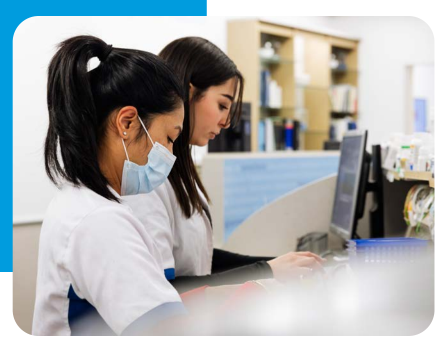
Live Life Well®



Loblaw Companies Limited

2023 Annual Report

25%

Average savings by switching from comparable brand to no name®

10%

Amount fully-engaged PC Optimum™ members can save on their grocery bills

$1 billion +

Value of PC Optimum™ Points redeemed by customers

2.4 million +

Prescribing services provided by our pharmacists

31

New Hard Discount stores opened

490

Carbon reduction projects completed

$3.3 billion +

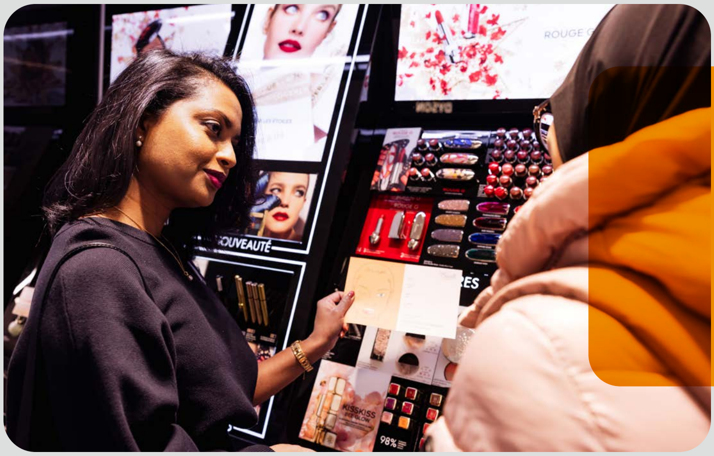
E-commerce revenue for the year

60%

PC Express™ delivery coverage across the country

64%

Compliance achieved relative to 2025 Golden Design Rules target for our control brand and in-store plastic packaging



Helping Canadians *Live Life Well®*

In 2023, we reaffirmed our commitment to tackling the prevailing challenges of our time. Amidst the ongoing inflationary environment, we awarded more than $1 billion in PC Optimum™ point awards and redemptions. Responding to Canadians' increasing calls for greater involvement in issues affecting them and their families, we took a stand – actively fighting climate change and advancing social equity. We take pride in our efforts as a purpose-led organization towards addressing these important challenges.

Our 220,000 colleagues and employees play an indispensable role, serving their communities with unwavering pride and passion every day. Additionally, we extend our gratitude to the millions of Canadians who consistently place their trust in us week after week. To each and every one of you, we express our sincere thanks.

Table of Contents

Our Stores, Our People, Our Strategy

As a purpose-led organization, we exist to help Canadians *Live Life Well*®. This commitment factors into how we operate our stores and pharmacies day-to-day, and how we deliver on our long-term organizational strategy.

care ownership respect excellence

CORE values

Our CORE values

guide how we think, act and interact with one another.

Our strategy keeps us intently focused on the realities of today, the opportunities of tomorrow, and the needs and expectations of consumers decades from now. Our efforts are underpinned by a solid foundation – an energetic base of people working in great stores and pharmacies that operate efficiently and effectively. From there, we layer on value – everyday digital retail solutions, meaningful payment options, and outstanding loyalty offerings. Increasingly we are connecting Canadians to healthcare solutions, both in our stores and online.

Retail Excellence

Through disciplined execution within our core retail operations, and by leveraging our scale and strategic assets, we are able to grow sales, optimize gross margins, and reduce operating costs – all while captivating and engaging customers. This requires promotional effectiveness, personalized value, quality service, and continued network investment and optimization to not only meet customer needs but deliver consistent results.

Driving Business Growth

We continue to invest in three targeted growth areas to further differentiate our portfolio of assets and generate competitive advantage: Digital Retail, Advance powered by Loblaw™, and PC Optimum™.

