  - the unfavourable increase in interest expense.
- the favourable change in adjusting items totaling $2 million ($0.00 per common share) was primarily due to the following:
  - the favourable impact of prior year restructuring and other related costs of $8 million ($0.03 per common share);

  partially offset by,
  - the year-over-year unfavourable impact from the gains on the sale of non-operating properties of $5 million ($0.02 per common share).
- diluted net earnings per common share also included the favourable impact from the repurchase of common shares over the last 12 months ($0.06 per common share).

Adjusted net earnings available to common shareholders of the Company[2] were $663 million, an increase of $123 million or 22.8% compared to third quarter of 2021. Adjusted net earnings per common share[2] were $2.01, an increase of $0.42 or 26.4%. The increase includes the favourable impact from the repurchase of common shares.

Year-to-date net earnings available to common shareholders of the Company were $1,380 million ($4.17 per common share), an increase of $261 million ($0.91 per common share) or 23.3% compared to the same period in 2021. The increase included improvements in the underlying operating performance of $292 million which were partially offset by the unfavourable change in adjusting items totaling $31 million, as described below:

- the improvement in the underlying operating performance of $292 million ($0.85 per common share) was primarily due to the following:
    - an improvement in the underlying operating performance in the Retail segment driven by an increase in adjusted gross profit(2), partially offset by an increase in SG&A and depreciation and amortization; and
    - the favourable impact from non-controlling interests;

  partially offset by,
    - a decline in the Financial Services segment primarily due to the year-over-year impact of the expected credit loss provision from lapping a larger prior year release versus the current year release and from lapping a prior year reversal of certain commodity tax accrued.
- the unfavourable change in adjusting items totaling $31 million ($0.12 per common share) was primarily due to the following:
    - the unfavourable impact of the charge related to a PC Bank commodity tax matter of $86 million ($0.25 per common share);
    - the unfavourable impact of the Lifemark Health Group transaction costs of $12 million ($0.04 per common share); and
    - the year-over-year unfavourable impact from the gains on the sale of non-operating properties of $6 million ($0.02 per common share);

  partially offset by,
    - the favourable impact of the recovery related to Glenhuron Bank Limited of $42 million ($0.13 per common share); and
    - the year-over-year favourable change in restructuring and other related costs of $30 million ($0.09 per common share).
- diluted net earnings per common share also included the favourable impact from the repurchase of common shares over the last 12 months ($0.18 per common share).

In July 2022, the Tax Court of Canada ("Tax Court") released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court ruled that 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 29th, 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal. Although, the Company believes in the merits of its position, the Company recorded a charge of $111 million, inclusive of interest, in the second quarter of 2022. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

Year-to-date adjusted net earnings available to common shareholders of the Company(2) were $1,688 million, an increase of $292 million or 20.9% compared to the same period in 2021. Adjusted net earnings per common share(2) were $5.10 per common share, an increase of $1.03 or 25.3%. The increase includes the favourable impact from the repurchase of common shares.

Revenue

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)	$ Change	% Change	**2022 (40 weeks)**	2021 (40 weeks)	$ Change	% Change
Retail	**$ 17,130**	$ 15,831	$ 1,299	8.2 %	**$ 41,798**	$ 39,783	$ 2,015	5.1 %
Financial Services	**350**	297	53	17.8 %	**921**	822	99	12.0 %
Consolidation and Eliminations	**(92)**	(78)	(14)	(17.9)%	**(222)**	(192)	(30)	(15.6)%
Revenue	**$ 17,388**	$ 16,050	$ 1,338	8.3 %	**$ 42,497**	$ 40,413	$ 2,084	5.2 %

Revenue was $17,388 million in the third quarter of 2022. When compared to the third quarter of 2021, this represented an increase of $1,338 million, or 8.3%. The increase was primarily driven by an increase in Retail segment sales of $1,299 million due to positive same-store sales growth and Lifemark Health Group ("Lifemark") revenues. Furthermore, there was an improvement in Financial Services segment sales of $53 million.

Year-to-date revenue was $42,497 million, an increase of $2,084 million, or 5.2%, compared to the same period in 2021. The increase was primarily driven by an increase in Retail segment sales of $2,015 million, due to positive same-store sales growth and Lifemark revenues since the date of acquisition. Furthermore, there was an improvement in Financial Services segment sales of $99 million.

Operating Income Operating income was $991 million in the third quarter of 2022. When compared to the third quarter of 2021, this represented an increase of $128 million, or 14.8%. The increase included improvements in the underlying operating performance of $121 million and the favourable change in adjusting items totaling $7 million as described below:

- the improvements in underlying operating performance of $121 million was primarily due to the following:
  - an improvement in the underlying operating performance of the Retail Segment due to an increase in adjusted gross profit(2), partially offset by an increase in SG&A and depreciation and amortization.
- the favourable change in adjusting items totaling $7 million was primarily due to the following:
  - the favourable impact of prior year restructuring and other related costs of $9 million; and
  - the year-over-year favourable impact from the amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark of $4 million;

  partially offset by,
  - the year-over-year unfavourable impact from the gains on the sale of non-operating properties of $4 million; and
  - the year-over-year unfavourable change in fair value adjustments on fuel and foreign currency contracts of $2 million.

Year-to-date operating income was $2,471 million, an increase of $239 million, or 10.7%, compared to the same period in 2021. The increase in operating income was driven by improvements in the underlying operating performance of $331 million, partially offset by an unfavourable change in certain adjusting items totaling $92 million as described below:

- the improvements in the underlying operating performance of $331 million were primarily due to the following:
  - an improvement in the underlying operating performance of the Retail segment due to an increase in adjusted gross profit[(2)], partially offset by an increase in SG&A and depreciation and amortization;

  partially offset by,
  - a decline in the Financial Services segment primarily due to the year-over-year impact of the expected credit loss provision from lapping a larger prior year release versus the current year release and from lapping a prior year reversal of certain commodity tax accrued.
- the unfavourable year-over-year impact of certain adjusting items totaling $92 million was primarily due to the following:
  - the unfavourable impact of the charge related to a President's Choice Bank ("PC Bank") commodity tax matter of $111 million; and
  - the unfavourable impact of the Lifemark transaction costs of $16 million;

  partially offset by,
  - the year-over-year favourable change in restructuring and other related costs of $36 million.

Adjusted EBITDA[(2)]

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)	$ Change	% Change	**2022 (40 weeks)**	2021 (40 weeks)	$ Change	% Change
Retail	**$ 1,791**	$ 1,617	$ 174	10.8 %	**$ 4,521**	$ 4,078	$ 443	10.9 %
Financial Services	**55**	57	(2)	(3.5)%	**167**	185	(18)	(9.7)%
Adjusted EBITDA[(2)]	**$ 1,846**	$ 1,674	$ 172	10.3 %	**$ 4,688**	$ 4,263	$ 425	10.0 %

Adjusted EBITDA[(2)] was $1,846 million in the third quarter of 2022. When compared to the third quarter of 2021, this represented an increase of $172 million or 10.3%. The increase was primarily due to an increase in the Retail segment of $174 million, partially offset by a decrease in the Financial Services segment of $2 million.

Year-to-date adjusted EBITDA[(2)] was $4,688 million, an increase of $425 million, or 10.0% compared to the same period in 2021. The increase was primarily driven by an increase in the Retail segment of $443 million, partially offset by a decrease in the Financial Services segment of $18 million.

Depreciation and Amortization Depreciation and amortization was $864 million, an increase of $47 million or 5.8% compared to the third quarter of 2021. Year-to-date depreciation and amortization was $2,128 million, an increase of $87 million compared to the same period in 2021. The increase in depreciation and amortization in the third quarter of 2022 and year-to-date was primarily driven by an increase in depreciation of IT assets, leased assets and accelerated depreciation of $14 million (2021 – nil) due to the reassessment of the estimated useful life of certain IT assets. Depreciation and amortization in the third quarter of 2022 and year-to-date included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of $151 million (2021 – $155 million) and $382 million (2021 – $389 million), respectively.

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $217 million, an increase of $14 million or 6.9% compared to the third quarter of 2021. The increase was primarily driven by an increase in interest expense from borrowings related to credit card receivables and long term debt. Year-to-date net interest expense and other financing charges were $511 million, a decrease of $13 million compared to the same period in 2021. The year-to-date decrease was primarily driven by interest income related to Glenhuron Bank Limited ("Glenhuron"), a reduction in interest expense from lease liabilities and post-employment and other employee benefits, partially offset by higher interest expense from borrowings related to credit card receivables and long term debt. Included in interest expense from long term debt is an early repayment premium charge of $7 million recorded in the third quarter of 2022.

Income Taxes

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)	$ Change	% Change	**2022 (40 weeks)**	2021 (40 weeks)	$ Change	% Change
Income taxes	**$ 199**	$ 172	$ 27	15.7 %	**$ 484**	$ 451	$ 33	7.3 %
Add (deduct) impact of the following:								
Tax impact of items included in adjusted earnings before taxes	**35**	40	(5)	(12.5)%	**119**	102	17	16.7 %
Recovery related to Glenhuron	**—**	—	—	— %	**33**	—	33	100.0 %
Adjusted income taxes(2)	**$ 234**	$ 212	$ 22	10.4 %	**$ 636**	$ 553	$ 83	15.0 %
Effective tax rate	**25.7 %**	26.1 %			**24.7 %**	26.4 %		
Adjusted effective tax rate(2)	**25.5 %**	26.2 %			**26.3 %**	26.5 %		

Income tax expense in the third quarter of 2022 was $199 million (2021 – $172 million) and the effective tax rate was 25.7% (2021 – 26.1%). The decrease in the effective tax rate was primarily attributable to the impact of certain recoveries realized for prior taxation periods. Year-to-date income tax expense was $484 million (2021 – $451 million) and the effective tax rate was 24.7% (2021 – 26.4%). The decrease to the year-to-date effective tax rate was primarily attributable to the recovery of income taxes related to Glenhuron in the first quarter of 2022.

Adjusted income tax expense(2) in the third quarter of 2022 was $234 million (2021 – $212 million) and the adjusted effective tax rate(2) was 25.5% (2021 – 26.2%). Year-to-date adjusted income tax expense(2) was $636 million (2021 – $553 million) and the adjusted effective tax rate(2) was 26.3% (2021 – 26.5%). The decreases to the adjusted effective tax rates(2) were primarily attributable to the impact of certain recoveries realized for prior taxation periods.

The Company was reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of the Company that was wound up in 2013, should be treated, and taxed, as income in Canada. In 2021, the Supreme Court of Canada ruled in favour of the Company on the Glenhuron matter. As a result of the related reassessments received during the first quarter of 2022, the Company reversed $35 million of previously recorded charges in the year, of which $33 million was recorded as income tax recovery and $2 million was recorded as interest income. In addition, interest of $9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds.

Net Earnings attributable to non-controlling interests Net earnings attributable to non-controlling interests was $16 million, a decrease of $38 million or 70.4% compared to the third quarter of 2021. Year-to-date net earnings attributable to non-controlling interests were $87 million, a decrease of $42 million or 32.6% compared to the same period in 2021. Non-controlling interests represent the share of earnings that relates to the Company's Food Retail franchisees and is impacted by the timing of when profit sharing with franchisees is agreed and finalized under the terms of the agreements. The decreases in non-controlling interests were primarily driven by a decline in franchisee earnings after profit sharing.

4. Reportable Operating Segments Results of Operations

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 stores and Associate-owned drug stores. The Retail segment also includes in-store pharmacies and healthcare services and other health and beauty products, apparel and other general merchandise and supports the *PC Optimum*™ Program. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base; and
- The Financial Services segment provides credit card and everyday banking services, the *PC Optimum*™ Program, insurance brokerage services, and telecommunication services.

4.1 Retail Segment

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)	$ Change	% Change	**2022 (40 weeks)**	2021 (40 weeks)	$ Change	% Change
Sales	**$ 17,130**	$ 15,831	$ 1,299	8.2 %	**$41,798**	$39,783	$ 2,015	5.1 %
Operating income	**949**	816	133	16.3 %	**2,450**	2,077	373	18.0 %
Adjusted gross profit(2)	**5,272**	4,856	416	8.6 %	**12,977**	12,182	795	6.5 %
Adjusted gross profit %(2)	**30.8 %**	30.7 %			**31.0 %**	30.6 %		
Adjusted EBITDA(2)	**$ 1,791**	$ 1,617	$ 174	10.8 %	**$ 4,521**	$ 4,078	$ 443	10.9 %
Adjusted EBITDA margin(2)	**10.5 %**	10.2 %			**10.8 %**	10.3 %		
Depreciation and amortization	**$ 851**	$ 807	$ 44	5.5 %	**$ 2,093**	$ 2,011	$ 82	4.1 %

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)		**2022 (40 weeks)**		2021 (40 weeks)	
	Sales	**Same-store sales**	Sales	Same-store sales	**Sales**	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 12,221**	**6.9 %**	$ 11,382	0.2 %	**$29,884**	**3.6 %**	$28,739	0.1 %
Drug retail	**4,909**	**7.7 %**	4,449	4.4 %	**11,914**	**6.4 %**	11,044	4.1 %
Pharmacy and healthcare services	**2,466**	**4.7 %**	2,226	4.8 %	**6,003**	**5.7 %**	5,496	7.8 %
Front store	**2,443**	**10.7 %**	2,223	4.1 %	**5,911**	**6.9 %**	5,548	0.7 %

Sales Retail segment sales were $17,130 million in the third quarter of 2022, an increase of $1,299 million, or 8.2% compared to the third quarter of 2021, primarily driven by the following factors:

- Food retail same-store sales grew by 6.9% (2021 – 0.2%) for the quarter.
  - Sales growth in food was strong;
  - Sales growth in pharmacy was flat;
  - 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 in the quarter when compared to the third quarter of 2021.
- Drug retail same-store sales grew by 7.7% (2021 – 4.4%).
  - Pharmacy and healthcare services same-store sales growth was 4.7% (2021 – 4.8%). Pharmacy and healthcare services same-store sales growth benefited from an increase in acute and chronic prescription volumes from the continued economic re-opening. The number of prescriptions dispensed increased by 0.8% (2021 – 2.4%). 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%);
  - Pharmacy and healthcare services sales include Lifemark revenues of $120 million. Lifemark revenues are excluded from same-store sales; and
  - Front store same-store sales increased by 10.7% (2021 – 4.1%). Front store same-store sales growth benefited from the continued economic re-opening and higher consumer spending.

In the last 12 months, 11 food and drug stores were opened, and 14 food and drug stores were closed, resulting in a net decrease in Retail square footage of 0.3 million square feet, or 0.4%.

