Loblaw Companies Limited

NEWS RELEASE

Loblaw Reports 2022 Fourth Quarter Results and Fiscal Year Ended December 31, 2022 Results

BRAMPTON, ONTARIO February 23, 2023 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") announced today its unaudited financial results for the fourth quarter ended December 31, 2022[1] and the release of its 2022 Annual Report - Financial Review ("Annual Report"). The Annual Report includes the Company's audited financial statements and Management's Discussion and Analysis ("MD&A") for the fiscal year ended December 31, 2022.

Loblaw continued to deliver strong financial and operating results in the fourth quarter. Retail segment sales grew 9.7% reflecting strong growth in both Food and Drug businesses. Drug Retail sales growth was driven by continued strong demand for cough and cold products and strength in high margin beauty and cosmetics categories. Food Retail sales reflected the Company's efforts to provide value to its customers. The Company's Discount stores outperformed, benefiting from an increased consumer focus on price. Market stores extended strong performance relative to peers with impactful promotional strategies. Gross margins were slightly lower, largely related to the no name® price freeze and increased commitment to promotional activity, partially offset by continued strength in higher margin front-store sales in the Drug business. Higher sales and leverage from focused cost control measures drove earnings growth in the quarter.

"Loblaw used its assets to provide value to customers in a period of continued inflation," said Galen G. Weston, Chairman and President, Loblaw Companies Limited. "Consumers responded favourably to those efforts and continued to benefit from our extensive private label offering, leading loyalty program and targeted promotions."

2022 FOURTH QUARTER HIGHLIGHTS

- Revenue was $14,007 million, an increase of $1,250 million, or 9.8%.
- Retail segment sales were $13,694 million, an increase of $1,208 million, or 9.7%.
  - Food Retail (Loblaw) same-stores sales increased by 8.4%.
  - Drug Retail (Shoppers Drug Mart) same-store sales increased by 8.7%, with front store same-store sales growth of 11.5% and pharmacy same-store sales growth of 5.4%.
- E-commerce sales increased by 8.3%.
- Operating income was $871 million, an increase of $166 million, or 23.5%.
- Adjusted EBITDA[2] was $1,493 million, an increase of $169 million, or 12.8%.
- Retail segment adjusted gross profit percentage[2] was 30.6%, a decrease of 30 basis points.
- Retail segment selling, general and administrative expenses ("SG&A") as a percentage of sales was 20.2%, a favourable decrease of 70 basis points.
- Net earnings available to common shareholders of the Company were $529 million, a decrease of $215 million or 28.9%. Diluted net earnings per common share were $1.62, a decrease of $0.58, or 26.4%. The decrease was primarily driven by a prior year gain related to a favourable Court ruling.
- Adjusted net earnings available to common shareholders of the Company[2] were $575 million, an increase of $60 million, or 11.7%.
- Adjusted diluted net earnings per common share[2] were $1.76, an increase of $0.24 or 15.8%.
- Repurchased for cancellation 0.8 million common shares at a cost of $100 million and invested $599 million in capital expenditures, net of proceeds from property disposals. Retail segment free cash flow[2] was $408 million.

2022 SELECT ANNUAL HIGHLIGHTS

- Revenue was $56,504 million, an increase of $3,334 million, or 6.3%.
- Food Retail same-store sales increased by 4.7% and Drug Retail same-store sales increased by 6.9%.
- E-commerce sales were approximately $3 billion, a decrease of 3.8%, lapping elevated online sales due to lockdowns last year.
- Net earnings available to common shareholders of the Company were $1,909 million, an increase of $46 million or 2.5%. Diluted net earnings per common share were $5.75, an increase of $0.30, or 5.5%.
- Adjusted net earnings available to common shareholders of the Company(2) were $2,263 million, an increase of $352 million, or 18.4%.
- Adjusted diluted net earnings per common share(2) were $6.82, an increase of $1.23, or 22.0%.
- Repurchased for cancellation, 10.9 million common shares at a cost of $1,258 million and invested $1,407 million in capital expenditures, net of proceeds from property disposals. Retail segment free cash flow(2) was $2,005 million.

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

CONSOLIDATED AND SEGMENT RESULTS OF OPERATIONS

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

For the periods ended December 31, 2022 and January 1, 2022 (millions of Canadian dollars except where otherwise indicated)	**2022 (12 weeks)** Retail	Financial Services	Eliminations	Total	2021 (12 weeks) Retail	Financial Services	Eliminations	Total
Revenue	**$13,694**	**$ 417**	**$ (104)**	**$14,007**	$12,486	$ 360	$ (89)	$12,757
Adjusted gross profit[2]	$ 4,188	$ 336	$ (104)	$ 4,420	$ 3,859	$ 282	$ (89)	$ 4,052
Adjusted gross profit %[2]	30.6 %	N/A	— %	31.6 %	30.9 %	N/A	— %	31.8 %
Operating income	**$ 810**	**$ 61**	**$ —**	**$ 871**	$ 636	$ 69	$ —	$ 705
Adjusted operating income[2]	880	61	—	941	749	69	—	818
Adjusted EBITDA[2]	$ 1,418	$ 75	$ —	$ 1,493	$ 1,244	$ 80	$ —	$ 1,324
Adjusted EBITDA margin[2]	10.4 %	N/A	— %	10.7 %	10.0 %	N/A	— %	10.4 %
Net interest expense (recovery) and other financing charges	**$ 144**	**$ 28**	**$ —**	**$ 172**	$ (45)	$ 16	$ —	$ (29)
Adjusted net interest expense and other financing charges	144	28	—	172	144	16	—	160
Earnings before income taxes	**$ 666**	**$ 33**	**$ —**	**$ 699**	$ 681	$ 53	$ —	$ 734
Income taxes				$ 181				$ 15
Adjusted income taxes[2]				205				168
Net loss attributable to non-controlling interests				$ (14)				$ (28)
Prescribed dividends on preferred shares in share capital				3				3
Net earnings available to common shareholders of the Company				**$ 529**				$ 744
Adjusted net earnings available to common shareholders of the Company[2]				575				515
Diluted net earnings per common share ($)				**$ 1.62**				$ 2.20
Adjusted diluted net earnings per common share[2] ($)				$ 1.76				$ 1.52
Diluted weighted average common shares outstanding (in millions)				**327.4**				338.1