Investing for the Future

Capital investments in the modernization and automation of our supply chain, the expansion of our retail network, and the evolution of our Connected Healthcare strategy are all examples of Loblaw investing for long-term success.

Environment, Social and Governance (ESG)

We have a number of commitments within our two ESG priorities – fighting climate change and advancing social equity – that guide our support for the communities we serve.

Colleagues, Culture and CORE Values

An engaged and collaborative workforce is key to our success, which is why we welcome authenticity, encourage strong connections, value trust, and make daily decisions with our CORE values – Care, Ownership, Respect, Excellence – top of mind.

Shenaz gives from the heart

Reflecting on the issue of violence against women, Shenaz Singh, an Associate-Owner of three Shoppers Drug Mart stores in British Columbia, sheds light on the urgent need for awareness and support. Singh, a dedicated supporter of philanthropy, shares a personal tragedy involving a former employee, Amber Culley, who fell victim to domestic violence. In response, Singh and her store teams launched a fundraising initiative as part of the Shoppers Foundation for Women's Health™ Giving Shelter campaign, which aids women's shelters. Despite the heart-wrenching circumstances, Singh's passion has inspired creative fundraising efforts, resulting in over $15,000 raised last year. She calls on employees and communities to unite against domestic violence, emphasizing that collective contributions can make a significant impact.

Environmental solutions you won't see in our stores

Our commitment to sustainability is evident in strategic measures to reduce our carbon footprint, but those efforts are not always immediately visible to customers. We're actively addressing environmental concerns at the store level, focusing on heating, cooling, and refrigeration. For example, we've transitioned away from hydrofluorocarbons (HFCs), potent greenhouse gases contributing to ozone depletion. Since 2019, all new stores now utilize eco-friendly refrigerants, resulting in a yearly carbon reduction equivalent to keeping over 2,000 cars off Canadian roads. Additionally, we're advancing energy efficiency by replacing incandescent and halogen lights with LED lighting. Beyond these initiatives, we're exploring low-carbon stores, electric vehicle charging stations, and adopting electric- and hydrogen-powered trucks for our transport fleet, solidifying our commitment to fighting climate change and enhancing the well-being of Canadians.

Financial Highlights

+3.9%

FOOD RETAIL
SAME STORE SALES

+5.4%

DRUG RETAIL
SAME STORE SALES

+4.2%

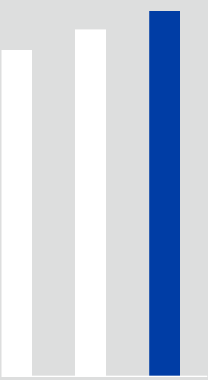
FRONT OF STORE

+6.8%

PHARMACY AND
HEALTH SERVICES

+5.4%

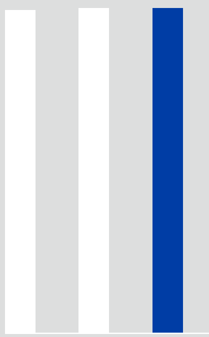
REVENUE
($ millions)



2021	2022	2023
53,170	56,504	59,529

31.0%

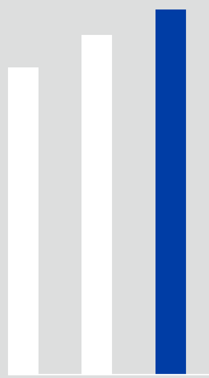
RETAIL SEGMENT GROSS PROFIT MARGIN[1]



2021	2022	2023
30.7%	30.9%	31.0%

+7.5%

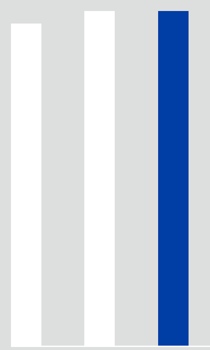
CONSOLIDATED ADJUSTED EBITDA[1]
($ millions)