On a year-to-date basis, Retail segment sales were $41,798 million, an increase of $2,015 million, or 5.1% when compared to the same period in 2021. Food retail sales of $29,884 million increased by $1,145 million, or 4.0%. Food same-store sales grew by 3.6% (2021 – 0.1%). Drug retail sales of $11,914 million increased by $870 million, or 7.9%. Drug retail same-store sales growth was 6.4% (2021 – 4.1%), with pharmacy and healthcare services same-store sales growth of 5.7% (2021 – 7.8%) and front store sales growth of 6.9% (2021 – 0.7%). Drug retail sales included Lifemark revenues from the date of acquisition of $169 million. Lifemark revenues are excluded from same-store sales.

Operating Income Operating income was $949 million in the third quarter of 2022, an increase of $133 million, or 16.3% compared to the third quarter of 2021. The increase in operating income was driven by improvements in underlying operating performance of $126 million and the favourable change in adjusting items totaling $7 million, as described below:

- the improvement in underlying operating performance of $126 million was driven by an increase in adjusted gross profit[(2)], partially offset by an increase in SG&A and depreciation and amortization; and
- the favourable change in adjusting items totaling $7 million was primarily due to the following:
  - the favourable impact of prior year restructuring and other related costs of $9 million;
  - the year-over-year favourable impact from the amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark of $4 million;

  partially offset by,
  - the year-over-year unfavourable impact from the gains on the sale of non-operating properties of $4 million; and
  - the year-over-year unfavourable change in fair value adjustments on fuel and foreign currency contracts of $2 million.

Year-to-date operating income was $2,450 million, an increase of $373 million, or 18.0% compared to the same period in 2021. The increase in operating income was driven by an improvement in the underlying operating performance of $354 million and the favourable change in adjusting items totaling $19 million, as described below:

- the improvements in the underlying operating performance of $354 million was primarily from an increase in adjusted gross profit(2), partially offset by an increase in SG&A and depreciation and amortization; and
- the favourable change in adjusting items totaling $19 million was primarily due to the following:
  - the year-over-year favourable change in restructuring and other related costs of $36 million;

  partially offset by,
  - the unfavourable impact of the Lifemark transaction costs of $16 million.

Adjusted Gross Profit(2) Adjusted gross profit(2) in the third quarter of 2022 was $5,272 million, an increase of $416 million compared to the third quarter of 2021. 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.

Year-to-date adjusted gross profit(2) was $12,977 million, an increase of $795 million compared to the same period in 2021. Adjusted gross profit percentage(2) of 31.0% increased by 40 basis points primarily driven by favourable changes in Drug Retail sales mix. Food Retail margins were flat.

Adjusted EBITDA(2) Adjusted EBITDA(2) was $1,791 million in the third quarter of 2022, an increase of $174 million, or 10.8% compared to the third quarter of 2021. The increase was driven by a favourable increase in adjusted gross profit(2) of $416 million, partially offset by an unfavourable increase in SG&A of $242 million. 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**.**

Year-to-date adjusted EBITDA(2) was $4,521 million, an increase of $443 million, or 10.9% when compared to the same period in 2021. The increase was driven by an increase in adjusted gross profit(2) of $795 million, partially offset by an unfavourable increase in SG&A of $352 million. SG&A as a percentage of sales was 20.2%, a decrease of 20 basis points. The favourable decrease of 20 basis points was primarily due to lower COVID-19 related expenses, partially offset by higher costs from the normalization of post-lockdown expenses.

Depreciation and Amortization Depreciation and amortization in the third quarter of 2022 was $851 million, an increase of $44 million compared to the third quarter of 2021. Year-to-date depreciation and amortization was $2,093 million, an increase of $82 million compared to the same period in 2021. The increase in depreciation and amortization in the third quarter of 2022 and year-to-date was primarily driven by an increase in IT assets, leased assets and accelerated depreciation of $14 million (2021 – nil) due to the reassessment of the estimated useful life of certain IT assets. Included in depreciation and amortization in the third quarter of 2022 and year-to-date is the amortization of intangibles assets related to the acquisitions of Shoppers Drug Mart and Lifemark of $151 million (2021 – $155 million) and $382 million (2021 – $389 million), respectively.

Lifemark Health Group On May 10, 2022, the Company acquired Lifemark for $829 million. Lifemark is the leading provider of outpatient physiotherapy, massage therapy, occupational therapy, chiropractic, mental health, and other ancillary rehabilitation services through its more than 300 clinics across Canada. Revenue of $120 million and nominal net earnings were contributed by Lifemark in the quarter. Year-to-date revenue of $169 million and nominal net earnings were contributed by Lifemark from the date of acquisition. 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.

4.2 Financial Services Segment

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)	$ Change	% Change	**2022 (40 weeks)**	2021 (40 weeks)	$ Change	% Change
Revenue	**$ 350**	$ 297	$ 53	17.8 %	**$ 921**	$ 822	$ 99	12.0 %
Earnings (Losses) before income taxes	**19**	31	(12)	(38.7)%	**(35)**	107	(142)	(132.7)%

(millions of Canadian dollars except where otherwise indicated)	**As at October 8, 2022**	As at October 9, 2021	$ Change	% Change
Average quarterly net credit card receivables	**$ 3,520**	$ 3,050	$ 470	15.4 %
Credit card receivables	**3,679**	3,154	525	16.6 %
Allowance for credit card receivables	**202**	205	(3)	(1.5)%
Annualized yield on average quarterly gross credit card receivables	**13.0 %**	12.8 %		
Annualized credit loss rate on average quarterly gross credit card receivables	**2.6 %**	2.7 %		

Revenue Revenue was $350 million in the third quarter of 2022, an increase of $53 million compared to the third quarter of 2021. The increase in the third quarter of 2022 was primarily driven by:

- higher interest income from growth in credit card receivables; and
- higher interchange income and credit card related fees from an increase in customer spending.

Year-to-date revenue was $921 million, an increase of $99 million compared to the same period in 2021. The increase in the year-to-date revenue was primarily driven by:

- higher interest income from growth in credit card receivables; and
- higher interchange income and credit card related fees from an increase in customer spending,

partially offset by,

- lower sales attributable to *The Mobile Shop*™.

Earnings before income taxes Earnings before income taxes were $19 million, a decrease of $12 million compared to the third quarter of 2021. The decrease was primarily driven by:

- higher contractual charge-off and an increase in the expected credit loss provision attributable to the increase in unemployment rate forecasts;
- higher loyalty program costs and operating costs;
- higher funding costs due to higher credit card receivables and increase in interest rate;
- higher customer acquisition costs; and
- higher IT costs and depreciation expenses;

partially offset by,

- higher revenue as described above.

Year-to-date losses before income taxes were $35 million, a decrease of $142 million compared to the same period in 2021. The decrease was primarily driven by:

- a charge related to a commodity tax matter of $111 million recorded in the second quarter of 2022;
- the year-over-year impact of the expected credit loss provision from lapping a larger prior year release of $32 million versus the current year release of $3 million;
- prior year reversal of certain commodity tax accrued;
- higher loyalty program costs and operating costs;
- higher customer acquisition costs;
- higher IT costs and depreciation expenses;
- higher funding costs due to higher credit card receivables and increase in interest rate; and
- higher contractual charge-off;

partially offset by,

- higher revenue as described above.

In July 2022, the Tax Court released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court ruled that 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 29th, 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal. Although, the Company believes in the merits of its position, the Company recorded a charge of $111 million, inclusive of interest, in the second quarter of 2022. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

Credit Card Receivables As at October 8, 2022, credit card receivables were $3,679 million, an increase of $525 million compared to October 9, 2021. This increase was primarily driven by growth in the active customer base and an increase in customer spending. The allowance for credit card receivables was $202 million, a decrease of $3 million compared to October 9, 2021.

5. Liquidity and Capital Resources

5.1 Cash Flows

Major Cash Flow Components

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)	$ Change	% Change	**2022 (40 weeks)**	2021 (40 weeks)	$ Change	% Change
Cash and cash equivalents, beginning of period	**$ 1,477**	$ 1,888	$ (411)	(21.8)%	**$ 1,976**	$ 1,668	$ 308	18.5 %
Cash flows from (used in):								
Operating activities	**$ 1,499**	$ 1,316	$ 183	13.9 %	**$ 3,607**	$ 3,803	$ (196)	(5.2)%
Investing activities	**(921)**	(628)	(293)	(46.7)%	**(1,952)**	(1,022)	(930)	(91.0)%
Financing activities	**(636)**	(796)	160	20.1 %	**(2,212)**	(2,671)	459	17.2 %
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(5)**	—	(5)	(100.0)%	**(5)**	2	(7)	(350.0)%
Change in cash and cash equivalents	**$ (63)**	$ (108)	$ 45	41.7 %	**$ (562)**	$ 112	$ (674)	(601.8)%
Cash and cash equivalents, end of period	**$ 1,414**	$ 1,780	$ (366)	(20.6)%	**$ 1,414**	$ 1,780	$ (366)	(20.6)%

Cash Flows from Operating Activities Cash flows from operating activities were $1,499 million, an increase of $183 million compared to the third quarter of 2021. The increase in cash flows from operating activities was primarily driven by higher cash earnings and a favourable change in credit card receivables due to a lower increase in customer spending during the current quarter, partially offset by a cash payment made in relation to the PC Bank commodity tax matter.

Year-to-date cash flows from operating activities were $3,607 million, a decrease of $196 million compared to the same period in 2021. The decrease in cash flows from operating activities was primarily driven by an unfavourable change in non-cash working capital and an unfavourable change in credit card receivables from a rise in customer spending, partially offset by higher cash earnings and net lower income taxes paid due to the recovery of cash taxes related to Glenhuron.

Cash Flows used in Investing Activities Cash flows used in investing activities were $921 million in the third quarter of 2022, an increase of $293 million compared to the third quarter of 2021. The increase in cash flows used in investing activities was primarily driven by an increase in security deposits due to upcoming maturity of *Eagle Credit Card Trust*® ("*Eagle*") notes and an increase in asset additions, partially offset by a decrease in short term investments.

Year-to-date cash flows used in investing activities were $1,952 million, an increase of $930 million compared to the same period in 2021. The increase in cash flows used in investing activities was primarily driven by the acquisition of Lifemark, an increase in security deposits due to upcoming maturity of Eagle notes and an increase in asset additions, partially offset by a decrease in short term investments.

Capital Investments and Store Activity

As at or for the periods ended October 8, 2022 and October 9, 2021	**2022 (40 weeks)**	2021 (40 weeks)	% Change
Corporate square footage (in millions)	**34.8**	35.5	(2.0)%
Franchise square footage (in millions)	**17.2**	16.8	2.4 %
Associate-owned drug store square footage (in millions)	**18.9**	18.9	— %
Total retail square footage (in millions)	**70.9**	71.2	(0.4)%
Number of corporate stores	**542**	550	(1.5)%
Number of franchise stores	**550**	546	0.7 %
Number of Associate-owned drug stores	**1,344**	1,343	0.1 %
Total number of stores	**2,436**	2,439	(0.1)%
Percentage of corporate real estate owned	**7 %**	7 %	
Percentage of franchise real estate owned	**4 %**	4 %	
Percentage of Associate-owned drug store real estate owned	**1 %**	1 %	
Average store size (square feet)			
Corporate	**64,200**	64,500	(0.5)%
Franchise	**31,300**	30,800	1.6 %
Associate-owned drug store	**14,100**	14,100	— %

Capital Investments Capital investments in the third quarter of 2022 were $432 million, an increase of $102 million or 30.9% compared to the third quarter of 2021. Year-to-date capital investments were $920 million, an increase of $129 million or 16.3%, compared to the same period in 2021.

Cash Flows used in Financing Activities Cash flows used in financing activities in the third quarter of 2022 were $636 million, a decrease of $160 million compared to the third quarter of 2021. The decrease in cash flows used in financing activities was primarily driven by higher net issuance of long term debt and an increase in short-term debt, partially offset by higher repurchases of common shares in the current year.

Year-to-date cash flows used in financing activities were $2,212 million, a decrease of $459 million compared to the same period in 2021. The decrease in cash flows used in financing activities was primarily driven by higher net issuance of long term debt and an increase in short term debt, partially offset by higher repurchases of common shares in the current year.

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

Free Cash Flow(2)

For the periods ended October 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 from operating activities under the Financial Services segment.

Free cash flow(2) from the Retail segment in the third quarter of 2022 was $543 million, an increase of $45 million compared to the third quarter of 2021. The increase was primarily driven by higher cash earnings. Year-to-date free cash flow(2) from the Retail segment was $1,597 million, an increase of $53 million compared to the same period in 2021. The increase was primarily driven by higher cash earnings and net lower income taxes paid due to the recovery of cash taxes related to Glenhuron, partially offset by an unfavourable change in non-cash working capital. Higher capital investments also negatively impacted Retail segment free cash flow(2) in the third quarter and year-to-date compared to the same periods in 2021.

Free cash flow(2) used in the Financial Services segment in the third quarter of 2022 was $24 million, a decrease of $19 million compared to the third quarter of 2021. The decrease was primarily driven by a favourable change in credit card receivables from lapping of prior year increase in customer spending, partially offset by a cash payment made in relation to the PC Bank commodity tax matter and higher income taxes paid. Year-to-date free cash flow(2) used in the Financial Services segment was $248 million, an increase of $400 million compared to the same period in 2021. The increase was primarily driven by an unfavourable increase in credit card receivables from an increase in the active customer base and a rise in customer spending, lower cash earnings, and higher income taxes paid.

5.2 Liquidity and Capital Structure

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

PC Bank expects to obtain long term financing for its credit card portfolio through the issuance of *Eagle* notes and Guaranteed Investment Certificates ("GICs").

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

	As at October 8, 2022			As at October 9, 2021			As at January 1, 2022		
(millions of Canadian dollars)	**Retail**	**Financial Services**	**Total**	Retail	Financial Services	Total	Retail	Financial Services	Total
Bank indebtedness	**$ 16**	**$ —**	**$ 16**	$ 166	$ —	$ 166	$ 52	$ —	$ 52
Demand deposits from customers	**—**	**109**	**109**	—	59	59	—	75	75
Short term debt	**—**	**600**	**600**	—	300	300	—	450	450
Long term debt due within one year	**—**	**798**	**798**	574	307	881	570	432	1,002
Long term debt	**4,865**	**2,113**	**6,978**	4,298	1,992	6,290	4,297	1,914	6,211
Certain other liabilities(i)	**152**	**—**	**152**	116	—	116	131	—	131
Total debt excluding lease liabilities	**$5,033**	**$ 3,620**	**$ 8,653**	$ 5,154	$ 2,658	$ 7,812	$5,050	$ 2,871	$ 7,921
Lease liabilities due within one year	**1,391**	**—**	**1,391**	1,366	—	1,366	1,297	—	1,297
Lease liabilities	**7,678**	**—**	**7,678**	7,490	—	7,490	7,542	—	7,542
Total debt including total lease liabilities	**$14,102**	**$ 3,620**	**$17,722**	$14,010	$ 2,658	$16,668	$13,889	$ 2,871	$16,760

(i) As at October 8, 2022, certain other liabilities include financial liabilities of $72 million related to the sale of retail properties to Choice Properties Real Estate Investment Trust (October 9, 2021 — $46 million; January 1, 2022 — $57 million).