For the years ended December 31, 2022 and January 1, 2022 (millions of Canadian dollars except where otherwise indicated)	**Retail**	**Financial Services**	**Eliminations**	**Total 2022 (52 weeks)**	Retail	Financial Services	Eliminations	Total 2021 (52 weeks)
Revenue	**$55,492**	**$ 1,338**	**$ (326)**	**$56,504**	$52,269	$ 1,182	$ (281)	$53,170
Adjusted gross profit[2]	$17,165	$ 1,137	$ (326)	$ 17,976	$16,041	$ 974	$ (281)	$16,734
Adjusted gross profit %[2]	30.9 %	N/A	— %	31.8 %	30.7 %	N/A	— %	31.5 %
Operating income	**$3,260**	**$ 82**	**$ —**	**$ 3,342**	$ 2,713	$ 224	$ —	$ 2,937
Adjusted operating income[2]	3,690	193	—	3,883	3,205	224	—	3,429
Adjusted EBITDA[2]	$5,939	$ 242	$ —	$ 6,181	$ 5,322	$ 265	$ —	$ 5,587
Adjusted EBITDA margin[2]	10.7 %	N/A	— %	10.9 %	10.2 %	N/A	— %	10.5 %
Net interest expense and other financing charges	**$ 599**	**$ 84**	**$ —**	**$ 683**	$ 431	$ 64	$ —	$ 495
Adjusted net interest expense and other financing charges	610	84	—	694	620	64	—	684
Earnings (Losses) before income taxes	**$2,661**	**$ (2)**	**$ —**	**$ 2,659**	$ 2,282	$ 160	$ —	$ 2,442
Income taxes				$ 665				$ 466
Adjusted income taxes[2]				841				721
Net earnings attributable to non-controlling interests				$ 73				$ 101
Prescribed dividends on preferred shares in share capital				12				12
Net earnings available to common shareholders of the Company				**$ 1,909**				$ 1,863
Adjusted net earnings available to common shareholders of the Company[2]				2,263				1,911
Diluted net earnings per common share ($)				**$ 5.75**				$ 5.45
Adjusted diluted net earnings per common share[2] ($)				$ 6.82				$ 5.59
Diluted weighted average common shares outstanding (in millions)				**331.7**				341.8

For the periods ended December 31, 2022 and January 1, 2022	**2022 (12 weeks)**		2021 (12 weeks)		**2022 (52 weeks)**		2021 (52 weeks)	
(millions of Canadian dollars except where otherwise indicated)	**Sales**	**Same-store sales**	Sales	Same-store sales	**Sales**	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 9,514**	**8.4 %**	$ 8,742	1.1 %	**$39,398**	**4.7 %**	$ 37,481	0.3 %
Drug retail	**4,180**	**8.7 %**	3,744	7.9 %	**16,094**	**6.9 %**	14,788	5.0 %
Pharmacy and healthcare services	**1,941**	**5.4 %**	1,728	10.2 %	**7,944**	**5.7 %**	7,224	8.4 %
Front store	**2,239**	**11.5 %**	2,016	6.1 %	**8,150**	**8.2 %**	7,564	2.1 %

RETAIL SEGMENT

- Retail segment sales in the fourth quarter of 2022 were $13,694 million, an increase of $1,208 million, or 9.7%.
  - Food Retail (Loblaw) sales were $9,514 million and Food Retail same-store sales grew by 8.4% (2021 – grew by 1.1%).
    - The Consumer Price Index as measured by The Consumer Price Index for Food Purchased From Stores was 11.2% (2021 – 4.8%) which was generally in line with the Company's internal food inflation; and
    - Food Retail traffic increased and basket size decreased slightly.
  - Drug Retail (Shoppers Drug Mart) sales were $4,180 million, and Drug Retail same-store sales grew by 8.7% (2021 – 7.9%), with pharmacy and healthcare services same-store sales growth of 5.4% (2021 – 10.2%) and front store same-store sales growth of 11.5% (2021 – 6.1%). Pharmacy and healthcare services sales include Lifemark Health Group ("Lifemark") revenues of $110 million. Lifemark revenues are excluded from same-store sales.
    - On a same-store basis, the number of prescriptions dispensed increased by 2.2% (2021 – 8.8%) and the average prescription value increased by 2.3% (2021 – 1.1%).
- Operating income in the fourth quarter of 2022 was $810 million, an increase of $174 million, or 27.4%.
- Adjusted gross profit(2) in the fourth quarter of 2022 was $4,188 million, an increase of $329 million, or 8.5%. The adjusted gross profit percentage(2) of 30.6% decreased by 30 basis points (2021 – increased by 150 basis points), primarily driven by a decrease in Food Retail margin partially offset by growth in higher margin Drug Retail front store categories.
- Adjusted EBITDA(2) in the fourth quarter of 2022 was $1,418 million, an increase of $174 million, or 14.0%. The increase was driven by an increase in adjusted gross profit(2), partially offset by an increase in SG&A. SG&A as a percentage of sales was 20.2%, a favorable decrease of 70 basis points. The favourable decrease of 70 basis points was primarily due to operating leverage from higher sales.
- Depreciation and amortization in the fourth quarter of 2022 was $653 million, an increase of $41 million or 6.7%, primarily driven by an increase in IT assets and leased assets. Included in depreciation and amortization was accelerated depreciation of $10 million due to the reassessment of the estimated useful life of certain IT assets, and the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and Lifemark of $115 million (2021 – $117 million).
- Revenue of $110 million and nominal net earnings were contributed by Lifemark in the fourth quarter of 2022. Net earnings includes amortization related to the acquired intangible assets of $3 million.
- In the fourth quarter of 2022, the Company finalized network optimization plans that will result in banner conversions and right-sizing of an additional 34 underperforming retail locations across a range of banners and formats. Charges associated with network optimization will be recorded as incurred and are expected to include equipment, severance, lease related and other costs and will not be considered an adjusting item. The Company expects to realize approximately $40 million in annualized EBITDA run-rate savings related to these plans. In the fourth quarter of 2022, the Company recorded charges of $11 million as a result of this network optimization project and expects to record additional charges of approximately $50 million to $60 million as they are incurred throughout 2023.