2021	2022	2023
5,587	6,181	6,647

11.2%

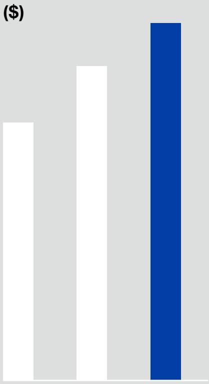
CONSOLIDATED ADJUSTED EBITDA MARGIN[1]



2021	2022	2023
10.5%	10.9%	11.2%

+13.6%

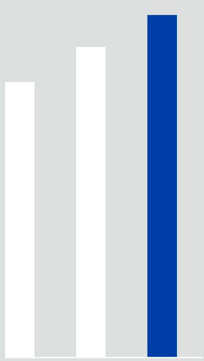
ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE[1]
($)



2021	2022	2023
5.59	6.82	7.75

+10.3%

DIVIDEND DECLARED PER COMMON SHARE
($)



2021	2022	2023
1.40	1.58	1.74

[1] See the Non-GAAP and Other Financial Measures section of the 2023 Annual Report – Financial Review

Chairman’s Message

Galen G. Weston
Chairman
Loblaw Companies Limited

Fellow Shareholders,

Loblaw’s purpose is to help Canadians *Live Life Well*®. It begins with providing the essentials our customers need every day, and over the last twelve months that has never been more important as inflation continued to put pressure on food affordability, and our healthcare system strained under the weight of growing demand.

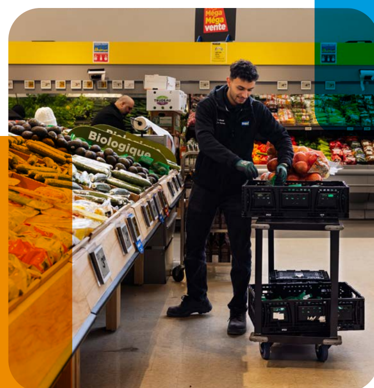
With an even sharper focus on providing value through choice, convenience, and quality to more than 15 million families each week, we delivered against our purpose in 2023, benefitting our customers, shareholders, and communities.

Already important health and wellness destinations for millions of Canadians, this past year our Shoppers Drug Mart® pharmacies broadened their care offerings, providing Canadians with more convenient access to the care they need, when they need it. We’ve now opened more than 70 pharmacist-led clinics across Canada, while redesigning many of our traditional pharmacies with the patient experience top of mind. The result is essential healthcare is now available to those who would have otherwise waited days, or weeks.

Our supermarkets, now organized around Hard Discount and Market format stores, maintained their momentum by offering the lowest prices despite inflationary pressures. As consumers shifted to discount, we converted or opened 31 new No Frills and Maxi stores, helping to grow our market share by showcasing the exceptional value of our control brands, notably no name®. Our conventional Market stores also continued to perform well against their peers, as we looked for new and improved ways to deliver the full-service experience and value our customers have come to expect.

As our store network continues to grow, we are bringing customers even more value through essential style at exceptional prices in Joe Fresh® apparel, no-fee banking offerings like the PC Money™ Account, and the newly launched and exceptionally rewarding PC Insiders® World Elite Mastercard® from PC Financial®. The world-renowned PC Optimum™ loyalty program now boasts more than 16 million active users, and our e-commerce platforms – PC Express™, shoppersdrugmart.ca, among others – collectively drove $3.3 billion in revenue in 2023.

It’s through that focus on our purpose of helping Canadians *Live Life Well*® that we delivered consistent sales and earnings growth in line with our well-established financial framework. This year especially, it is important to highlight that amid strong results, grocery retail gross margins remained flat compared to 2022. As inflation soared, we worked hard to offer our customers better service, better promotions, better stores, and better products – all while intentionally lowering our buying and operating costs.



Doing so required a commitment to productivity and efficiency – an effort we refer to as **Retail Excellence**. Our success in this regard is clearly reflected in our 2023 financial results. We achieved same store sales growth of +3.9 per cent in food retail and +5.4 per cent in drug retail, with revenue of $59.5 billion, growing +5.4 per cent. Consolidated adjusted EBITDA was $6.65 billion, or +7.5 per cent. Adjusted diluted net earnings per share were $7.75 or +13.6 per cent. We generated $1.70 billion in free cash flow and continued to return capital to shareholders by increasing our dividend per share by 10.3 per cent and by repurchasing 15.1 million shares under a common share repurchase program. We also invested a record $2.1 billion dollars in total capital investments in 2023. This significant investment reflects Loblaw's commitment to enhancing its current businesses and building to meet the future needs of Canadians. It also represents a significant growth driver for the Canadian economy, creating job opportunities across the country.