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

	As at October 8, 2022	As at October 9, 2021	As at January 1, 2022
Retail debt to rolling year retail adjusted EBITDA(2)	**2.4 x**	2.6 x	2.6 x

The Retail debt to rolling year retail adjusted EBITDA(2) ratio as at October 8, 2022 decreased compared to October 9, 2021 and January 1, 2022 primarily due to an improvement in rolling year adjusted EBITDA(2).

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

Covenants and Regulatory Requirements The Company is required to comply with certain financial covenants for various debt instruments. As at October 8, 2022 and throughout the third quarter, the Company was in compliance with such covenants. As at October 8, 2022 and throughout the third quarter, PC Bank has met all applicable regulatory requirements.

5.3 Components of Total Debt

Debentures In the third quarter of 2022, the Company completed a dual-tranche issuance of $800 million aggregate principal amount of senior unsecured notes. The issuance included $400 million aggregate principal amount of senior unsecured notes bearing interest at 5.008% per annum with a maturity date of September 13, 2032 and $400 million aggregate principal amount of senior unsecured notes bearing interest at 5.336% per annum with a maturity date of September 13, 2052. The Company used the net proceeds of the issuance to redeem the $800 million outstanding principal amount of its Series 2023 senior unsecured notes with original maturity date of September 12, 2023 on September 21, 2022. The Company recorded an early repayment premium charge of $7 million in net interest expense and other financing charges.

There were no debentures issued or repaid on a year-to-date basis in 2021.

Committed Credit Facility The Company has a $1.0 billion committed credit facility with a maturity date of July 15, 2027, provided by a syndicate of lenders. The Company extended the maturity date during the third quarter of 2022 with all other terms and conditions remaining substantially the same. This committed credit facility contains certain financial covenants. As at October 8, 2022, there were no amounts drawn under this facility (October 9, 2021 and January 1, 2022 – no amounts were drawn).

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

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

(millions of Canadian dollars)	**As at October 8, 2022**	As at October 9, 2021	As at January 1, 2022
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust®*	**$ 1,600**	$ 1,350	$ 1,350
Securitized to Other Independent Securitization Trusts	**600**	300	450
Total securitized to independent securitization trusts	**$ 2,200**	$ 1,650	$ 1,800

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at October 8, 2022 and throughout the three quarters of 2022.

During the second quarter of 2022, *Eagle* filed a Short Form Base Shelf Prospectus, which allows for the issuance of up to $1.25 billion of notes over a 25-month period.

During the third quarter of 2022, *Eagle* issued $250 million of senior and subordinated term notes with a maturity date of July 17, 2027. These notes have a weighted average interest rate of 4.89%. In connection with this issuance, $140 million of bond forward agreements were settled during the third quarter of 2022. This resulted in a realized fair value gain of $8 million before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to the settlement of the agreement. The gain will be reclassified to net earnings over the life of the *Eagle* notes. This settlement resulted in a net effective interest rate of 4.24% on the *Eagle* notes issued.

During the third quarter of 2022, a repayment accumulation process was triggered due to the upcoming maturity of the *Eagle* $250 million senior and subordinated term notes due October 17, 2022. These notes have a weighted average interest rate of 2.71%. As at October 8, 2022, $250 million had been accumulated and was recorded in security deposits.

During the third quarter of 2021, *Eagle* issued $300 million of senior and subordinated term notes with a maturity date of June 17, 2026. These notes have a weighted average interest rate of 1.61%. In connection with this issuance, $175 million of bond forward agreements were settled during the second quarter of 2021. This resulted in a realized fair value loss of $1 million before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to the settlement of the agreement. The loss will be reclassified to net earnings over the life of the *Eagle* notes. This settlement resulted in a net effective interest rate of 1.65% on the *Eagle* notes issued.

Independent Funding Trusts As at October 8, 2022, the independent funding trusts had drawn $573 million (October 9, 2021 – $574 million; January 1, 2022 – $570 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts. As at October 8, 2022, the Company provided a credit enhancement of $64 million (October 9, 2021 and January 1, 2022 – $64 million) for the benefit of the independent funding trusts representing not less than 10% (October 9, 2021 and January 1, 2022 – not less than 10%) of the principal amount of loans outstanding.

The revolving committed credit facility that is the source of funding to the independent funding trusts has a maturity date of April 14, 2025. The Company extended the maturity date during the second quarter of 2022 with all other terms and conditions remaining substantially the same.

Guaranteed Investment Certificates The following table summarizes PC Bank's GICs activity, before commissions:

(millions of Canadian dollars)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Balance, beginning of period	**$ 1,075**	$ 1,048	**$ 996**	$ 1,185
GICs issued	**282**	40	**461**	196
GICs matured	**(46)**	(139)	**(146)**	(432)
Balance, end of period	**$ 1,311**	$ 949	**$ 1,311**	$ 949

As at October 8, 2022, $298 million in GICs were recorded as long term debt due within one year (October 9, 2021 – $307 million; January 1, 2022 – $182 million).

5.4 Financial Condition

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

	As at October 8, 2022	As at October 9, 2021	As at January 1, 2022
Rolling year adjusted return on equity[(2)]	**20.1 %**	16.7 %	17.3 %
Rolling year adjusted return on capital[(2)]	**10.6 %**	9.8 %	9.8 %

Rolling year adjusted return on equity[(2)] as at October 8, 2022 increased compared to October 9, 2021 and January 1, 2022, primarily due to an increase in the underlying operating performance of the Retail segment on a rolling four quarter basis.

Rolling year adjusted return on capital[(2)] as at October 8, 2022 increased compared to October 9, 2021 and January 1, 2022, primarily due to an increase in tax-effected adjusted operating income[(2)] on a rolling four quarter basis.

5.5 Credit Ratings

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

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

During the third quarter of 2022, Standard and Poor's and Dominion Bond Rating Service confirmed the above ratings and trend of the Company.

5.6 Share Capital

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

	October 8, 2022 (16 weeks)		October 9, 2021 (16 weeks)		**October 8, 2022 (40 weeks)**		October 9, 2021 (40 weeks)	
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	**327,698,167**	**$6,554**	338,090,294	$ 6,692	**333,527,369**	**$6,643**	347,361,480	$ 6,837
Issued for settlement of stock options	**328,215**	**22**	500,839	32	**1,207,639**	**81**	1,407,615	88
Purchased and cancelled	**(3,429,543)**	**(56)**	(3,426,200)	(68)	**(10,138,169)**	**(204)**	(13,604,162)	(269)
Issued and outstanding, end of period	**324,596,839**	**$6,520**	335,164,933	$ 6,656	**324,596,839**	**$6,520**	335,164,933	$6,656
Shares held in trust, beginning of period	**(671,450)**	**$ (13)**	(175,656)	$ (3)	**(595,495)**	**$ (12)**	(672,784)	$ (13)
Purchased for future settlement of RSUs and PSUs	**—**	**—**	—	—	**(557,000)**	**(11)**	—	—
Released for settlement of RSUs and PSUs	**32,980**	**—**	55,338	1	**514,025**	**10**	552,466	11
Shares held in trust, end of period	**(638,470)**	**$ (13)**	(120,318)	$ (2)	**(638,470)**	**$ (13)**	(120,318)	$ (2)
Issued and outstanding, net of shares held in trust, end of period	**323,958,369**	**$6,507**	335,044,615	$ 6,654	**323,958,369**	**$6,507**	335,044,615	$ 6,654
Weighted average outstanding, net of shares held in trust	**325,716,594**		336,670,985		**327,260,645**		340,554,074	

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

		October 8, 2022[i] (16 weeks)		October 9, 2021 (16 weeks)		**October 8, 2022 (40 weeks)**		October 9, 2021 (40 weeks)
Dividends declared per share ($)								
Common Share	**$**	**0.405**	$	0.365	**$**	**1.175**	$	1.035
Second Preferred Share, Series B	**$**	**0.33125**	$	0.33125	**$**	**0.99375**	$	0.99375

(i) The Common Share dividends declared in the third quarter of 2022 of $0.405 per share had a payment date of October 1, 2022. The Second Preferred Shares, Series B dividends declared in the third quarter of 2022 of $0.33125 per share had a payment date of September 30, 2022

(millions of Canadian dollars)		**October 8, 2022 (16 weeks)**		October 9, 2021 (16 weeks)		**October 8, 2022 (40 weeks)**		October 9, 2021 (40 weeks)
Dividends declared								
Common Share	**$**	**131**	$	121	**$**	**386**	$	351
Second Preferred Share, Series B		**3**		3		**9**		9
Total dividends declared	**$**	**134**	$	124	**$**	**395**	$	360

Subsequent to the end of the third quarter of 2022, the Board of Directors declared a quarterly dividend of $0.405 per common share, payable on December 30, 2022 to shareholders of record on December 15, 2022 and a quarterly dividend of $0.33125 per share on the Second Preferred Shares, Series B payable on December 31, 2022 to shareholders of record on December 15, 2022.

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

(millions of Canadian dollars except where otherwise indicated)		**October 8, 2022 (16 weeks)**		October 9, 2021 (16 weeks)		**October 8, 2022 (40 weeks)**		October 9, 2021 (40 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)[i]		**3,429,543**		3,410,805		**10,138,169**		13,588,767
Cash consideration paid[ii]	**$**	**402**	$	300	**$**	**1,130**	$	1,000
Premium charged to retained earnings		**276**		232		**954**		731
Reduction in common share capital		**56**		68		**204**		269
Common shares repurchased under the NCIB and held in trust (number of shares)		**—**		—		**557,000**		—
Cash consideration paid	**$**	**—**	$	—	**$**	**63**	$	—
Premium charged to retained earnings		**—**		—		**52**		—
Reduction in common share capital		**—**		—		**11**		—

(i) Common shares repurchased and cancelled as at October 8, 2022 do not include the shares that may be repurchased subsequent to the end of the quarter under the automatic share repurchase plan, as described below.

(ii) $28 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the third quarter of 2022 was paid in the fourth quarter of 2022.

In the second quarter of 2022, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 16,647,384 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares. As at October 8, 2022, the Company had purchased 8,798,918 common shares for cancellation under its current NCIB.

During 2020, the TSX accepted an amendment to the Company's NCIB. The amendment permitted the Company to purchase its common shares from George Weston Limited ("Weston") under its NCIB, pursuant to an automatic disposition plan agreement among the Company's broker, the Company and Weston, in order for Weston to maintain its proportionate ownership interest in the Company. The maximum number of common shares that may be purchased pursuant to the NCIB will be reduced by the number of common shares purchased from Weston.

During the third quarter of 2022, 3,429,543 common shares (2021 – 3,410,805) were purchased under the NCIB program for cancellation, for aggregate consideration of $403 million (2021 – $300 million), including 1,632,756 common shares (2021 – 1,542,706) purchased from Weston, for aggregate consideration of $191 million (2021 – $136 million). On a year-to-date basis, 10,138,169 common shares (2021 – 13,588,767) were purchased under the NCIB for cancellation, for aggregate consideration of $1,158 million (2021 – $1,000 million), including 4,584,521 common shares (2021 – 6,479,854) purchased from Weston, for aggregate consideration of $523 million (2021 – $474 million).

From time to time, the Company participates in an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market.

5.7 Off-Balance Sheet Arrangements

The Company uses off-balance sheet arrangements including letters of credit, guarantees and cash collateralization in connection with certain obligations. There were no significant changes to these off-balance sheet arrangements during the third quarter of 2022. For a discussion of the Company's significant off-balance sheet arrangements see Section 7.7 "Off-Balance Sheet Arrangements" of the Company's 2021 Annual Report.

6. Financial Derivative Instruments

The Company uses derivative instruments to offset certain of its financial risks. The Company uses bond forwards, interest rate swaps and foreign exchange forwards to mitigate the impact of increases in interest rates and manage its anticipated exposure to exchange rates on its underlying operations and anticipated fixed asset purchases. These derivative instruments are designated as cash flow hedges.

Bond Forwards PC Bank uses forwards to hedge its exposure to interest rate fluctuations against the future issuance of debt instruments. The Company assesses these hedge agreements for effectiveness as at each quarter-end and includes any fluctuations relating to the bond forwards in other comprehensive income.

During the third quarter of 2022, PC Bank settled $140 million in bond forwards in relation to the $250 million *Eagle* notes issued in the third quarter of 2022. The purpose of the forward was to hedge the interest rate risk. The Company has concluded that the hedge was effective as at the settlement date which results in the $8 million fair value gain being reclassified to net earnings over the life of the *Eagle* notes.

During the second quarter of 2021, PC Bank settled a $175 million bond forward. During the first quarter of 2021, PC Bank entered into $75 million bond forward. The purpose of the forward was to hedge the interest rate risk for the $300 million *Eagle* notes issued subsequent to the end of the third quarter of 2021. The Company had concluded that the hedge was effective as at the settlement date which results in the nominal fair value loss being reclassified to net earnings over the life of the *Eagle* notes.

Foreign Exchange Forwards In the first quarter of 2022, the Company entered into foreign exchange forwards. The purpose of these forward exchange forwards was to hedge the risk that the future cash flows of an anticipated fixed asset purchase transaction will fluctuate because of changes in foreign exchange rates. The Company concluded that these hedges were effective and accordingly, the gains or losses on these foreign exchange forwards are recognized in other comprehensive income. Upon settlement of these foreign exchange forwards, the accumulated other comprehensive income will be included in the initial cost of the fixed asset.

The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates on its underlying operations. These derivative instruments are not designated in a formal hedging relationship. For further details on the impact of these instruments during the third quarter of 2022 see Section 11 "Non-GAAP Financial Measures" of the MD&A.

7. Results by Quarter

Under an accounting convention common in the retail industry, the Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks. Fiscal year 2021 was 52 weeks and fiscal year 2020 was 53 weeks. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. When a fiscal year such as 2020 contains 53 weeks, the fourth quarter is 13 weeks in duration.