FINANCIAL SERVICES SEGMENT

- Revenue in the fourth quarter of 2022 was $417 million, an increase of $57 million or 15.8%. The increase was primarily driven by higher interest income from growth in credit card receivable balances and higher interchange income and other credit card related fees from an increase in consumer spending.
- Earnings before income taxes in the fourth quarter of 2022 were $33 million, a decrease in earnings of $20 million. The Financial Services business continued to benefit from the economic re-opening in the quarter. The decrease in earnings was mainly driven by lapping the benefit of reversing a $27 million commodity tax accrual in the fourth quarter of last year.

STRATEGIC UPDATE AND OUTLOOK[3]

Strategic Update Loblaw's portfolio of businesses remains strong and well-positioned as global factors continue to cause unprecedented inflationary pressures and higher food costs. The Company's best in class assets continue to meet customers' everyday needs for food, health and wellness – supporting Loblaw's purpose: helping Canadians Live Life Well®. In an evolving and challenging landscape, in 2023 the Company will focus on three strategic pillars: delivering retail excellence; driving growth; and investing for the future.

Retail Excellence Loblaw creates value through disciplined execution of core retail operations and by leveraging its scale and strategic assets. This retail excellence is underpinned by process and efficiency initiatives and helps grow sales, optimize gross margins, and reduce operating costs. The Company remains focused on strategic procurement opportunities to deliver reliability, improve product selection and drive economies of scale across its grocery and pharmacy network. Leveraging its customer loyalty program and more than one billion customer transactions across food, pharmacy, apparel, and financial services, Loblaw will increase its promotional effectiveness while delivering personalized value and unmatched service to Canadians. The Company will continue to invest in and optimize its retail network to better meet customer needs and improve its overall profitability. Management's clear commitment to food and drug retail excellence, together with a sense of urgency, is focused on delivering consistent strong operational and financial performance.

Driving Growth Loblaw continues to invest in targeted growth areas to further differentiate its portfolio of assets and generate competitive advantage. The three priority areas are: Digital Retail, Loblaw Media, and PC Optimum™. The Company will focus on enhancing and integrating its Digital Retail platforms across each of its businesses and improving the customer experience and functionality. The Loblaw Media platform provides expanded advertising opportunities on the Company's digital platforms and in-stores, delivering an unmatched value proposition to vendors. The Company's PC Optimum™ loyalty program continues to evolve, with increasing customer digital engagement, more meaningful personalized offers, and more effective promotions, all toward strengthening the loyalty loop and increasing the share of customer wallet.

Investing For The Future Loblaw will continue to make capital investments towards the modernization and automation of its supply chain and the expansion of its retail network. These investments will be partially funded by proceeds from real estate dispositions. Loblaw will continue to invest in its Connected Healthcare strategy with the goal of growing its healthcare ecosystem by connecting patients and providers through an unmatched network of pharmacies, healthcare professionals and technology solutions. Pharmacies will play an increasing role in the delivery of healthcare services to Canadians through expanded scope of practice changes and the expansion of pharmacist led clinics.

Outlook[3] Loblaw will continue to execute on retail excellence while advancing its growth initiatives in 2023. The Company's businesses remain well placed to service the everyday needs of Canadians. However, the Company cannot predict the precise impacts of global economic uncertainties, including the inflationary environment, on its 2023 financial results.

For the full-year 2023, the Company expects:

- its Retail business to grow earnings faster than sales;
- adjusted net earnings per common share[2] growth in the low double digits;
- to increase investments in our store network and distribution centres by investing a net amount of $1.6 billion in capital expenditures, which reflects gross capital investments of approximately $2.1 billion offset by approximately $500 million of proceeds from real estate dispositions; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

In 2022, Loblaw introduced a new ESG strategy, focused on Fighting Climate Change and Advancing Social Equity. The Company established new, marquee commitments including a roadmap to net-zero carbon emissions, plans to tackle plastic and food waste, an ambition to make Canada's largest workforce its most inclusive workforce, and to support the health of women and children in communities nationwide.