In the years ahead, we see even more opportunities for **Investing in Growth**. Our network of Hard Discount stores is gearing up to serve a growing demographic of value-seeking consumers, with dozens of store conversions and new store openings planned for the communities that need them most. Our approach to delivering healthcare solutions is broadening, be it through the growing adoption of the PC Health™ app, or expanded scope of responsibility to improve access to care. And, our ability to connect our business partners with retail insights and analytics is accelerating rapidly, as Advance powered by Loblaw™ is enabling the country's largest brands to reach customers at just the right moment in their purchase journey.

Even as the current economic environment proves uniquely challenging, we are putting the resources and capabilities we need to work to set our organization up for long-term success.

That outlook towards the future isn't complete without a recognition of the responsibility we feel towards **Improving the Communities We Serve**. Roughly 90 per cent of Canadians live within 10 kilometers of one of our stores or pharmacies. Our network extends to virtually every town, big or small, where we are often one of the largest employers in the area. It reflects both our strength, and our obligation, which we take deeply to heart.

For our customers and our communities, that sense of responsibility comes to life through two Environmental, Social and Governance (ESG) focus areas: fighting climate change and advancing social equity. Our commitments around these priorities are helping to ensure that we drive meaningful change as quickly as possible.

Fighting Climate Change

- Achieve net-zero greenhouse gas emissions for our enterprise operations Scope 1 and Scope 2 by the end of 2040, and Scope 3 by 2050;
- Ensure all of our control brand and in-store plastic packaging is either reusable or recyclable by 2025;
- Send zero food waste to landfill by the end of 2030.

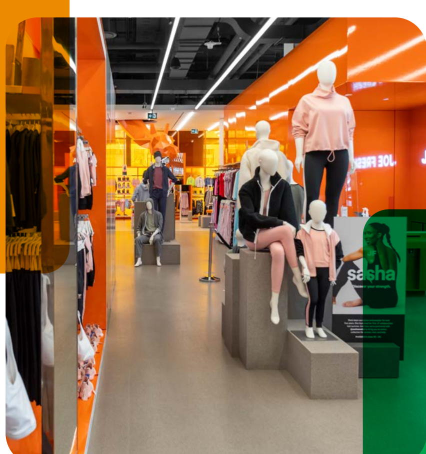
Advancing Social Equity

- Be Canada's most diverse and inclusive employer and deploy inclusion training across our entire workforce by 2024;
- Support the health of women and children, by feeding 1 million kids a year by 2025; providing nation-leading support for women's health and access to care; and donating 1 billion pounds of food to charities by 2028 through Feed More Families™.

The pages that follow, as well as our annual ESG Report available at **Loblaw.ca**, offer more details on our progress. And as you will see, we are proud to be pursuing goals that are clear, ambitious yet achievable. The delivery of these objectives, and our belief that we are a purpose-led organization, are inextricably linked. And so from our perspective, there is no room for falling short.

Looking ahead, we are moving forward with confidence. Our financial framework is solid, as is our plan to achieve it. Our 220,000 colleagues and employees are invested in our success, and in our purpose. And our company, now led by Per Bank as President and Chief Executive Officer, is more representative of the customers we serve. We're working hard to help Canadians *Live Life Well*®, and it shows in our results.

Galen G. Weston
Chairman
Loblaw Companies Limited



Environmental, Social and Governance

Our purpose-led approach strongly influences our Environmental, Social and Governance (ESG) priorities, guiding us as we work to fight climate change and advance social equity.

490

Number of completed carbon reduction projects

Fighting Climate Change

Net-zero by 2040 for our enterprise operating footprint, and 2050 for our scope 3 emissions

- Entered into a renewable energy plan to eliminate carbon emissions from electricity purchases in Alberta, and reduce nationwide emissions by 17% starting in 2025
- Completed 490 carbon reduction projects.
- Achieved major milestone toward our goal of decarbonizing our fleet, by rolling out four heavy-duty fully electric transport trucks.