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

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2022 (16 weeks)**	**2021 (16 weeks)**	2022 (12 weeks)	2021 (12 weeks)	2022 (12 weeks)	2021 (12 weeks)	2021 (12 weeks)	2020 (13 weeks)
Revenue	**$ 17,388**	**$ 16,050**	$ 12,847	$ 12,491	$ 12,262	$ 11,872	$ 12,757	$ 13,286
Adjusted EBITDA(2)	**1,846**	**1,674**	1,499	1,371	1,343	1,218	1,324	1,313
Net earnings available to common shareholders of the Company	**556**	**431**	387	375	437	313	744	345
Adjusted net earnings available to common shareholders of the Company(2)	**663**	**540**	566	464	459	392	515	431
Net earnings per common share:								
Basic ($)	**$ 1.71**	**$ 1.28**	$ 1.17	$ 1.10	$ 1.31	$ 0.91	$ 2.23	$ 0.98
Diluted ($)	**$ 1.69**	**$ 1.27**	$ 1.16	$ 1.09	$ 1.30	$ 0.90	$ 2.20	$ 0.98
Adjusted diluted net earnings per common share (2) ($)	**$ 2.01**	**$ 1.59**	$ 1.69	$ 1.35	$ 1.36	$ 1.13	$ 1.52	$ 1.22
Food retail same-store sales growth/(decline)	**6.9 %**	**0.2 %**	0.9 %	(0.1)%	2.1 %	0.1 %	1.1 %	8.6 %
Drug retail same-store sales growth/(decline)	**7.7 %**	**4.4 %**	5.6 %	9.6 %	5.2 %	(1.7)%	7.9 %	3.7 %

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

- COVID-19 pandemic related impacts;
- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the impact of the 53rd week in the fourth quarter of fiscal year 2020;
- the timing of holidays;
- macro-economic conditions impacting food and drug retail prices; and
- changes in net retail square footage. Over the past eight quarters, net retail square footage remained constant at 70.9 million square feet.

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

- COVID-19 pandemic related impacts;
- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the impact of the 53rd week in the fourth quarter of fiscal year 2020;
- the timing of holidays;
- cost savings from operating efficiencies and benefits from strategic initiatives; and
- the impact of adjusting items, as set out in Section 11 "Non-GAAP Financial Measures", including:
    - charge related to PC Bank commodity tax matter;
    - Lifemark transaction costs;
    - restructuring and other related charges;
    - the recovery relating to Glenhuron;
    - fair value adjustment on non-operating properties;
    - fair value adjustment on fuel and foreign currency; and
    - the gain and loss on sale of non-operating properties.

8. Internal Control over Financial Reporting

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

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS" or "GAAP").

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

Changes in Internal Control over Financial Reporting There were no changes in the Company's internal control over financial reporting in the third quarter of 2022 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

9. Enterprise Risks and Risk Management

A detailed full set of risks inherent in the Company's business are included in the Company's AIF for the year ended January 1, 2022 and the Company's MD&A in the Company's 2021 Annual Report, which are hereby incorporated by reference. The Company's 2021 Annual Report and AIF are available online on www.sedar.com. Those risks and risk management strategies remain unchanged.

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 and 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 those disclosures please visit www.loblaw.ca/en/responsibility.

Recognizing the need for additional due diligence, the Company engaged third parties to conduct a Climate Risk Assessment and Human Rights Due Diligence. These engagements did not result in new risks being identified or changes in management's risk management strategies as identified under the Company's ERM Program and disclosed in the Company's 2021 Annual Report.

10. 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.

11. 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, free cash flow; retail debt to retail adjusted EBITDA; adjusted return on equity; and adjusted return on capital. 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 PC 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 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	**—**	—	**11**	—
Adjusted net interest expense and other financing charges	**$ 217**	$ 203	**$ 522**	$ 524

Recovery related to Glenhuron The Company reversed $35 million of previously recorded charges in the year, of which $33 million was recorded as income tax recovery and $2 million was recorded as interest income. In addition, interest of $9 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 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	**—**	—	**33**	—
Adjusted income taxes	**$ 234**	$ 212	**$ 636**	$ 553
Effective tax rate	**25.7 %**	26.1 %	**24.7 %**	26.4 %
Adjusted effective 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.

Recovery related to Glenhuron The Company reversed $35 million of previously recorded charges in the year, of which $33 million was recorded as income tax recovery and $2 million was recorded as interest income. In addition, interest of $9 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 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 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

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

	2022 (16 weeks)		2021 (16 weeks)		**2022 (40 weeks)**		2021 (40 weeks)	
For the periods ended October 8, 2022 and October 9, 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
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	**—**	**—**	—	—	**(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 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.

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 from operating activities under the Financial Services segment.

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

- ***Retail Debt to Rolling Year Retail Adjusted EBITDA*** Retail segment total debt divided by Retail segment adjusted EBITDA for the last four quarters. Please refer to section "5.2 Liquidity and Capital Structure" of this MD&A.
- ***Rolling Year Adjusted Return on Equity*** Adjusted net earnings available to common shareholders of the Company for the last four quarters divided by average total equity attributable to common shareholders of the Company. Please refer to section "5.4 Financial Condition" of this MD&A.
- ***Rolling Year Adjusted Return on Capital*** Tax-effected adjusted operating income for the last four quarters divided by average capital where capital is defined as total debt, plus equity attributable to shareholders of the Company, less cash and cash equivalents, and short term investments. Please refer to section "5.4 Financial Condition" of this MD&A.

Non-GAAP Financial Measures - Selected Comparative Reconciliations to GAAP Measures

Adjusted Operating Income, Adjusted EBITDA and Adjusted EBITDA Margin The following table provides a reconciliation of adjusted EBITDA to operating income, which is reconciled to GAAP net earnings attributable to shareholders of the Company reported for the quarters and years ended as indicated.

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2022 (16 weeks)**	**2021 (16 weeks)**	2022 (12 weeks)	2021 (12 weeks)	2022 (12 weeks)	2021 (12 weeks)	2021 (12 weeks)	2020 (13 weeks)
Net earnings attributable to shareholders of the Company	**$ 559**	**$ 434**	$ 390	$ 378	$ 440	$ 316	$ 747	$ 348
Add (deduct) impact of the following:								
Non-controlling interests	**16**	**54**	38	56	33	19	(28)	46
Net interest (recovery)/ expense and other financing charges	**217**	**203**	152	161	142	160	(29)	166
Income taxes	**199**	**172**	162	157	123	122	15	142
Operating income	**$ 991**	**$ 863**	$ 742	$ 752	$ 738	$ 617	$ 705	$ 702
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 147**	**$ 155**	$ 111	$ 117	$ 117	$ 117	$ 117	$ 117
Amortization of intangible assets acquired with Lifemark	**4**	**—**	3	—	—	—	—	—
Charge related to PC Bank commodity tax matter	**—**	**—**	111	—	—	—	—	—
Lifemark transaction costs	**—**	**—**	13	—	3	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**(6)**	**(8)**	4	(3)	(14)	(8)	6	(7)
Restructuring and other related costs	**—**	**9**	—	8	(15)	4	(8)	8
Fair value adjustment on non-operating properties	**—**	**—**	—	—	—	—	(2)	9
Gain on sale of non-operating properties	**(3)**	**(7)**	(4)	—	—	(5)	—	(8)
Adjusting items	**$ 142**	**$ 149**	$ 238	$ 122	$ 91	$ 108	$ 113	$ 119
Adjusted operating income	**$ 1,133**	**$ 1,012**	$ 980	$ 874	$ 829	$ 725	$ 818	$ 821
Depreciation and amortization	**864**	**817**	633	614	631	610	623	609
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(151)**	**(155)**	(114)	(117)	(117)	(117)	(117)	(117)
Adjusted EBITDA[i]	**$ 1,846**	**$ 1,674**	$ 1,499	$ 1,371	$ 1,343	$ 1,218	$ 1,324	$ 1,313

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes the amortization of intangible assets, acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net Earnings Per Common Share The following tables reconcile adjusted net earnings available to common shareholders of the Company and adjusted diluted net earnings per common share to GAAP net earnings available to common shareholders of the Company and diluted net earnings per common share as reported for the quarters and years ended as indicated.

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2022 (16 weeks)**	**2021 (16 weeks)**	2022 (12 weeks)	2021 (12 weeks)	2022 (12 weeks)	2021 (12 weeks)	2021 (12 weeks)	2020 (13 weeks)
As reported	**$ 556**	**$ 431**	$ 387	$ 375	$ 437	$ 313	$ 744	$ 345
Add (deduct) impact of the following[i]:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 109**	**$ 113**	$ 81	$ 86	$ 87	$ 86	$ 87	$ 86
Amortization of intangible assets acquired with Lifemark	**3**	**—**	2	—	—	—	—	—
Charge related to PC Bank commodity tax matter	**—**	**—**	86	—	—	—	—	—
Lifemark transaction costs	**—**	**—**	10	—	2	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**(4)**	**(6)**	3	(2)	(11)	(6)	4	(5)
Restructuring and other related costs	**—**	**8**	—	5	(14)	3	(6)	5
Fair value adjustment on non-operating properties	**—**	**—**	—	—	—	—	(1)	7
Recovery related to Glenhuron	**—**	**—**	—	—	(42)	—	(313)	—
Gain on sale of non-operating properties	**(1)**	**(6)**	(3)	—	—	(4)	—	(7)
Adjusting items	**$ 107**	**$ 109**	$ 179	$ 89	$ 22	$ 79	$ (229)	$ 86
Adjusted[i]	**$ 663**	**$ 540**	$ 566	$ 464	$ 459	$ 392	$ 515	$ 431

(i) Net of income taxes and non-controlling interests, as applicable.

(millions of Canadian dollars except where otherwise indicated)	**Third Quarter**		Second Quarter		First Quarter		Fourth Quarter	
	2022 (16 weeks)	**2021 (16 weeks)**	2022 (12 weeks)	2021 (12 weeks)	2022 (12 weeks)	2021 (12 weeks)	2021 (12 weeks)	2020 (13 weeks)
As reported	**$ 1.69**	**$ 1.27**	$ 1.16	$ 1.09	$ 1.30	$ 0.90	$ 2.20	$ 0.98
Add (deduct) impact of the following(i):								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 0.33**	**$ 0.33**	$ 0.24	$ 0.25	$ 0.25	$ 0.25	$ 0.25	$ 0.23
Amortization of intangible assets acquired with Lifemark	**0.01**	**—**	0.01	—	—	—	—	—
Charge related to PC Bank commodity tax matter	**—**	**—**	0.25	—	—	—	—	—
Lifemark transaction costs	**—**	**—**	0.03	—	0.01	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**(0.02)**	**(0.02)**	0.01	—	(0.03)	(0.02)	0.01	(0.01)
Fair value adjustment on non-operating properties	**—**	**—**	—	—	—	—	—	0.02
Restructuring and other related costs	**—**	**0.03**	—	0.01	(0.04)	0.01	(0.02)	0.02
Recovery related to Glenhuron	**—**	**—**	—	—	(0.13)	—	(0.92)	—
Gain on sale of non-operating properties	**—**	**(0.02)**	(0.01)	—	—	(0.01)	—	(0.02)
Adjusting items	**$ 0.32**	**$ 0.32**	$ 0.53	$ 0.26	$ 0.06	$ 0.23	$ (0.68)	$ 0.24
Adjusted(i)	**$ 2.01**	**$ 1.59**	$ 1.69	$ 1.35	$ 1.36	$ 1.13	$ 1.52	$ 1.22
Diluted weighted average common shares outstanding (millions)	**329.6**	**340.1**	334.4	342.9	336.7	348.2	338.1	353.8

(i) Net of income taxes and non-controlling interests, as applicable.

12. Additional Information

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

November 15, 2022
Toronto, Canada

MD&A Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 147 of the Company's 2021 Annual Report.

(2) See Section 11 "Non-GAAP Financial Measures", which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

(3) To be read in conjunction with Section 1 "Forward-Looking Statements".

Financial Results

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Revenue	**$ 17,388**	$ 16,050	**$ 42,497**	$ 40,413
Cost of merchandise inventories sold	**11,914**	11,027	**28,941**	27,731
Selling, general and administrative expenses	**4,483**	4,160	**11,085**	10,450
Operating income	**$ 991**	$ 863	**$ 2,471**	$ 2,232
Net interest expense and other financing charges (note 4)	**217**	203	**511**	524
Earnings before income taxes	**$ 774**	$ 660	**$ 1,960**	$ 1,708
Income taxes (note 5)	**199**	172	**484**	451
Net earnings	**$ 575**	$ 488	**$ 1,476**	$ 1,257
Attributable to:				
Shareholders of the Company (note 6)	**$ 559**	$ 434	**$ 1,389**	$ 1,128
Non-controlling interests	**16**	54	**87**	129
Net earnings	**$ 575**	$ 488	**$ 1,476**	$ 1,257
Net earnings per common share ($) (note 6)				
Basic	**$ 1.71**	$ 1.28	**$ 4.22**	$ 3.28
Diluted	**$ 1.69**	$ 1.27	**$ 4.17**	$ 3.26
Weighted average common shares outstanding (millions) (note 6)				
Basic	**325.7**	336.7	**327.3**	340.6
Diluted	**329.6**	340.1	**331.1**	343.1

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

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Net earnings	**$ 575**	$ 488	**$ 1,476**	$ 1,257
Other comprehensive income, net of taxes				
Items that are or may be subsequently reclassified to profit or loss:				
Foreign currency translation adjustment (losses) gains	**$ (1)**	$ —	**$ 1**	$ 2
(Losses) gains on cash flow hedges (note 18)	**(3)**	2	**2**	3
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial gains (losses) (note 17)	**8**	25	**(160)**	217
Other comprehensive income (loss)	**$ 4**	$ 27	**$ (157)**	$ 222
Total comprehensive income, net of taxes	**$ 579**	$ 515	**$ 1,319**	$ 1,479
Attributable to:				
Shareholders of the Company	**$ 563**	$ 461	**$ 1,232**	$ 1,350
Non-controlling interests	**16**	54	**87**	129
Total comprehensive income, net of taxes	**$ 579**	$ 515	**$ 1,319**	$ 1,479