Among a range of activities, 2022 ESG highlights included the following: The Company completed 250 carbon-reduction projects, transformed plastic packaging on hundreds of products, paired each of its stores with food donation agencies, marshalled more than $110 million to charitable programs nationwide, trained over 80,000 colleagues nationwide with "inclusion" training, provided millions of menstruation products to fight period poverty, and committed its President's Choice Children's Charity to feed one million kids annually by 2025.

In 2022, the Company met increasing standards of transparency. In addition to its long-standing reporting, Loblaw conducted and disclosed the following for the first time in 2022: Climate risk assessment; Taskforce for Climate-Related Financial Disclosure (TCFD) report; Human Rights Assessment of salient risks; Sustainability Accounting Standards Board (SASB) Commercial Finance; SASB Apparel, Accessories, Footwear; Bloomberg Gender Equity Index; and Workforce Disclosure Initiative.

NORMAL COURSE ISSUER BID PROGRAM

In 2022, the Company repurchased 10.9 million common shares for cancellation at a cost of $1,258 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.

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements reflect the Company's estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and, as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the Company's MD&A in the Company's 2022 Annual Report - Financial Review and Section 4 "Risks" of the Company's 2022 Annual Information Form for the year ended December 31, 2022.

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

DECLARATION OF DIVIDENDS

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

Common Shares	$0.405 per common share, payable on April 1, 2023 to shareholders of record on March 15, 2023.
Second Preferred Shares, Series B	$0.33125 per share, payable on March 31, 2023 to shareholders of record on March 15, 2023.

EXCERPT OF NON-GAAP FINANCIAL MEASURES

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

These measures do not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB"), and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

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

For the periods ended December 31, 2022 and January 1, 2022 (millions of Canadian dollars except where otherwise indicated)	**2022 (12 weeks)**			2021 (12 weeks)		
	GAAP	**Adjusting Items**	**Non-GAAP[(2)]**	GAAP	Adjusting Items	Non-GAAP[(2)]
EBITDA	**$ 1,538**	**$ (45)**	**$ 1,493**	$ 1,328	$ (4)	$ 1,324
Operating income	**$ 871**	**$ 70**	**$ 941**	$ 705	$ 113	$ 818
Net interest expense (recovery) and other financing charges	**172**	**—**	**172**	(29)	189	160
Earnings before income taxes	**$ 699**	**$ 70**	**$ 769**	$ 734	$ (76)	$ 658
Deduct (add) the following:						
Income taxes	**181**	**24**	**205**	15	153	168
Non-controlling interests	**(14)**	**—**	**(14)**	(28)	—	(28)
Prescribed dividends on preferred shares	**3**	**—**	**3**	3	—	3
Net earnings available to common shareholders of the Company[(i)]	**$ 529**	**$ 46**	**$ 575**	$ 744	$ (229)	$ 515
Diluted net earnings per common share ($)	**$ 1.62**	**$ 0.14**	**$ 1.76**	$ 2.20	$ (0.68)	$ 1.52
Diluted weighted average common shares (millions)	**327.4**	**—**	**327.4**	338.1	—	338.1

For the years ended December 31, 2022 and January 1, 2022 (millions of Canadian dollars except where otherwise indicated)	**2022 (52 weeks)**			2021 (52 weeks)		
	GAAP	**Adjusting Items**	**Non-GAAP[(2)]**	GAAP	Adjusting Items	Non-GAAP[(2)]
EBITDA	**$ 6,137**	**$ 44**	**$ 6,181**	$ 5,601	$ (14)	$ 5,587
Operating income	**$ 3,342**	**$ 541**	**$ 3,883**	$ 2,937	$ 492	$ 3,429
Net interest expense and other financing charges	**683**	**11**	**694**	495	189	684
Earnings before income taxes	**$ 2,659**	**$ 530**	**$ 3,189**	$ 2,442	$ 303	$ 2,745
Deduct the following:						
Income taxes	**665**	**176**	**841**	466	255	721
Non-controlling interests	**73**	**—**	**73**	101	—	101
Prescribed dividends on preferred shares	**12**	**—**	**12**	12	—	12
Net earnings available to common shareholders of the Company[(i)]	**$ 1,909**	**$ 354**	**$ 2,263**	$ 1,863	$ 48	$ 1,911
Diluted net earnings per common share ($)	**$ 5.75**	**$ 1.07**	**$ 6.82**	$ 5.45	$ 0.14	$ 5.59
Diluted weighted average common shares (millions)	**331.7**	**—**	**331.7**	341.8	—	341.8

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

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

(millions of Canadian dollars except where otherwise indicated)	**2022 (12 weeks)**	2021 (12 weeks)	**2022 (52 weeks)**	2021 (52 weeks)
Operating income	**$ 871**	$ 705	**$ 3,342**	$ 2,937
Add (deduct) impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 111**	$ 117	**$ 486**	$ 506
Amortization of intangible assets acquired with Lifemark	**4**	—	**11**	—
Fair value adjustment on fuel and foreign currency contracts	**11**	6	**(5)**	(13)
Charge related to PC Bank commodity tax matter	**—**	—	**111**	—
Lifemark transaction costs	**—**	—	**16**	—
Restructuring and other related (recoveries) costs	**—**	(8)	**(15)**	13
Fair value adjustment on non-operating properties	**(6)**	(2)	**(6)**	(2)
Gain on sale of non-operating properties	**(50)**	—	**(57)**	(12)
Adjusting items	**$ 70**	$ 113	**$ 541**	$ 492
Adjusted operating income[(2)]	**$ 941**	$ 818	**$ 3,883**	$ 3,429
Net interest expense (recovery) and other financing charges	**$ 172**	$ (29)	**$ 683**	$ 495
Add the impact of the following:				
Recovery related to Glenhuron	**—**	189	**11**	189
Adjusted net interest expense and other financing charges[(2)]	**$ 172**	$ 160	**$ 694**	$ 684
Income taxes	**$ 181**	$ 15	**$ 665**	$ 466
Add the impact of the following:				
Tax impact of items included in adjusted earnings before taxes	**$ 24**	$ 25	**$ 143**	$ 127
Recovery related to Glenhuron	**—**	128	**33**	128
Adjusting items	**$ 24**	$ 153	**$ 176**	$ 255
Adjusted income taxes[(2)]	**$ 205**	$ 168	**$ 841**	$ 721