Tackling Plastic Waste

- Achieved 64% compliance relative to the Golden Design Rules for control brand and in-store plastic packaging, with clear path to achieve 100% by 2025
- Quo Beauty™ converted 100% of bath poufs to recycled mesh, and began transitioning cosmetic brush packaging to plastic-free alternatives.
- Eliminated front-end singe-use plastic bags nationally.

Eliminating Food Waste Sent to Landfill by 2030

- 100% of our eligible corporate, food franchise, associate-owned Shoppers Drug Mart® stores and distribution centres reduced their food waste sent to landfill by actively donating to food recovery programs.

Be Canada's Most Diverse and Inclusive Employer

- Increased women represented in Executive roles to 39%, on track to achieve our 2024 goal of 40% representation and surpassed our target of 43% in Management roles.
- Surpassed our visible minorities goals of 25% in Executive roles and 30% in Management roles by achieving 28% and 32% representation, respectively.
- Have trained over 165,000 colleagues nationally on two courses covering fundamental DEI topics.
- Launched Loblaw Community Grants program, supporting five organizations over four years for a total contribution of $1 million.

Support the Health and Well-Being of Children and Women

- Raised and donated almost $180 million to support research, charities and non-profits across Canada.
- Donated more than 46 million pounds of food to food charities across Canada, in support of Feed More Families™.
- Contributed $1 million to the Women's Health Collective Canada whose goal is to raise awareness and address gaps in women's health research.
- Helped President's Choice Children's Charity to feed more than 990,000 kids as part of their mission to tackle childhood hunger.

To demonstrate our commitment to future alignment with the International Sustainability Standards Board (ISSB) and to provide more timely and relevant information to our stakeholders we are pleased to provide an early release of priority 2023 ESG disclosures at loblaw.ca/en/responsibility

No plastic stone left unturned

We are committed to reducing plastic waste by making all of our control brand and in-store plastic packaging recyclable or reusable by 2025. We have adopted the Golden Design Rules (GDR) for plastic packaging, developed by the Consumer Goods Forum's global Plastic Waste Coalition of Action. The GDRs include guidelines such as using clear or light blue/green bottles, avoiding hard-to-recycle materials, reducing packaging, and making recycling instructions easier to understand. We are pleased that Loblaw has already achieved 64% compliance with the GDRs and we are on track to reach 100% compliance by 2025. We have already made progress in various areas, such as converting PC® shrimp rings and fresh meat and seafood to clear plastic trays and moving frozen PC® fruits and vegetables to recycle-ready packaging.

Joe Fresh® is championing diversity

This past spring, Joe Fresh® took a different approach to its spring activewear campaign by featuring a diverse range of models, including athlete Allison Lang, who wears a prosthetic leg. The campaign aimed to speak to customers who want good-quality, affordable, and stylilsh workout clothes to feel good and move in. The theme of the collection focused on self-love and self-care, reflecting the importance of physical and mental well-being. The decision to feature models with different body types, racial backgrounds, and disabilities was made early in the creative process, aligning with Joe Fresh®'s commitment to diversity, equity, and inclusion. The campaign's use of bright, punchy colors tapped into the current retro revival trend. Joe Fresh®'s dedication to representation and diversity is part of Loblaw's overall commitment to helping Canadians *Live Life Well*™, and the brand's win of the 2023 Canadian Grocer Impact Award in the DEI category reflects the positive response from audiences and customers.

Our Divisions

We operate more than 2,500 locations across Canada, employing directly or through our franchisees and associates approximately 220,000 Canadians in full-time and part-time positions. With 90% of Canadians living within 10 kilometers of one of our stores, we are immersed in the communities we serve, and welcome the opportunity to help our customers lead better and healthier lives.

1 Billion

Customer transactions annually across grocery, pharmacy and financial services.

Market

Passionate about food and about creating exceptional customer experiences, our **Market** division operates a variety of banners – including Loblaws®, Loblaw City Market®, Your Independent Grocer®, Atlantic Superstore®, Zehrs®, Provigo®, Provigo Le Marché®, Real Canadian Superstore®, Real Canadian Wholesale Club®, Real Canadian Liquorstore™, Fortinos® and T&T® stores – and ultimately helps Canadians bring the best to their tables.