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

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	**Total Share Capital**	**Retained Earnings**	**Contributed Surplus**	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total Equity**
Balance as at January 1, 2022	$ 6,631	$ 221	**$ 6,852**	**$ 4,591**	**$ 116**	$ 39	$ (29)	$ 4	**$ 14**	**$ 164**	**$ 11,737**
Net earnings	$ —	$ —	**$ —**	**$ 1,389**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 87**	**$ 1,476**
Other comprehensive (loss) income	—	—	**—**	**(160)**	**—**	1	2	—	**3**	**—**	**(157)**
Total comprehensive income	$ —	$ —	**$ —**	**$ 1,229**	**$ —**	$ 1	$ 2	$ —	**$ 3**	**$ 87**	**$ 1,319**
Common shares purchased and cancelled (note 15)	(204)	—	**(204)**	**(954)**	**—**	—	—	—	**—**	**—**	**(1,158)**
Net effect of equity-based compensation (notes 15 and 16)	81	—	**81**	**—**	**—**	—	—	—	**—**	**—**	**81**
Shares purchased and held in trust (note 15)	(11)	—	**(11)**	**(52)**	**—**	—	—	—	**—**	**—**	**(63)**
Shares released from trust (notes 15 and 16)	10	—	**10**	**24**	**—**	—	—	—	**—**	**—**	**34**
Dividends declared per common share – $1.175 (note 15)	—	—	**—**	**(386)**	**—**	—	—	—	**—**	**—**	**(386)**
Dividends declared per preferred share – $0.99375 (note 15)	—	—	**—**	**(9)**	**—**	—	—	—	**—**	**—**	**(9)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	—	**—**	**(72)**	**(72)**
	$ (124)	$ —	**$ (124)**	**$ (148)**	**$ —**	$ 1	$ 2	$ —	**$ 3**	**$ 15**	**$ (254)**
Balance as at October 8, 2022	$ 6,507	$ 221	**$ 6,728**	**$ 4,443**	**$ 116**	$ 40	$ (27)	$ 4	**$ 17**	**$ 179**	**$ 11,483**

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	**Total Share Capital**	**Retained Earnings**	**Contributed Surplus**	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total Equity**
Balance as at January 2, 2021	$ 6,824	$ 221	**$ 7,045**	**$ 3,813**	**$ 109**	$ 39	$ (34)	$ 16	**$ 21**	**$ 131**	**$ 11,119**
Net earnings	$ —	$ —	**$ —**	**$ 1,128**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 129**	**$ 1,257**
Other comprehensive income	—	—	**—**	**217**	**—**	2	3	—	**5**	**—**	**222**
Total comprehensive income	$ —	$ —	**$ —**	**$ 1,345**	**$ —**	$ 2	$ 3	$ —	**$ 5**	**$ 129**	**$ 1,479**
Common shares purchased and cancelled (note 15)	(269)	—	**(269)**	**(731)**	**—**	—	—	—	**—**	**—**	**(1,000)**
Net effect of equity-based compensation (notes 15 and 16)	88	—	**88**	**—**	**1**	—	—	—	**—**	**—**	**89**
Shares released from trust (notes 15 and 16)	11	—	**11**	**19**	**—**	—	—	—	**—**	**—**	**30**
Dividends declared per common share – $1.035 (note 15)	—	—	**—**	**(351)**	**—**	—	—	—	**—**	**—**	**(351)**
Dividends declared per preferred share – $0.99375 (note 15)	—	—	**—**	**(9)**	**—**	—	—	—	**—**	**—**	**(9)**
Transfer of remeasurement gain on sale of investment properties	—	—	**—**	**12**	**—**	—	—	(12)	**(12)**	**—**	**—**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	—	**—**	**(64)**	**(64)**
	$ (170)	$ —	**$ (170)**	**$ 285**	**$ 1**	$ 2	$ 3	$ (12)	**$ (7)**	**$ 65**	**$ 174**
Balance as at October 9, 2021	$ 6,654	$ 221	**$ 6,875**	**$ 4,098**	**$ 110**	$ 41	$ (31)	$ 4	**$ 14**	**$ 196**	**$ 11,293**

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

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)		As at October 8, 2022		As at October 9, 2021		As at January 1, 2022
Assets						
Current assets						
Cash and cash equivalents (note 7)	$	**1,414**	$	1,780	$	1,976
Short term investments (note 7)		**294**		593		464
Security deposits (note 7)		**250**		—		—
Accounts receivable		**1,164**		894		947
Credit card receivables (note 8)		**3,679**		3,154		3,443
Inventories (note 9)		**5,763**		5,214		5,166
Income tax recoverable		**—**		—		301
Prepaid expenses and other assets		**349**		290		249
Assets held for sale (note 10)		**101**		85		91
Total current assets	$	**13,014**	$	12,010	$	12,637
Fixed assets		**5,388**		5,406		5,447
Right-of-use assets (note 20)		**7,455**		7,210		7,175
Investment properties		**53**		110		111
Intangible assets (note 3)		**6,605**		6,502		6,402
Goodwill (note 3)		**4,318**		3,949		3,949
Deferred income tax assets		**87**		99		91
Other assets (note 11)		**775**		672		802
Total assets	$	**37,695**	$	35,958	$	36,614
Liabilities						
Current liabilities						
Bank indebtedness	$	**16**	$	166	$	52
Trade payables and other liabilities		**5,785**		5,321		5,433
Loyalty liability		**236**		220		190
Provisions (note 12)		**145**		119		111
Income taxes payable		**191**		183		153
Demand deposits from customers		**109**		59		75
Short term debt (note 8)		**600**		300		450
Long term debt due within one year (note 13)		**798**		881		1,002
Lease liabilities due within one year (note 20)		**1,391**		1,366		1,297
Associate interest		**438**		387		433
Total current liabilities	$	**9,709**	$	9,002	$	9,196
Provisions		**108**		112		114
Long term debt (note 13)		**6,978**		6,290		6,211
Lease liabilities (note 20)		**7,678**		7,490		7,542
Deferred income tax liabilities		**1,286**		1,319		1,346
Other liabilities (note 14)		**453**		452		468
Total liabilities	$	**26,212**	$	24,665	$	24,877
Equity						
Share capital (note 15)	$	**6,728**	$	6,875	$	6,852
Retained earnings		**4,443**		4,098		4,591
Contributed surplus (note 16)		**116**		110		116
Accumulated other comprehensive income		**17**		14		14
Total equity attributable to shareholders of the Company	$	**11,304**	$	11,097	$	11,573
Non-controlling interests		**179**		196		164
Total equity	$	**11,483**	$	11,293	$	11,737
Total liabilities and equity	$	**37,695**	$	35,958	$	36,614

Contingent Liabilities (note 19).

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

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Operating activities				
Net earnings	**$ 575**	$ 488	**$ 1,476**	$ 1,257
Add (deduct):				
Income taxes (note 5)	**199**	172	**484**	451
Net interest expense and other financing charges (note 4)	**217**	203	**511**	524
Depreciation and amortization	**864**	817	**2,128**	2,041
Asset impairments, net of recoveries	**6**	7	**8**	8
Change in allowance for credit card receivables (note 8)	**6**	—	**(3)**	(32)
Change in provisions (note 12)	**(55)**	11	**28**	18
Change in non-cash working capital	**(51)**	(66)	**(534)**	(10)
Change in gross credit card receivables (note 8)	**(59)**	(121)	**(233)**	(13)
Net income taxes paid	**(227)**	(214)	**(284)**	(482)
Interest received	**2**	1	**28**	4
Interest received from finance leases	**1**	1	**3**	3
Other	**21**	17	**(5)**	34
Cash flows from operating activities	**$ 1,499**	$ 1,316	**$ 3,607**	$ 3,803
Investing activities				
Fixed asset purchases	**$ (303)**	$ (224)	**$ (612)**	$ (517)
Intangible asset additions	**(129)**	(106)	**(308)**	(273)
(Purchase) disposal of short term investments (note 7)	**(110)**	(338)	**170**	(293)
Acquisition of Lifemark, net of cash acquired (note 3)	**—**	—	**(813)**	—
Increase in security deposits (note 7)	**(250)**	—	**(250)**	—
Proceeds from disposal of assets	**30**	35	**112**	56
Lease payments received from finance leases	**6**	4	**13**	9
Other	**(165)**	1	**(264)**	(4)
Cash flows used in investing activities	**$ (921)**	$ (628)	**$ (1,952)**	$ (1,022)
Financing activities				
Change in bank indebtedness	**$ (7)**	$ 28	**$ (36)**	$ 80
Change in short term debts (note 8)	**100**	—	**150**	(275)
Change in demand deposits from customers	**10**	9	**34**	35
Long term debt (note 13)				
Issued	**1,323**	332	**1,514**	558
Repayments	**(846)**	(139)	**(946)**	(432)
Interest paid	**(94)**	(91)	**(259)**	(264)
Cash rent paid on lease liabilities - Interest	**(103)**	(104)	**(252)**	(263)
Cash rent paid on lease liabilities - Principal	**(357)**	(340)	**(840)**	(798)
Dividends paid on common and preferred shares	**(270)**	(241)	**(395)**	(359)
Common share capital				
Issued (note 16)	**20**	29	**72**	78
Purchased and held in trust (note 15)	**—**	—	**(63)**	—
Purchased and cancelled (note 15)	**(402)**	(300)	**(1,130)**	(1,000)
Proceeds from other financing (note 20)	**—**	—	**15**	—
Other	**(10)**	21	**(76)**	(31)
Cash flows used in financing activities	**$ (636)**	$ (796)	**$ (2,212)**	$ (2,671)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ (5)**	$ —	**$ (5)**	$ 2
Change in cash and cash equivalents	**$ (63)**	$ (108)	**$ (562)**	$ 112
Cash and cash equivalents, beginning of period	**1,477**	1,888	**1,976**	1,668
Cash and cash equivalents, end of period	**$ 1,414**	$ 1,780	**$ 1,414**	$ 1,780

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

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

For the periods ended October 8, 2022 and October 9, 2021 (millions of Canadian dollars except where otherwise indicated)

Note 1. Nature and Description of the Reporting Entity

Loblaw Companies Limited is a Canadian public company incorporated in 1956 and is Canada's food and pharmacy leader, and the nation's largest retailer. Loblaw Companies Limited provides Canadians with grocery, pharmacy and healthcare services, health and beauty, apparel, general merchandise, financial services, and wireless mobile products and services. Its registered office is located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S7. Loblaw Companies Limited and its subsidiaries are together referred to, in these unaudited interim period condensed consolidated financial statements, as the “Company” or “Loblaw”.

The Company’s controlling shareholder is George Weston Limited (“Weston”), which owns approximately 52.6% of the Company’s outstanding common shares. The Company’s ultimate parent is Wittington Investments, Limited (“Wittington”). The remaining common shares are widely held.

The Company has two reportable operating segments: Retail and Financial Services (see note 21).

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

Note 2. Significant Accounting Policies

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company’s 2021 audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements. These unaudited interim period condensed consolidated financial statements are presented in Canadian dollars.

Statement of Compliance These unaudited interim period condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board. These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company’s 2021 audited annual consolidated financial statements and accompanying notes.

These unaudited interim period condensed consolidated financial statements were approved for issuance by the Company’s Board of Directors (“Board”) on November 15, 2022.

Note 3. Business Acquisitions

Acquisition of Lifemark Health Group On May 10, 2022, the Company acquired all of the outstanding common shares of Lifemark Health Group ("Lifemark") for total purchase consideration of $829 million. Lifemark is the Canadian leading provider of outpatient physiotherapy, massage therapy, occupational therapy, chiropractic, mental health, and other ancillary rehabilitation services through its more than 300 clinics across Canada. The acquisition of Lifemark adds to the Company's growing role as a healthcare service provider, with a network of health and wellness solutions, accessible in-person and digitally.

The Lifemark acquisition was accounted for using the acquisition method in accordance with IFRS 3, "Business Combinations", with the results of operations consolidated with those of the Company effective May 10, 2022.

In the third quarter of 2022, the Company finalized the purchase price allocation and revised its fair value estimate of the goodwill acquired with Lifemark. The result decreased goodwill by $5 million to $365 million and decreased deferred income tax liabilities by $2 million to $145 million. The final purchase price allocation is summarized as follows:

(millions of Canadian dollars)		
Net Assets Acquired:		
Cash and cash equivalents	**$**	**15**
Accounts receivable[(i)]		**54**
Prepaid expenses and other assets		**2**
Fixed assets		**16**
Right-of-use assets		**75**
Intangible assets		**564**
Goodwill		**365**
Trade payables and other liabilities		**(38)**
Lease liabilities		**(75)**
Deferred income tax liabilities		**(145)**
Other liabilities		**(4)**
Total Net Assets Acquired	**$**	**829**

(i) Trade and other receivables is net of a loss allowance of $2 million.

Goodwill is attributable to expected growth in customers and expansion of the Lifemark footprint. The goodwill arising from this acquisition is not deductible for tax purposes.

Intangible assets are comprised of the following:

(millions of Canadian dollars)			**Estimated Useful Life**
Intangible Assets:			
Brand	**$**	**265**	**Indefinite**
Customer relationships		**295**	**10-20 years**
Computer software		**4**	**3 years**
Total Intangible Assets	**$**	**564**	

Year-to-date selling, general and administrative expense include $16 million of transaction costs related to the acquisition.

Included in the unaudited interim period condensed consolidated statement of earnings in the third quarter is $120 million of revenue and nominal net earnings contributed by Lifemark. Since the date of acquisition, $169 million of revenue and nominal net earnings were contributed by Lifemark. Net earnings for the third quarter include amortization related to the acquired intangible assets of $3 million (year-to-date – $5 million). On a combined pro forma basis, the Company's year-to-date revenue and net earnings available to common shareholders would have amounted to $42,639 million and $1,382 million, respectively. This pro forma information incorporates the effect of the final purchase price equation as if Lifemark had been acquired on January 2, 2022. Included in the pro forma net earnings is the amortization related to the acquired intangible assets of $10 million year-to-date.

Note 4. Net Interest Expense and Other Financing Charges

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

(millions of Canadian dollars)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Interest expense and other financing charges				
Lease liabilities	**$ 103**	$ 104	**$ 252**	$ 263
Long term debt[(i)]	**93**	86	**228**	221
Borrowings related to credit card receivables	**19**	10	**36**	27
Post-employment and other long term employee benefits (note 17)	**(1)**	2	**(2)**	6
Independent funding trusts	**8**	4	**15**	10
Financial liabilities (note 20)	**2**	1	**4**	2
Bank indebtedness	**—**	1	**1**	3
	$ 224	$ 208	**$ 534**	$ 532
Interest income				
Accretion income	**$ (1)**	$ (1)	**$ (3)**	$ (3)
Short term interest income	**(6)**	(4)	**(9)**	(5)
	$ (7)	$ (5)	**$ (12)**	$ (8)
Recovery related to Glenhuron Bank Limited (note 5)	**$ —**	$ —	**$ (11)**	$ —
Net interest expense and other financing charges	**$ 217**	$ 203	**$ 511**	$ 524

(i) Includes an early repayment premium charge of $7 million recorded in the third quarter of 2022 related to the early redemption of $800 million debenture bearing interest at 4.86% with an original maturity date of September 12, 2023.