SELECTED FINANCIAL INFORMATION

The following includes selected quarterly and annual financial information, which is prepared by management in accordance with IFRS and is based on the Company's audited annual consolidated financial statements for the year ended December 31, 2022. This financial information does not contain all disclosures required by IFRS, and accordingly, should be read in conjunction with the Company's 2022 Annual Report, which is available in the Investors section of the Company's website at loblaw.ca and on sedar.com.

Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated)	**December 31, 2022 (12 weeks) (unaudited)**	January 1, 2022 (12 weeks) (unaudited)	**December 31, 2022 (52 weeks) (audited)**	January 1, 2022 (52 weeks) (audited)
Revenue	**$ 14,007**	$ 12,757	**$ 56,504**	$ 53,170
Cost of sales	**9,587**	8,705	**38,528**	36,436
Selling, general and administrative expenses	**3,549**	3,347	**14,634**	13,797
Operating income	**$ 871**	$ 705	**$ 3,342**	$ 2,937
Net interest expense (recovery) and other financing charges	**172**	(29)	**683**	495
Earnings before income taxes	**$ 699**	$ 734	**$ 2,659**	$ 2,442
Income taxes	**181**	15	**665**	466
Net earnings	**$ 518**	$ 719	**$ 1,994**	$ 1,976
Attributable to:				
Shareholders of the Company	**$ 532**	$ 747	**$ 1,921**	$ 1,875
Non-controlling interests	**(14)**	(28)	**73**	101
Net earnings	**$ 518**	$ 719	**$ 1,994**	$ 1,976
Net earnings per common share ($)				
Basic	**$ 1.63**	$ 2.23	**$ 5.82**	$ 5.49
Diluted	**$ 1.62**	$ 2.20	**$ 5.75**	$ 5.45
Weighted average common shares outstanding (millions)				
Basic	**323.8**	334.2	**328.1**	339.1
Diluted	**327.4**	338.1	**331.7**	341.8

Consolidated Balance Sheets

(millions of Canadian dollars)	As at December 31, 2022	As at January 1, 2022
Assets		
Current assets		
Cash and cash equivalents	**$ 1,608**	$ 1,976
Short term investments	**326**	464
Accounts receivable	**1,199**	947
Credit card receivables	**3,954**	3,443
Inventories	**5,855**	5,166
Income tax recoverable	**—**	301
Prepaid expenses and other assets	**353**	249
Assets held for sale	**81**	91
Total current assets	**$ 13,376**	$ 12,637
Fixed assets	**5,696**	5,447
Right-of-use assets	**7,409**	7,175
Investment properties	**60**	111
Intangible assets	**6,505**	6,402
Goodwill	**4,323**	3,949
Deferred income tax assets	**86**	91
Other assets	**692**	802
Total assets	**$ 38,147**	$ 36,614
Liabilities		
Current liabilities		
Bank indebtedness	**$ 8**	$ 52
Trade payables and other liabilities	**6,218**	5,433
Loyalty liability	**180**	190
Provisions	**110**	111
Income taxes payable	**195**	153
Demand deposits from customers	**125**	75
Short term debt	**700**	450
Long term debt due within one year	**727**	1,002
Lease liabilities due within one year	**1,401**	1,297
Associate interest	**434**	433
Total current liabilities	**$ 10,098**	$ 9,196
Provisions	**109**	114
Long term debt	**7,056**	6,211
Lease liabilities	**7,714**	7,542
Deferred income tax liabilities	**1,279**	1,346
Other liabilities	**435**	468
Total liabilities	**$ 26,691**	$ 24,877
Equity		
Share capital	**$ 6,686**	$ 6,852
Retained earnings	**4,461**	4,591
Contributed surplus	**122**	116
Accumulated other comprehensive income	**30**	14
Total equity attributable to shareholders of the Company	**$ 11,299**	$ 11,573
Non-controlling interests	**157**	164
Total equity	**$ 11,456**	$ 11,737
Total liabilities and equity	**$ 38,147**	$ 36,614