Hard Discount

Our **Hard Discount** division, which includes No Frills® and Maxi®, proudly offers Canadians easy and affordable access to life's necessities. With a strong range of products and assortment, which flexes based on the needs and expectations of local demographics, our hard discount stores exist to help Feed Everyone.

JOE FRESH

Joe Fresh® provides uniquely accessible shopping to Canadians, mixing modern designs with incredible value. With collections for women, men and children, shopping is made more convenient and cost-effective for the entire family. Joe Fresh® is also proud to offer extended sizes with select women's styles ranging from XS to 3X.

SHOPPERS DRUG MART

With more than 1,300 Associate-owned Locations, **Shoppers Drug Mart®** is Canada's leading pharmacy retailer, delivering care and wellness to millions of Canadians weekly – in-store and virtually. We operate home healthcare and luxury beauty retail outlets, a specialty drug distribution network, pharmacy services for long-term care and retirement communities, a generic drug manufacturer, a unique health app, and an electronic medical records platform. We also own Canada's leading provider of outpatient physiotherapy, massage therapy, occupational therapy, chiropractic, mental health, and other ancillary rehabilitation services.

PC financial®

PC Financial® provides unprecedented value to customers, simplifying financial products to help Canadians *Live Life Well®*. Through the PC® Mastercard® and the PC Money™ Account, more than 2.4 million cardholders have earned millions in PC Optimum™ points to redeem for beauty, groceries, gas, apparel, and more. In 2023 we expanded our portfolio, launching the PC Insiders™ World Elite Mastercard®, our most rewarding card ever. With our Services business, we meet the needs of Canadians through The Mobile Shop™, The Gift of Choice, and PC® Insurance.

Ali is feeding hungry community members

Ali's No Frills® in Toronto, led by franchise owner Ali Khan, has donated 84,000 pounds of food to Faith Outreach Worship Centre's food bank over six months. Ali focuses on addressing food insecurity, with a particular focus on the Greater Toronto and Hamilton Area. Despite the growing demand for food banks in the city, Ali emphasizes their commitment to resolving small problems within the community. The Retail Food Recovery Program and participation in Feed More Families™ annual food drives showcase the store's efforts in supporting local organizations and reducing food waste.

Making Healthcare Accessible and Convenient for Canadians

With a network of thousands of established healthcare professionals and a national infrastructure to support a variety of healthcare services, Shoppers Drug Mart® delivers care and wellness to millions of Canadians every day – both in-store and virtually. Today, pharmacy care goes well beyond filling prescriptions. Pharmacists across Canada can often be a patient's first point of care for minor ailments and injuries and support with chronic disease management. Having opened more than 70 Pharmacy Care Clinics across the country – including Fabio De Rango's Headen Plaza store in Burlington, Ontario, which opened in July 2023 – Shoppers Drug Mart® is making healthcare accessible, seamless and convenient for millions of patients while helping to reduce the burden on the public system.

Our Leading Assets

We deliver on our purpose – to help Canadians *Live Life Well®* – through an exceptional internal infrastructure, a unique and customer-centric culture, and a clear set of expectations for colleagues at all levels of the organization.

Brands

Our control brands – including President's Choice®, no name®, Farmer's Market™ and Life Brand™ – positively impact the lives of consumers each day, with award-winning products that consistently push the boundaries of what is possible to elevate the life experiences of Canadians.

PC Optimum™

With over 16 million active annual members, PC Optimum™ is unique in its reach and customer engagement. The program is continually refined and enhanced, to provide our customers with greater value and the personalization they seek.

Technology and Analytics

We use technology and analytics to connect our customers to the things that matter most: food, health, and money. We enable our business strategy with world-class data products and services, including: our agile framework, artificial intelligence and machine learning programs, and an ongoing journey to the cloud – all in an attempt to enhance our customers' experience.