Note 5. Income Taxes

Income tax expense in the third quarter of 2022 was $199 million (2021 – $172 million) and the effective tax rate was 25.7% (2021 – 26.1%). The decrease in the effective tax rate was primarily attributable to the impact of certain recoveries realized for prior taxation periods. Year-to-date income tax expense was $484 million (2021 – $451 million) and the effective tax rate was 24.7% (2021 – 26.4%). The decrease to the year-to-date effective tax rate was primarily attributable to the recovery of income taxes related to Glenhuron Bank Limited ("Glenhuron") in the first quarter of 2022.

The Company was reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of the Company that was wound up in 2013, should be treated, and taxed, as income in Canada. In 2021, the Supreme Court of Canada ("Supreme Court") ruled in favour of the Company on the Glenhuron matter. As a result of the related reassessments received during the first quarter of 2022, the Company reversed $35 million of previously recorded charges in the year, of which $33 million was recorded as income tax recovery and $2 million was recorded as interest income. In addition, interest of $9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds (see note 19).

Note 6. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Net earnings attributable to shareholders of the Company	**$ 559**	$ 434	**$ 1,389**	$ 1,128
Dividends on Preferred Shares in equity (note 15)	**(3)**	(3)	**(9)**	(9)
Net earnings available to common shareholders	**$ 556**	$ 431	**$ 1,380**	$ 1,119
Weighted average common shares outstanding (in millions) (note 15)	**325.7**	336.7	**327.3**	340.6
Dilutive effect of equity-based compensation (in millions)	**3.2**	2.6	**3.1**	1.7
Dilutive effect of certain other liabilities (in millions)	**0.7**	0.8	**0.7**	0.8
Diluted weighted average common shares outstanding (in millions)	**329.6**	340.1	**331.1**	343.1
Basic net earnings per common share ($)	**$ 1.71**	$ 1.28	**$ 4.22**	$ 3.28
Diluted net earnings per common share ($)	**$ 1.69**	$ 1.27	**$ 4.17**	$ 3.26

In the third quarter of 2022 and year-to-date, 39,495 (2021 – 20,816) and 1,129,776 (2021 – 1,553,237), respectively, potentially dilutive instruments were excluded from the computation of diluted net earnings per common share as they were anti-dilutive.

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

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

Cash and Cash Equivalents

(millions of Canadian dollars)	**As at October 8, 2022**	As at October 9, 2021	As at January 1, 2022
Cash	**$ 933**	$ 844	$ 849
Cash equivalents			
Government treasury bills	**355**	397	560
Bankers' acceptances	**124**	532	543
Corporate commercial paper	**—**	3	3
Guaranteed investment certificates	**—**	—	21
Other	**2**	4	—
Total cash and cash equivalents	**$ 1,414**	$ 1,780	$ 1,976

Short Term Investments

(millions of Canadian dollars)	As at October 8, 2022		As at October 9, 2021		As at January 1, 2022	
Government treasury bills	**$**	**260**	$	547	$	361
Bankers' acceptances		**12**		12		97
Corporate commercial paper		**—**		2		1
Guaranteed investment certificates		**21**		27		5
Other		**1**		5		—
Total short term investments	**$**	**294**	$	593	$	464

Security Deposits During the third quarter of 2022, a repayment accumulation process was triggered due to the upcoming maturity of the Eagle Credit Card Trust® ("*Eagle*") $250 million senior and subordinated term notes due October 17, 2022. These notes have a weighted average interest rate of 2.71%. As at October 8, 2022, $250 million had been accumulated and was recorded in security deposits.

Note 8. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	As at October 8, 2022		As at October 9, 2021		As at January 1, 2022	
Gross credit card receivables	**$**	**3,881**	$	3,359	$	3,648
Allowance for credit card receivables		**(202)**		(205)		(205)
Credit card receivables	**$**	**3,679**	$	3,154	$	3,443
Securitized to independent securitization trusts:						
Securitized to *Eagle Credit Card Trust®* (note 13)	**$**	**1,600**	$	1,350	$	1,350
Securitized to Other Independent Securitization Trusts		**600**		300		450
Total securitized to independent securitization trusts	**$**	**2,200**	$	1,650	$	1,800

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

The associated liability of *Eagle* is recorded in long term debt (see note 13). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt.

During the third quarter of 2022, *Eagle* issued $250 million of senior and subordinated term notes with a maturity date of July 17, 2027. These notes have a weighted average interest rate of 4.89%. In connection with this issuance, $140 million of bond forward agreements were settled during the third quarter of 2022. This resulted in a realized fair value gain of $8 million before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to the settlement of the agreement. The gain will be reclassified to net earnings over the life of the *Eagle* notes. This settlement resulted in a net effective interest rate of 4.24% on the *Eagle* notes issued.

During the second quarter of 2022, *Eagle* filed a Short Form Base Shelf Prospectus, which allows for the issuance of up to $1.25 billion of notes over a 25-month period.

During the third quarter of 2021, *Eagle* issued $300 million of senior and subordinated term notes with a maturity date of June 17, 2026. These notes have a weighted average interest rate of 1.61%. In connection with this issuance, $175 million of bond forward agreements were settled during the second quarter of 2021. This resulted in a realized fair value loss of $1 million before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to the settlement of the agreement. The loss will be reclassified to net earnings over the life of the *Eagle* notes. This settlement resulted in a net effective interest rate of 1.65% on the *Eagle* notes issued.

On a year-to-date basis in 2022, PC Bank recorded a $150 million net increase of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

As at October 8, 2022, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was $54 million (October 9, 2021 – $27 million; January 1, 2022 – $41 million), which represented 9% (October 9, 2021 – 9%; January 1, 2022 – 9%) of the securitized credit card receivables amount.

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at October 8, 2022 and throughout the first three quarters of 2022.

Note 9. Inventories

For inventories recorded as at October 8, 2022, the Company has an inventory provision of $55 million (October 9, 2021 – $56 million; January 1, 2022 – $67 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of merchandise inventories sold. There were no reversals of previously recorded write-downs of inventories during the first three quarters of 2022 and 2021.

Note 10. Assets Held for Sale

The Company classifies certain assets, primarily land and buildings, that it intends to dispose of in the next 12 months, as assets held for sale. These assets were either originally used in the Company's retail business segment or held in investment properties. In the third quarter of 2022, the Company recorded a net gain of $4 million (2021 – net gain of $7 million) from the sale of these assets. On a year-to-date basis, the Company recorded a net gain of $27 million (2021 – net gain of $12 million). No fair value changes or impairment charges were recognized on assets held for sale in the first three quarters of 2022 and 2021.

Note 11. Other Assets

The components of other assets were as follows:

(millions of Canadian dollars)	**As at October 8, 2022**	As at October 9, 2021	As at January 1, 2022
Sundry investments and other receivables	**$ 78**	$ 23	$ 54
Accrued benefit plan asset	**173**	375	463
Finance lease receivable	**78**	81	78
Investments accounted for under the equity method[(i)]	**89**	73	73
Other[(ii)]	**357**	120	134
Total other assets	**$ 775**	$ 672	$ 802

(i) During the third quarter of 2022, the Company agreed to invest a total of $42 million in Rapid Retail Canada Inc. ("Rapid"). Rapid will provide on-demand grocery and convenience items to customers in Canada. As at October 8, 2022, the Company has invested $18 million in exchange for a minority ownership interest in Rapid.

(ii) Includes $35 million related to Venture Fund I as at October 8, 2022 (October 9, 2021 – $19 million; January 1, 2022 – $29 million) (see note 20).

Note 12. Provisions

In July 2022, the Tax Court of Canada ("Tax Court") released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court ruled that 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 29th, 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal. Although, the Company believes in the merits of its position, the Company recorded a charge of $111 million, inclusive of interest, in the second quarter of 2022. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

Note 13. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	**As at October 8, 2022**	As at October 9, 2021	As at January 1, 2022
Debentures	**$ 4,311**	$ 4,314	$ 4,313
Guaranteed investment certificates	**1,311**	949	996
Independent securitization trusts (note 8)	**1,600**	1,350	1,350
Independent funding trusts	**573**	574	570
Transaction costs and other	**(19)**	(16)	(16)
Total long term debt	**$ 7,776**	$ 7,171	$ 7,213
Long term debt due within one year	**798**	881	1,002
Long term debt	**$ 6,978**	$ 6,290	$ 6,211

The Company is required to comply with certain financial covenants for various debt instruments. As at October 8, 2022 and throughout the first three quarters of 2022 and 2021, the Company was in compliance with the financial covenants.

Debentures In the third quarter of 2022, the Company completed a dual-tranche issuance of $800 million aggregate principal amount of senior unsecured notes. The issuance included $400 million aggregate principal amount of senior unsecured notes bearing interest at 5.008% per annum with a maturity date of September 13, 2032 and $400 million aggregate principal amount of senior unsecured notes bearing interest at 5.336% per annum with a maturity date of September 13, 2052. The Company used the net proceeds of the issuance to redeem the $800 million outstanding principal amount of its Series 2023 senior unsecured notes with original maturity date of September 12, 2023 on September 21, 2022. The Company recorded an early repayment premium charge of $7 million in net interest expense and other financing charges.

There were no debentures issued or repaid on a year-to-date basis in 2021.

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions:

(millions of Canadian dollars)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Balance, beginning of period	**$ 1,075**	$ 1,048	**$ 996**	$ 1,185
GICs issued	**282**	40	**461**	196
GICs matured	**(46)**	(139)	**(146)**	(432)
Balance, end of period	**$ 1,311**	$ 949	**$ 1,311**	$ 949

Independent Funding Trusts The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts in the amount of $64 million (October 9, 2021 and January 1, 2022 – $64 million), representing not less than 10% (October 9, 2021 and January 1, 2022 – not less than 10%) of the principal amount of loans outstanding.

The revolving committed credit facility that is the source of funding to the independent funding trusts has a maturity date of April 14, 2025. The Company extended the maturity date during the second quarter of 2022 with all other terms and conditions remaining substantially the same.

Committed Credit Facility The Company has a $1.0 billion committed credit facility with a maturity date of July 15, 2027, provided by a syndicate of lenders. The Company extended the maturity date during the third quarter of 2022 with all other terms and conditions remaining substantially the same. This committed credit facility contains certain financial covenants. As at October 8, 2022, there were no amounts drawn under this facility (October 9, 2021 and January 1, 2022 – no amounts were drawn).

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

(millions of Canadian dollars)	**As at October 8, 2022**	As at October 9, 2021	As at January 1, 2022
Guaranteed investment certificates	**$ 298**	$ 307	$ 182
Independent securitization trusts	**500**	—	250
Independent funding trusts	**—**	574	570
Long term debt due within one year	**$ 798**	$ 881	$ 1,002

Reconciliation of Long Term Debt The following table reconciles the changes in cash flows from/(used in) long term debt financing activities:

(millions of Canadian dollars)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Long term debt, beginning of period	**$ 7,305**	$ 6,978	**$ 7,213**	$ 7,046
Long term debt issuances[(i)]	**$ 1,323**	$ 332	**$ 1,514**	$ 558
Long term debt repayments	**(846)**	(139)	**(946)**	(432)
Total cash flow from long term debt financing activities	**$ 477**	$ 193	**$ 568**	$ 126
Other non-cash changes	**$ (6)**	$ —	**$ (5)**	$ (1)
Long term debt, end of period	**$ 7,776**	$ 7,171	**$ 7,776**	$ 7,171

(i) Includes net movements from the independent funding trusts, which are revolving debt instruments.

Note 14. Other Liabilities

The components of other liabilities were as follows:

(millions of Canadian dollars)	**As at October 8, 2022**	As at October 9, 2021	As at January 1, 2022
Net defined benefit plan obligation	**$ 257**	$ 275	$ 289
Other long term employee benefit obligation	**110**	122	115
Financial liabilities (note 20)	**68**	43	54
Equity-based compensation liabilities (note 16)	**3**	4	3
Other	**15**	8	7
Total other liabilities	**$ 453**	$ 452	$ 468

Note 15. Share Capital

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

	October 8, 2022 (16 weeks)		October 9, 2021 (16 weeks)		**October 8, 2022 (40 weeks)**		October 9, 2021 (40 weeks)	
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	**327,698,167**	**$ 6,554**	338,090,294	$ 6,692	**333,527,369**	**$ 6,643**	347,361,480	$ 6,837
Issued for settlement of stock options (note 16)	**328,215**	**22**	500,839	32	**1,207,639**	**81**	1,407,615	88
Purchased and cancelled	**(3,429,543)**	**(56)**	(3,426,200)	(68)	**(10,138,169)**	**(204)**	(13,604,162)	(269)
Issued and outstanding, end of period	**324,596,839**	**$ 6,520**	335,164,933	$ 6,656	**324,596,839**	**$ 6,520**	335,164,933	$ 6,656
Shares held in trust, beginning of period	**(671,450)**	**$ (13)**	(175,656)	$ (3)	**(595,495)**	**$ (12)**	(672,784)	$ (13)
Purchased for future settlement of RSUs and PSUs	**—**	**—**	—	—	**(557,000)**	**(11)**	—	—
Released for settlement of RSUs and PSUs (note 16)	**32,980**	**—**	55,338	1	**514,025**	**10**	552,466	11
Shares held in trust, end of period	**(638,470)**	**$ (13)**	(120,318)	$ (2)	**(638,470)**	**$ (13)**	(120,318)	$ (2)
Issued and outstanding, net of shares held in trust, end of period	**323,958,369**	**$ 6,507**	335,044,615	$ 6,654	**323,958,369**	**$ 6,507**	335,044,615	$ 6,654
Weighted average outstanding, net of shares held in trust (note 6)	**325,716,594**		336,670,985		**327,260,645**		340,554,074	

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

	October 8, 2022[(i)] (16 weeks)	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Dividends declared per share ($)				
Common Share	**$ 0.405**	$ 0.365	**$ 1.175**	$ 1.035
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125	**$ 0.99375**	$ 0.99375

(i) The Common Share dividends declared in the third quarter of 2022 of $0.405 per share had a payment date of October 1, 2022. The Second Preferred Shares, Series B dividends declared in the third quarter of 2022 of $0.33125 per share had a payment date of September 30, 2022

(millions of Canadian dollars)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Dividends declared				
Common Share	**$ 131**	$ 121	**$ 386**	$ 351
Second Preferred Share, Series B (note 6)	**3**	3	**9**	9
Total dividends declared	**$ 134**	$ 124	**$ 395**	$ 360

Subsequent to the end of the third quarter of 2022, the Board declared a quarterly dividend of $0.405 per common share, payable on December 30, 2022 to shareholders of record on December 15, 2022 and a quarterly dividend of $0.33125 per share on the Second Preferred Shares, Series B payable on December 31, 2022 to shareholders of record on December 15, 2022.