Consolidated Statements of Cash Flows

(millions of Canadian dollars)	**December 31, 2022 (12 weeks)**	January 1, 2022 (12 weeks)	**December 31, 2022 (52 weeks)**	January 1, 2022 (52 weeks)
Operating activities				
Net earnings	**$ 518**	$ 719	**$ 1,994**	$ 1,976
Add (deduct):				
Income taxes	**181**	15	**665**	466
Net interest expense (recovery) and other financing charges	**172**	(29)	**683**	495
Adjustment to fair value of investment properties	**(6)**	(2)	**(6)**	(2)
Depreciation and amortization	**667**	623	**2,795**	2,664
Asset impairments, net of recoveries	**26**	46	**34**	54
Change in allowance for credit card receivables	**4**	—	**1**	(32)
Change in provisions	**(34)**	(6)	**(6)**	12
Change in non-cash working capital	**44**	100	**(490)**	90
Change in gross credit card receivables	**(279)**	(289)	**(512)**	(302)
Income taxes paid	**(155)**	(161)	**(439)**	(643)
Interest received	**7**	—	**35**	4
Interest received from finance leases	**—**	1	**3**	4
Other	**3**	7	**(2)**	41
Cash flows from operating activities	**$ 1,148**	$ 1,024	**$ 4,755**	$ 4,827
Investing activities				
Fixed asset purchases	**$ (540)**	$ (286)	**$ (1,152)**	$ (803)
Intangible asset additions	**(111)**	(106)	**(419)**	(379)
Acquisition of Lifemark, net of cash acquired	**—**	—	**(813)**	—
Proceeds from sale (purchase) of short term investments	**(32)**	129	**138**	(164)
Proceeds from disposal of assets	**52**	24	**164**	80
Lease payments received from finance leases	**2**	5	**15**	14
Change in security deposits	**250**	—	**—**	—
Purchase of long term securities	**(70)**	—	**(180)**	—
Other	**33**	(15)	**(121)**	(19)
Cash flows used in investing activities	**$ (416)**	$ (249)	**$ (2,368)**	$ (1,271)
Financing activities				
Decrease in bank indebtedness	**$ (8)**	$ (114)	**$ (44)**	$ (34)
Increase (decrease) in short term debt	**100**	150	**250**	(125)
Change in demand deposits from customers	**16**	16	**50**	51
Long term debt				
Issued	**304**	214	**1,818**	772
Repayments	**(297)**	(171)	**(1,243)**	(603)
Interest paid	**(85)**	(75)	**(344)**	(339)
Cash rent paid on lease liabilities - Interest	**(81)**	(77)	**(333)**	(340)
Cash rent paid on lease liabilities - Principal	**(154)**	(222)	**(994)**	(1,020)
Dividends paid on common and preferred shares	**(134)**	(125)	**(529)**	(484)
Common share capital				
Issued	**16**	24	**88**	102
Purchased and held in trust	**(75)**	(50)	**(138)**	(50)
Purchased and cancelled	**(128)**	(200)	**(1,258)**	(1,200)
Proceeds from other financing	**—**	12	**15**	12
Other	**(13)**	40	**(89)**	9
Cash flows used in financing activities	**$ (539)**	$ (578)	**$ (2,751)**	$ (3,249)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 1**	$ (1)	**$ (4)**	$ 1
Change in cash and cash equivalents	**$ 194**	$ 196	**$ (368)**	$ 308
Cash and cash equivalents, beginning of period	**1,414**	1,780	**1,976**	1,668
Cash and cash equivalents, end of period	**$ 1,608**	$ 1,976	**$ 1,608**	$ 1,976

CORPORATE PROFILE

2022 Annual Report

The Company's 2022 Annual Report is available in the "Investors" section of the Company's website at loblaw.ca and on sedar.com.

Investor Relations

Investor inquiries, contact:	Media inquiries, contact:
Roy MacDonald	Kevin Groh
Vice President, Investor Relations	Senior Vice President, Corporate Affairs and Communication
(905) 861-2243	(905) 861-2437
investor@loblaw.ca	pr@loblaw.ca

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

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on February 23, 2023 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: 852934#. To access via audio webcast, please go to the "Investor" section of loblaw.ca. Pre-registration will be available.

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

News Release Endnotes

(1) This News Release contains forward-looking information. See "Forward-Looking Statements" section of this News Release and the Company's 2022 Annual Report for a discussion of material factors that could cause actual results to differ materially from the forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This News Release should be read in conjunction with Loblaw Companies Limited's filings with securities regulators made from time to time, all of which can be found at sedar.com and at loblaw.ca.

(2) See "Non-GAAP Financial Measures" section in Appendix 1 of this News Release, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

(3) To be read in conjunction with the "Forward-Looking Statements" section of this News Release and the Company's 2022 Annual Report to Shareholders.

APPENDIX 1: NON-GAAP FINANCIAL MEASURES

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

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

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

Retail Segment Gross Profit, Retail Segment Adjusted Gross Profit and Retail Segment Adjusted Gross Profit Percentage The following tables reconcile adjusted gross profit by segment to gross profit by segment, which is reconciled to revenue and cost of sales 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 (12 weeks)				2021 (12 weeks)
For the periods ended December 31, 2022 and January 1, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$13,694**	**$ 417**	**$ (104)**	**$14,007**	$ 12,486	$ 360	$ (89)	$ 12,757
Cost of sales	**9,506**	**81**	**—**	**9,587**	8,627	78	—	8,705
Gross profit	**$ 4,188**	**$ 336**	**$ (104)**	**$ 4,420**	$ 3,859	$ 282	$ (89)	$ 4,052
Adjusted gross profit	**$ 4,188**	**$ 336**	**$ (104)**	**$ 4,420**	$ 3,859	$ 282	$ (89)	$ 4,052

				2022 (52 weeks)				2021 (52 weeks)
For the years ended December 31, 2022 and January 1, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$55,492**	**$ 1,338**	**$ (326)**	**$56,504**	$52,269	$ 1,182	$ (281)	$ 53,170
Cost of sales	**38,327**	**201**	**—**	**38,528**	36,228	208	—	36,436
Gross profit	**$ 17,165**	**$ 1,137**	**$ (326)**	**$ 17,976**	$ 16,041	$ 974	$ (281)	$ 16,734
Adjusted gross profit	**$ 17,165**	**$ 1,137**	**$ (326)**	**$ 17,976**	$ 16,041	$ 974	$ (281)	$ 16,734