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

(millions of Canadian dollars except where otherwise indicated)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)[(i)]	**3,429,543**	3,410,805	**10,138,169**	13,588,767
Cash consideration paid[(ii)]	**$ 402**	$ 300	**$ 1,130**	$ 1,000
Premium charged to retained earnings	**276**	232	**954**	731
Reduction in common share capital	**56**	68	**204**	269
Common shares repurchased under the NCIB and held in trust (number of shares)	**—**	—	**557,000**	—
Cash consideration paid	**$ —**	$ —	**$ 63**	$ —
Premium charged to retained earnings	**—**	—	**52**	—
Reduction in common share capital	**—**	—	**11**	—

(i) Common shares repurchased and cancelled as at October 8, 2022 do not include the shares that may be repurchased subsequent to the end of the quarter under the automatic share repurchase plan, as described below.

(ii) $28 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the third quarter of 2022 was paid in the fourth quarter of 2022.

In the second quarter of 2022, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 16,647,384 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares. As at October 8, 2022, the Company had purchased 8,798,918 common shares for cancellation under its current NCIB.

During 2020, the TSX accepted an amendment to the Company's NCIB. The amendment permitted the Company to purchase its common shares from Weston under its NCIB, pursuant to an automatic disposition plan agreement among the Company's broker, the Company and Weston, in order for Weston to maintain its proportionate ownership interest in the Company. The maximum number of common shares that may be purchased pursuant to the NCIB will be reduced by the number of common shares purchased from Weston.

During the third quarter of 2022, 3,429,543 common shares (2021 – 3,410,805) were purchased under the NCIB program for cancellation, for aggregate consideration of $403 million (2021 – $300 million), including 1,632,756 common shares (2021 – 1,542,706) purchased from Weston, for aggregate consideration of $191 million (2021 – $136 million). On a year-to-date basis, 10,138,169 common shares (2021 – 13,588,767) were purchased under the NCIB for cancellation, for aggregate consideration of $1,158 million (2021 – $1,000 million), including 4,584,521 common shares (2021 – 6,479,854) purchased from Weston, for aggregate consideration of $523 million (2021 – $474 million).

From time to time, the Company participates in an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market.

Note 16. Equity-Based Compensation

The Company's equity-based compensation expense, which includes Stock Option, Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), Director Deferred Share Unit ("DSU") and Executive Deferred Share Unit ("EDSU") plans was $22 million for the third quarter of 2022 (2021 – $18 million) and $55 million year-to-date (2021 – $46 million). The expense was recognized in selling, general and administrative expenses.

The carrying amounts of the Company's equity-based compensation arrangements including Stock Option, RSU, PSU, DSU and EDSU plans were recorded on the unaudited interim period condensed consolidated balance sheets as follows:

(millions of Canadian dollars)	**As at October 8, 2022**	As at October 9, 2021	As at January 1, 2022
Other liabilities (note 14)	**$ 3**	$ 4	$ 3
Contributed surplus	**116**	110	116

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

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

(number of options)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Outstanding options, beginning of period	**6,532,669**	7,653,843	**6,431,449**	7,259,645
Granted	**13,037**	21,019	**1,152,257**	1,891,187
Exercised (note 15)	**(328,215)**	(500,839)	**(1,207,639)**	(1,407,615)
Forfeited/Cancelled	**(66,884)**	(267,634)	**(225,460)**	(836,828)
Outstanding options, end of period	**6,150,607**	6,906,389	**6,150,607**	6,906,389

During the third quarter of 2022, the Company granted stock options with a weighted average exercise price of $117.67 (2021 – $86.30) and $99.92 year-to-date (2021 – $63.65). In addition, the Company issued common shares on the exercise of stock options with a weighted average share price during the third quarter of 2022 of $120.68 (2021 – $86.19) and $112.61 year-to-date (2021 – $77.05) and received cash consideration of $20 million (2021 – $29 million) and $72 million year-to-date (2021 – $78 million).

The fair value of stock options granted during the third quarter of 2022 was nominal (2021 – nominal) and $20 million year-to-date (2021 – $17 million). The assumptions used to measure the fair value of options granted during 2022 and 2021 under the Black-Scholes valuation model at date of grant were as follows:

	October 8, 2022 (16 weeks)	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Expected dividend yield	**1.4 %**	1.6 %	**1.4 %**	1.8 %
Expected share price volatility	**18.9% – 21.7%**	18.3% – 20.3%	**18.4% – 21.7%**	18.3% – 20.4%
Risk-free interest rate	**2.7% – 3.0%**	0.7% – 0.9%	**1.6% – 3.0%**	0.6% – 1.2%
Expected life of options	**3.7 – 6.2 years**	3.8 – 6.2 years	**3.7 – 6.2 years**	3.8 – 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at October 8, 2022 was 11.0% (October 9, 2021 – 9.0%).

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

(number of awards)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Restricted share units, beginning of period	**735,587**	888,056	**799,345**	894,272
Granted	**13,489**	20,998	**214,526**	350,685
Reinvested	**5,181**	7,472	**7,730**	11,994
Settled	**(26,410)**	(49,244)	**(271,894)**	(328,617)
Forfeited	**(10,885)**	(38,058)	**(32,745)**	(99,110)
Restricted share units, end of period	**716,962**	829,224	**716,962**	829,224

The fair value of RSUs granted during the third quarter of 2022 was $2 million (2021 – $2 million) and $22 million year-to-date (2021 – $23 million).

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

(number of awards)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Performance share units, beginning of period	**601,853**	654,532	**616,417**	666,400
Granted	**51,613**	3,251	**294,179**	272,862
Reinvested	**4,450**	5,586	**6,427**	8,974
Settled	**(6,570)**	(6,460)	**(249,439)**	(224,215)
Forfeited	**(6,358)**	(24,003)	**(22,596)**	(91,115)
Performance share units, end of period	**644,988**	632,906	**644,988**	632,906

The fair value of PSUs granted during the third quarter of 2022 was $6 million (2021 – nominal) and $24 million year-to-date (2021 – $17 million).

Settlement of Awards from Shares Held in Trust During the third quarter of 2022, the Company settled RSUs and PSUs totaling 32,980 (2021 – 55,704) and 521,333 year-to-date (2021 – 552,832), of which 32,980 (2021 – 55,338) and 514,025 (2021 – 552,466) were settled through the trusts established for settlement of each of the RSU and PSU plans (see note 15).

The settlements in the third quarter of 2022 and year-to-date resulted in a $1 million (2021 – $2 million) and $24 million (2021 – $19 million) increase to retained earnings, respectively and a nominal (2021 – $1 million) and $10 million (2021 – $11 million) increase to common share capital, respectively.

Note 17. Post-Employment and Other Long Term Employee Benefits

The net cost recognized in earnings before income taxes for the Company's post-employment and other long-term benefit plans during the periods was as follows:

(millions of Canadian dollars)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Current service cost				
Post-employment benefit costs[(i)]	**$ 50**	$ 54	**$ 130**	$ 141
Other long term employee benefit costs[(ii)]	**10**	12	**18**	29
Net interest (income) cost on net defined benefit plan obligations	**(1)**	2	**(2)**	6
Total post-employment defined benefit cost	**$ 59**	$ 68	**$ 146**	$ 176

(i) Includes costs related to the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates.

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

The actuarial gains (losses) recognized in other comprehensive income (loss) net of taxes for defined benefit plans during the periods were as follows:

(millions of Canadian dollars)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Return (loss) on plan assets, excluding amounts included in net interest expense and other financing charges	**$ 10**	$ (69)	**$ (685)**	$ (133)
Actuarial (losses) gains from change in financial assumptions[(i)]	**(9)**	103	**579**	428
Change in liability arising from asset ceiling[(i)]	**11**	—	**(111)**	—
Total net actuarial gains (losses) recognized in other comprehensive income (loss) before income taxes	**$ 12**	$ 34	**$ (217)**	$ 295
Income tax (expenses) recoveries on actuarial gains (losses)	**(4)**	(9)	**57**	(78)
Actuarial gains (losses) net of income tax (expenses) recoveries	**$ 8**	$ 25	**$ (160)**	$ 217

(i) The actuarial gains and the change in liability arising from asset ceiling were primarily driven by an increase in discount rates, while the losses were mainly due to lower than expected returns on assets.

Note 18. Financial Instruments

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

				As at October 8, 2022				As at October 9, 2021				As at January 1, 2022
(millions of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Fair value through other comprehensive income:												
Certain long term investments and other assets[i]	**$221**	**$ —**	**$ —**	**$ 221**	$116	$ —	$ —	$ 116	$ 96	$ —	$ —	$ 96
Derivatives included in prepaid expenses and other assets	**—**	**5**	**—**	**5**	—	1	—	1	—	1	—	1
Fair value through profit and loss:												
Certain other assets[i]	**—**	**—**	**35**	**35**	—	—	19	19	—	—	29	29
Security deposits	**250**	**—**	**—**	**250**	—	—	—	—	—	—	—	—
Derivatives included in prepaid expenses and other assets	**7**	**21**	**—**	**28**	10	—	1	11	3	2	—	5
Financial liabilities												
Amortized cost:												
Long term debt	**$ —**	**$7,763**	**$ —**	**$7,763**	$ —	$8,057	$ —	$8,057	$ —	$8,106	$ —	$8,106
Certain other liabilities[i]	**—**	**—**	**73**	**73**	—	—	46	46	—	—	57	57
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	**—**	**13**	**—**	**13**	—	—	—	—	—	1	—	1
Fair value through profit and loss:												
Derivatives included in trade payables and other liabilities	**—**	**—**	**7**	**7**	—	1	—	1	—	—	1	1

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

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

During the third quarter of 2022, the Company recognized a gain of $5 million (2021 – nil loss) and a gain of $5 million (2021 – loss of $2 million) year-to-date in operating income on financial instruments designated as amortized cost. In addition, during the third quarter of 2022, the Company recognized a net gain of $24 million (2021 – net gain of $8 million) and a net gain of $52 million (2021 – net gain of $13 million) year-to-date in operating income on financial instruments required to be classified as fair value through profit or loss.

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

During the third quarter of 2022, a loss of $3 million (2021 – loss of $1 million) and a loss of $6 million (2021 – loss of $2 million) year-to-date were recorded in operating income related to these derivatives. In addition, a corresponding liability of $7 million was included in trade payables and other liabilities as at October 8, 2022 (October 9, 2021 – $1 million asset; January 1, 2022 – $1 million liability). As at October 8, 2022, a 1% increase (decrease) in foreign currency exchange rates would result in a gain (loss) in fair value of $1 million.

Securities Investments PC Bank holds investments which are considered part of the liquid securities required to be held to meet its Liquidity Coverage Ratio. As at October 8, 2022, the fair value through other comprehensive income securities of $221 million (October 9, 2021 – $116 million; January 1, 2022 – $96 million) was included in short term investments and other assets on the consolidated balance sheets. During the third quarter of 2022, PC Bank recorded an unrealized fair value loss of $1 million (2021 – nominal unrealized fair value loss) and an unrealized fair value loss of $2 million (2021 – nominal unrealized fair value loss) year-to-date in other comprehensive income related to these investments.

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

					October 8, 2022
			(16 weeks)		(40 weeks)
(millions of Canadian dollars)	Net asset/ (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges					
Foreign Exchange Forwards[(i)]	**$ (10)**	**$ 9**	**$ 1**	**$ 1**	**$ 1**
Bond Forwards[(ii)]	**—**	**1**	**(1)**	**17**	**(4)**
Interest Rate Swaps[(iii)]	**2**	**(1)**	**2**	**1**	**2**
Total derivatives designated as cash flow hedges	**$ (8)**	**$ 9**	**$ 2**	**$ 19**	**$ (1)**
Derivatives not designated in a formal hedging relationship					
Foreign Exchange and Other Forwards	**$ 21**	**$ —**	**$ 22**	**$ —**	**$ 37**
Other Non-Financial Derivatives	**$ 7**	**$ —**	**$ 5**	**$ —**	**$ 20**
Total derivatives not designated in a formal hedging relationship	**$ 28**	**$ —**	**$ 27**	**$ —**	**$ 57**
Total derivatives	**$ 20**	**$ 9**	**$ 29**	**$ 19**	**$ 56**

(i) PC Bank uses foreign exchange forwards, with a notional value of $30 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in trade payables and other liabilities. During the first quarter of 2022, the Company entered into foreign exchange forwards, as described below.

(ii) PC Bank settled $140 million of bond forwards in the third quarter of 2022 (see note 8). The purpose of the bond forward was to hedge the interest rate risk for the $250 million *Eagle* notes issued in the third quarter of 2022. The Company has concluded that the hedge was effective as at the settlement date which resulted in a $8 million fair value gain being reclassified to net earnings over the life of the *Eagle* notes.

(iii) PC Bank uses interest rate swaps, with notional value of $225 million to mitigate the impact of increases in interest rate. The fair value of the derivatives is included in prepaid expenses and other assets.

In the first quarter of 2022, the Company entered into foreign exchange forwards. The purpose of these forward exchange forwards was to hedge the risk that the future cash flows of an anticipated fixed asset purchase transaction will fluctuate because of changes in foreign exchange rates. The Company concluded that these hedges were effective and accordingly, the gains or losses on these foreign exchange forwards are recognized in other comprehensive income. Upon settlement of these foreign exchange forwards, the accumulated other comprehensive income will be included in the initial cost of the fixed asset.

					October 9, 2021
			(16 weeks)		(40 weeks)
(millions of Canadian dollars)	Net asset/ (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges					
Foreign Exchange Forwards[(i)]	$ —	$ —	$ —	$ —	$ (1)
Bond Forwards[(ii)]	—	2	(2)	5	(5)
Total derivatives designated as cash flow hedges	$ —	$ 2	$ (2)	$ 5	$ (6)
Derivatives not designated in a formal hedging relationship					
Foreign Exchange and Other Forwards	$ (1)	$ —	$ 2	$ —	$ (4)
Other Non-Financial Derivatives	10	—	7	—	19
Total derivatives not designated in a formal hedging relationship	$ 9	$ —	$ 9	$ —	$ 15
Total derivatives	$ 9	$ 2	$ 7	$ 5	$ 9

(i) PC Bank uses foreign exchange forwards, with a notional value of $29 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in trade payables and other liabilities.

(ii) PC Bank uses bond forwards, with a notional value of $30 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in prepaid expenses and other assets.