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 (12 weeks)			2021 (12 weeks)
For the periods ended December 31, 2022 and January 1, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Total**	Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			**$ 532**			$ 747
Add (deduct) impact of the following:						
Non-controlling interests			**(14)**			(28)
Net interest expense (recovery) and other financing charges			**172**			(29)
Income taxes			**181**			15
Operating income	**$ 810**	**$ 61**	**$ 871**	$ 636	$ 69	$ 705
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 111**	**$ —**	**$ 111**	$ 117	$ —	$ 117
Amortization of intangible assets acquired with Lifemark	**4**	**—**	**4**	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**11**	**—**	**11**	6	—	6
Restructuring and other related recoveries	**—**	**—**	**—**	(8)	—	(8)
Fair value adjustment on non-operating properties	**(6)**	**—**	**(6)**	(2)	—	(2)
Gain on sale of non-operating properties	**(50)**	**—**	**(50)**	—	—	—
Adjusting items	**$ 70**	**$ —**	**$ 70**	$ 113	$ —	$ 113
Adjusted operating income	**$ 880**	**$ 61**	**$ 941**	$ 749	$ 69	$ 818
Depreciation and amortization	**653**	**14**	**667**	612	11	623
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(115)**	**—**	**(115)**	(117)	—	(117)
Adjusted EBITDA	**$ 1,418**	**$ 75**	**$ 1,493**	$ 1,244	$ 80	$ 1,324

For the years ended December 31, 2022 and January 1, 2022 (millions of Canadian dollars)	**2022 (52 weeks)** Retail	Financial Services	Total	2021 (52 weeks) Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			**$ 1,921**			$ 1,875
Add impact of the following:						
Non-controlling interests			**73**			101
Net interest expense and other financing charges			**683**			495
Income taxes			**665**			466
Operating income	**$ 3,260**	**$ 82**	**$ 3,342**	$ 2,713	$ 224	$ 2,937
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 486**	**$ —**	**$ 486**	$ 506	$ —	$ 506
Amortization of intangible assets acquired with Lifemark	**11**	**—**	**11**	—	—	—
Charge related to PC Bank commodity tax matter	**—**	**111**	**111**	—	—	—
Lifemark transaction costs	**16**	**—**	**16**	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**(5)**	**—**	**(5)**	(13)	—	(13)
Fair value adjustment on non-operating properties	**(6)**	**—**	**(6)**	(2)	—	(2)
Restructuring and other related (recoveries) costs	**(15)**	**—**	**(15)**	13	—	13
Gain on sale of non-operating properties	**(57)**	**—**	**(57)**	(12)	—	(12)
Adjusting items	**$ 430**	**$ 111**	**$ 541**	$ 492	$ —	$ 492
Adjusted operating income	**$ 3,690**	**$ 193**	**$ 3,883**	$ 3,205	$ 224	$ 3,429
Depreciation and amortization	**2,746**	**49**	**2,795**	2,623	41	2,664
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(497)**	**—**	**(497)**	(506)	—	(506)
Adjusted EBITDA	**$ 5,939**	**$ 242**	**$ 6,181**	$ 5,322	$ 265	$ 5,587

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.

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

Lifemark transaction costs In connection with the acquisition of Lifemark, the Company recorded acquisition costs of $16 million in operating income during 2022.

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.

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

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

In the fourth quarter of 2022, the Company did not record any restructuring and other related recoveries or charges (2021 – recovery of $8 million). Year-to-date, the Company recorded approximately $15 million (2021 – charges of $13 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.

Gain on sale of non-operating properties In the fourth quarter of 2022, the Company recorded a gain related to the sale of non-operating properties of $50 million (2021 – nil). Year-to-date, the Company disposed of non-operating properties and recorded a gain of $57 million (2021 – $12 million).

Adjusted Net Interest Expense and Other Financing Charges The following table reconciles adjusted net interest expense and other financing charges to net interest expense (recovery) 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 December 31, 2022 and January 1, 2022 (millions of Canadian dollars)	**2022 (12 weeks)**	2021 (12 weeks)	**2022 (52 weeks)**	2021 (52 weeks)
Net interest expense (recovery) and other financing charges	**$ 172**	$ (29)	**$ 683**	$ 495
Add: Recovery related to Glenhuron	**—**	189	**11**	189
Adjusted net interest expense and other financing charges	**$ 172**	$ 160	**$ 694**	$ 684

Recovery related to Glenhuron Bank Limited Between 2015 and 2019, the Company was reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron Bank Limited ("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 the fourth quarter of 2021, the Supreme Court of Canada ruled in favour of the Company on the Glenhuron matter and the Company reversed $301 million of previously recorded charges, of which $173 million was recorded as interest income and $128 million was recorded as income tax recovery, and an additional $16 million, before taxes, was also recorded in respect of interest income earned on expected cash tax refunds. As a result of related reassessments received during the first quarter of 2022, the Company reversed another $35 million of previously recorded charges, of which $2 million was recorded as interest income and $33 million was recorded as an income tax recovery, and an additional $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 December 31, 2022 and January 1, 2022 (millions of Canadian dollars except where otherwise indicated)	**2022 (12 weeks)**	2021 (12 weeks)	**2022 (52 weeks)**	2021 (52 weeks)
Adjusted operating income(i)	**$ 941**	$ 818	**$ 3,883**	$ 3,429
Adjusted net interest expense and other financing charges(i)	**172**	160	**694**	684
Adjusted earnings before taxes	**$ 769**	$ 658	**$ 3,189**	$ 2,745
Income taxes	**$ 181**	$ 15	**$ 665**	$ 466
Add impact of the following:				
Tax impact of items included in adjusted earnings before taxes(ii)	**24**	25	**143**	127
Recovery related to Glenhuron	**—**	128	**33**	128
Adjusted income taxes	**$ 205**	$ 168	**$ 841**	$ 721
Effective tax rate	**25.9 %**	2.0 %	**25.0 %**	19.1 %
Adjusted effective tax rate	**26.7 %**	25.5 %	**26.4 %**	26.3 %

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

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

For the periods ended December 31, 2022 and January 1, 2022 (millions of Canadian dollars except where otherwise indicated)	**2022 (12 weeks)**	2021 (12 weeks)	**2022 (52 weeks)**	2021 (52 weeks)
Net earnings attributable to shareholders of the Company	**$ 532**	$ 747	**$ 1,921**	$ 1,875
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(12)**	(12)
Net earnings available to common shareholders of the Company	**$ 529**	$ 744	**$ 1,909**	$ 1,863
Net earnings attributable to shareholders of the Company	**$ 532**	$ 747	**$ 1,921**	$ 1,875
Adjusting items (refer to the following table)	**46**	(229)	**354**	48
Adjusted net earnings attributable to shareholders of the Company	**$ 578**	$ 518	**$ 2,275**	$ 1,923
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(12)**	(12)
Adjusted net earnings available to common shareholders of the Company	**$ 575**	$ 515	**$ 2,263**	$ 1,911
Diluted weighted average common shares outstanding (millions)	**327.4**	338.1	**331.7**	341.8

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 (12 weeks)		2021 (12 weeks)		**2022 (52 weeks)**		2021 (52 weeks)	
For the periods ended December 31, 2022 and January 1, 2022 (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	**$ 529**	**$ 1.62**	$ 744	$ 2.20	**$ 1,909**	**$ 5.75**	$ 1,863	$ 5.45
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 80**	**$ 0.24**	$ 87	$ 0.25	**$ 357**	**$ 1.08**	$ 372	$ 1.09
Amortization of intangible assets acquired with Lifemark	**3**	**0.01**	—	—	**8**	**0.03**	—	—
Fair value adjustment on fuel and foreign currency contracts	**8**	**0.03**	4	0.01	**(4)**	**(0.01)**	(10)	(0.03)
Charge related to PC Bank commodity tax matter	**—**	**—**	—	—	**86**	**0.25**	—	—
Lifemark transaction costs	**—**	**—**	—	—	**12**	**0.04**	—	—
Restructuring and other related (recoveries) costs	**—**	**—**	(6)	(0.02)	**(14)**	**(0.04)**	10	0.03
Recovery related to Glenhuron	**—**	**—**	(313)	(0.92)	**(42)**	**(0.13)**	(313)	(0.92)
Fair value adjustment on non-operating properties	**(4)**	**(0.01)**	(1)	—	**(4)**	**(0.01)**	(1)	—
Gain on sale of non-operating properties	**(41)**	**(0.13)**	—	—	**(45)**	**(0.14)**	(10)	(0.03)
Adjusting items	**$ 46**	**$ 0.14**	$ (229)	$ (0.68)	**$ 354**	**$ 1.07**	$ 48	$ 0.14
Adjusted	**$ 575**	**$ 1.76**	$ 515	$ 1.52	**$ 2,263**	**$ 6.82**	$ 1,911	$ 5.59

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

For the periods ended December 31, 2022 and January 1, 2022 (millions of Canadian dollars)	**2022 (12 weeks) Retail**	**Financial Services**	**Eliminations(i)**	**Total**	2021 (12 weeks) Retail	Financial Services	Eliminations(i)	Total
Cash flows from (used in) operating activities	**$ 1,347**	**$ (218)**	**$ 19**	**$ 1,148**	$ 1,193	$ (186)	$ 17	$ 1,024
Less:								
Capital investments	**640**	**11**	**—**	**651**	381	11	—	392
Interest paid	**66**	**—**	**19**	**85**	58	—	17	75
Lease payments, net	**233**	**—**	**—**	**233**	294	—	—	294
Free cash flow(2)	**$ 408**	**$ (229)**	**$ —**	**$ 179**	$ 460	$ (197)	$ —	$ 263

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

For the periods ended December 31, 2022 and January 1, 2022 (millions of Canadian dollars)	**2022 (52 weeks) Retail**	**Financial Services**	**Eliminations(i)**	**Total**	2021 (52 weeks) Retail	Financial Services	Eliminations(i)	Total
Cash flows from (used in) operating activities	**$ 5,133**	**$ (444)**	**$ 66**	**$ 4,755**	$ 4,775	$ (16)	$ 68	$ 4,827
Less:								
Capital investments	**1,538**	**33**	**—**	**1,571**	1,154	29	—	1,183
Interest paid	**278**	**—**	**66**	**344**	271	—	68	339
Lease payments, net	**1,312**	**—**	**—**	**1,312**	1,346	—	—	1,346
Free cash flow(2)	**$ 2,005**	**$ (477)**	**$ —**	**$ 1,528**	$ 2,004	$ (45)	$ —	$ 1,959

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