Note 19. Contingent Liabilities

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

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

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

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

In 2017, the Company and Weston announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits have been commenced against the Company and Weston as well as a number of other major grocery retailers and another bread wholesaler. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Weston believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's cash balances far exceed any realistic damages scenario and therefore it does not anticipate any impacts on its dividend, dividend policy or share buyback plan. The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2022 or prior on the basis that a reliable estimate of the liability cannot be determined at this time. The Company will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated and will record an amount in the period at the earlier of when a reliable estimate of liability can be determined or the matter is ultimately resolved. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Weston will not face criminal charges or penalties.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including the Company and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks unquantified damages for the expenses incurred by the federal government, provinces, and territories of Canada in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in Canada. During the second quarter of 2021, the claim against Loblaw Companies Limited was discontinued. In May 2019, two further opioid-related class actions were commenced in each of Ontario and Quebec against a large group of defendants, including Sanis Health Inc. In February 2022, the plaintiff and Sanis Health Inc. agreed to settle the Quebec action for a nominal amount, with no admission of liability and for the express purpose of avoiding the delays, disruption, and expenses associated with the litigation. The settlement has been approved by the court and is now final. In December 2019, a further opioid-related class action was commenced in British Columbia against a large group of defendants, including Sanis Health Inc., Shoppers Drug Mart Inc. and the Company. The allegations in the Ontario, Quebec, and the civil British Columbia class actions are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that these May 2019 and December 2019 claims seek recovery of damages on behalf of opioid users directly. In April 2021, the Company, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with another opioid-related class action that was started in Alberta against multiple defendants. The claim seeks damages on behalf of municipalities and local governments in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. In September 2021, the Company, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with a class action started in Saskatchewan by Peter Ballantyne Cree Nation and Lac La Ronge Indian Band on behalf of all Indigenous, Metis, First Nation and Inuit communities and governments in Canada to recover costs they have incurred as a result of the opioid crisis, including healthcare costs, policing costs and societal costs. The Company believes these proceedings are without merit and is vigorously defending them. The Company does not currently have any significant accruals or provisions for these matters recorded in the unaudited interim period condensed consolidated financial statements.

The Company had been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of the Company that was wound up in 2013, should be treated, and taxed, as income in Canada. In 2021, the Supreme Court ruled in favour of the Company on the Glenhuron matter. As a result of related reassessments received during the first quarter of 2022, the Company reversed $35 million of previously recorded charges, of which $33 million was recorded as income tax recovery and $2 million was recorded as interest income.

In July 2022, the Tax Court released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court ruled that 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 29th, 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal. Although, the Company believes in the merits of its position, the Company recorded a charge of $111 million, inclusive of interest, in the second quarter of 2022. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

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

Note 20. Related Party Transactions

Venture Funds During 2020, Loblaw, Weston and a wholly owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington (“Venture Fund I”). A wholly owned subsidiary of Wittington is the general partner of Venture Fund I, which hired an external fund manager to oversee it. The purpose of Venture Fund I is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have a 33% interest in Venture Fund I. The Company has a total capital commitment of $33 million over a 10-year period. To date, the Company has invested $21 million in Venture Fund I, of which $4 million was invested in the third quarter of 2022 (2021 – $2 million) and $6 million year-to-date (2021 – $8 million) (see note 11).

During the third quarter of 2022, Loblaw became a limited partner in another limited partnership formed by Wittington (“Venture Fund II”). A wholly owned subsidiary of Wittington is also the general partner of Venture Fund II, and the general purpose of Venture Fund II is consistent with Venture Fund I. The Company has a 50% interest in Venture Fund II and has a total capital commitment of $60 million over a 10-year period. No investments were made in the third quarter of 2022.

Disposition of Properties to Choice Properties Real Estate Investment Trust During the third quarter of 2022, the Company did not dispose of any properties to Choice Properties Real Estate Investment Trust (“Choice Properties”). In the first quarter of 2022, the Company disposed of a property to Choice Properties for proceeds of $26 million and recognized a gain of $19 million. This property was not leased back by the Company. There were no dispositions of property to Choice Properties in the first three quarters of 2021.

Leases with Choice Properties During the third quarter of 2022, the Company renewed 42 of the 44 retail leases which would have expired in 2023. Upon renewal, the Company recorded right-of-use assets and lease liabilities of $133 million.

In the second quarter of 2022, the Company announced that it intends to build an industrial facility on part of a property in East Gwillimbury, Ontario owned by a joint venture in which Choice Properties has an ownership interest. The Company expects to bring the industrial facility into its operations in the first quarter of 2024. For the first phase of the development, the Company entered into a 25-year land lease with the joint venture. The Company took possession of the land on October 1, 2022, and as a result recorded a right-of-use asset and lease liability of $120 million. The land lease includes a 15-month construction period with lease payments commencing in 2024.

Financial Liabilities In the third quarter of 2022, the Company did not dispose of any retail property to Choice Properties. On a year-to-date basis, the Company disposed of two retail properties to Choice Properties for total proceeds of $15 million. The properties were leased back by the Company. These transactions did not meet the criteria for sale of asset in accordance with IFRS 15, "Revenue from Contracts with Customers" as the Company did not relinquish control of the properties under the terms of the leases. Total proceeds were recognized as financial liabilities. As at October 8, 2022, $4 million (October 9, 2021 – $3 million; January 1, 2022 – $3 million) was recorded in trade payables and other liabilities and $68 million (October 9, 2021 – $43 million; January 1, 2022 – $54 million) was recorded in other liabilities (see note 14) for all properties sold to date that did not meet the criteria for sale of asset. During the third quarter of 2022, $2 million (2021 – $1 million) of interest expense was recognized in net interest expense and other financing charges (see note 4) and $1 million (2021 – $1 million) of repayment was made on the financial liabilities to Choice Properties. On a year-to-date basis, $4 million (2021 – $2 million) of interest expense was recognized in net interest expense and other financing charges (see note 4) and $3 million (2021 – $2 million) of repayment was made on the financial liabilities to Choice Properties.

Note 21. Segment Information

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 healthcare services and other health and beauty products, apparel and other general merchandise and supports the *PC Optimum*™ Program. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base; and
- The Financial Services segment provides credit card and everyday banking services, the *PC Optimum*™ Program, insurance brokerage services, and telecommunication services.

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

Information for each reportable operating segment is included below:

	October 8, 2022 (16 weeks)				October 9, 2021 (16 weeks)			
(millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations[(i)]**	**Total**	Retail	Financial Services	Eliminations[(i)]	Total
Revenue[(ii)]	**$ 17,130**	**$ 350**	**$ (92)**	**$ 17,388**	$ 15,831	$ 297	$ (78)	$ 16,050
Operating income	$ 949	$ 42	$ —	$ 991	$ 816	$ 47	$ —	$ 863
Net interest expense and other financing charges	194	23	—	217	187	16	—	203
Earnings before income taxes	**$ 755**	**$ 19**	**$ —**	**$ 774**	$ 629	$ 31	$ —	$ 660
Operating income	**$ 949**	**$ 42**	**$ —**	**$ 991**	$ 816	$ 47	$ —	$ 863
Depreciation and amortization	851	13	—	864	807	10	—	817
Adjusting items	142	—	—	142	149	—	—	149
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
Depreciation and amortization[(iii)]	700	13	—	713	652	10	—	662
Adjusted operating income	**$ 1,091**	**$ 42**	**$ —**	**$ 1,133**	$ 965	$ 47	$ —	$ 1,012

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

(ii) Included in Financial Services revenue is $136 million (2021 – $108 million) of interest income.

(iii) Depreciation and amortization for the calculation of adjusted EBITDA[(2)] excludes $151 million (2021 – $155 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark.

	October 8, 2022 (40 weeks)				October 9, 2021 (40 weeks)			
(millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations(i)**	**Total**	Retail	Financial Services	Eliminations(i)	Total
Revenue(ii)	**$41,798**	**$ 921**	**$ (222)**	**$42,497**	$39,783	$ 822	$ (192)	$40,413
Operating income	$ 2,450	$ 21	$ —	$ 2,471	$ 2,077	$ 155	$ —	$ 2,232
Net interest expense and other financing charges	455	56	—	511	476	48	—	524
Earnings (losses) before income taxes	**$ 1,995**	**$ (35)**	**$ —**	**$ 1,960**	$ 1,601	$ 107	$ —	$ 1,708
Operating income	**$ 2,450**	**$ 21**	**$ —**	**$ 2,471**	$ 2,077	$ 155	$ —	$ 2,232
Depreciation and amortization	2,093	35	—	2,128	2,011	30	—	2,041
Adjusting items	360	111	—	471	379	—	—	379
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
Depreciation and amortization(iii)	1,711	35	—	1,746	1,622	30	—	1,652
Adjusted operating income	**$ 2,810**	**$ 132**	**$ —**	**$ 2,942**	$ 2,456	$ 155	$ —	$ 2,611

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

(ii) Included in Financial Services revenue is $371 million (2021 – $316 million) of interest income.

(iii) Depreciation and amortization for the calculation of adjusted EBITDA(2) excludes $382 million (2021 – $389 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark.

The Company's revenue, by type of goods or services, is reconciled to the Company's segment revenue:

(millions of Canadian dollars)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Food retail	**$ 12,221**	$ 11,382	**$ 29,884**	$ 28,739
Drug retail				
Pharmacy and healthcare services	**$ 2,466**	$ 2,226	**$ 6,003**	$ 5,496
Front store	**2,443**	2,223	**5,911**	5,548
	$ 4,909	$ 4,449	**$ 11,914**	$ 11,044
Retail total	**$ 17,130**	$ 15,831	**$ 41,798**	$ 39,783
Financial Services	**350**	297	**921**	822
Eliminations(i)	**(92)**	(78)	**(222)**	(192)
Total	**$ 17,388**	$ 16,050	**$ 42,497**	$ 40,413

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

(millions of Canadian dollars)	**As at October 8, 2022**	As at October 9, 2021	As at January 1, 2022
Total assets			
Retail	**$ 32,254**	$ 31,490	$ 31,613
Financial Services	**5,441**	4,468	5,001
	$ 37,695	$ 35,958	$ 36,614

(millions of Canadian dollars)	**October 8, 2022 (16 weeks)**	October 9, 2021 (16 weeks)	**October 8, 2022 (40 weeks)**	October 9, 2021 (40 weeks)
Additions to fixed assets and intangible assets				
Retail(i)	**$ 423**	$ 324	**$ 898**	$ 773
Financial Services	**9**	6	**22**	18
	$ 432	$ 330	**$ 920**	$ 791

(i) During 2022, there were no additions to fixed assets in the retail segment related to prepayments that were made in 2021 and transferred from other assets. During 2021, additions to fixed assets in the retail segment included prepayments that were made in 2020 and transferred from other assets of nil in the third quarter of 2021 and $1 million year-to-date 2021.

Financial Summary[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)
Consolidated Results of Operations		
Revenue	**$ 17,388**	$ 16,050
Revenue growth	**8.3 %**	2.4 %
Operating income	**$ 991**	$ 863
Adjusted EBITDA[2]	**1,846**	1,674
Adjusted EBITDA margin[2]	**10.6 %**	10.4 %
Net interest expense and other financing charges	**$ 217**	$ 203
Adjusted net interest expense and other financing charges[2]	**217**	203
Net earnings	**575**	488
Net earnings attributable to shareholders of the Company	**559**	434
Net earnings available to common shareholders of the Company	**556**	431
Adjusted net earnings available to common shareholders of the Company[2]	**663**	540
Consolidated Per Common Share ($)		
Diluted net earnings	**$ 1.69**	$ 1.27
Adjusted diluted net earnings[2]	**$ 2.01**	$ 1.59
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents and short term investments	**$ 1,708**	$ 2,373
Cash flows from operating activities	**1,499**	1,316
Capital investments	**432**	330
Free cash flow[2]	**519**	455
Financial Measures		
Retail debt to rolling year retail adjusted EBITDA[2]	**2.4 x**	2.6 x
Rolling year adjusted return on equity[2]	**20.1 %**	16.7 %
Rolling year adjusted return on capital[2]	**10.6 %**	9.8 %

Financial Summary[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)
Retail Results of Operations		
Sales	**$ 17,130**	$ 15,831
Operating income	**949**	816
Adjusted gross profit[2]	**5,272**	4,856
Adjusted gross profit %[2]	**30.8 %**	30.7 %
Adjusted EBITDA[2]	**$ 1,791**	$ 1,617
Adjusted EBITDA margin[2]	**10.5 %**	10.2 %
Depreciation and amortization	**$ 851**	$ 807
Retail Operating Statistics		
Food retail same-store sales growth	**6.9 %**	0.2 %
Drug retail same-store sales growth	**7.7 %**	4.4 %
Total retail square footage (in millions)	**70.9**	71.2
Number of corporate stores	**542**	550
Number of franchise stores	**550**	546
Number of Associate-owned drug stores	**1,344**	1,343
Financial Services Results of Operations		
Revenue	**$ 350**	$ 297
Earnings before income taxes	**19**	31
Financial Services Operating Measures and Statistics		
Average quarterly net credit card receivables	**$ 3,520**	$ 3,050
Credit card receivables	**3,679**	3,154
Allowance for credit card receivables	**202**	205
Annualized yield on average quarterly gross credit card receivables	**13.0 %**	12.8 %
Annualized credit loss rate on average quarterly gross credit card receivables	**2.6 %**	2.7 %

Financial Results and Financial Summary Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 147 of the Company's 2021 Annual Report - Financial Review.

(2) See Section 11 "Non-GAAP Financial Measures" of the Company's Management's Discussion and Analysis for the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

Corporate Profile

Loblaw Companies Limited ("Loblaw") is Canada's food and pharmacy leader, and the nation's largest retailer. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, financial services and wireless mobile products and services. With more than 2,400 corporate, franchised and Associate-owned locations, Loblaw, its franchisees and associate-owners employ more than 190,000 full- and part-time employees, making it one of Canada's largest private sector employers.

Loblaw's purpose - *Live Life Well®* - puts first the needs and well-being of Canadians who make one billion transactions annually in the company's stores. Loblaw is positioned to meet and exceed those needs in many ways: convenient locations; more than 1,050 grocery stores that span the value spectrum from discount to specialty; full-service pharmacies at nearly 1,400 *Shoppers Drug Mart®* and *Pharmaprix®* locations and close to 500 Loblaw locations; *PC Financial®* services; affordable *Joe Fresh®* fashion and family apparel; and four of Canada's top-consumer brands in *Life Brand®*, *Farmer's Market™*, *no name®* and *President's Choice®*.

Trademarks

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

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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.

loblaw.ca

pcexpress.ca

shoppersdrugmart.ca

pharmaprix.ca

pcfinancial.ca

presidentschoice.ca

pcoptimum.ca

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noname.ca

tntsupermarket.com

wellwise.ca

Apps

PC Express™

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