Supply Chain

As one of the largest supply chain networks in North America, we are committed to efficiency, responsiveness, and serving the evolving needs of our stores and customers. Continually adopting new technology, embracing automation, and refining our processes allow us to increase our capacity, source with integrity, and reliably serve Canadians across the country.

Compliance and Ethical Conduct

Loblaw is committed to conduct business ethically, honestly and in compliance with the law. We ensure our colleagues and employees understand and follow regulatory and legal obligations through clear policies, continuous training, and regular communication. We empower colleagues and vendors to report unethical or non-compliant behaviour using the Integrity Action Line (IAL), and we take action while prohibiting retaliation against those who report in good faith. Our approach creates a culture where colleagues/employees and vendors conduct themselves ethically and remain compliant with applicable rules and regulations.

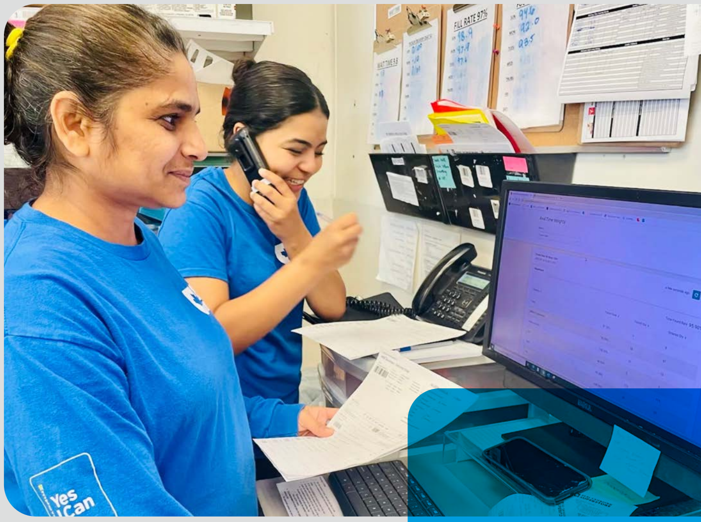
3

of the country's top ten brands – President's Choice®, no name® and Farmer's Market™.

Embracing diversity and leading change: Bobby's Journey of Success

Bobby Gale takes centre stage as a diversity champion at Loblaw, sharing their transformative journey from store-level work in 2006 to becoming Director of Analytical and Data Platforms within the Loblaw Technology and Analytics team. Bobby's leadership has been instrumental in advancing gender equity. Their advocacy has helped introduce initiatives such as gender-inclusive bathrooms and promoting pronoun usage in email signatures. Recently Bobby was acknowledged with the Catalyst Next Generation Leader award. Bobby's narrative encourages employees to actively engage in diversity pillars, learn from others, and act as allies.

New and improved PC Express™ experience



PC Express™ has implemented significant enhancements based on feedback from store teams in the Hard Discount and Market divisions, aiming to improve the colleagues' experience in fulfilling orders. Vanessa Ogden and Hufsa Akbar, Directors in the Hard Discount and Market divisions respectively, utilized their store-level experience to drive positive changes. The improvements include a real-time dashboard for picker performance, batched produce orders for efficiency, enhanced handling of large fridge/freezer items, barcode additions to item exception reports, time zone updates, and more. The collaborative effort has resulted in increased perfect orders, improved found rates, and heightened customer satisfaction across Market and Hard Discount stores.

Corporate Governance Practices

The Board of Directors and senior executives of Loblaw Companies Limited are committed to strong corporate governance practices as a foundation to the effective management of the Company and its achievement of strategic, financial, and operational objectives.

The Governance Committee regularly reviews the Company's corporate governance practices to ensure they reflect evolving best practices in a rapidly changing environment. The Company's website, **loblaw.ca**, includes additional governance information, including the Company's Code of Conduct (the "Code"), Disclosure Policy, Majority Voting Policy, the position description for the Chairman and mandates of the Board of Directors (the "Board") and its committees.

Director Independence

The Canadian Securities Administrators' Corporate Governance Guidelines provide that a director is independent if he or she has no material relationship with the Company or its affiliates that could reasonably be expected to interfere with the exercise of the director's independent judgement. Approximately 83% (10/12) of the directors on the Board are independent. The independent directors meet separately following each Board meeting. Information relating to each of the directors, including their independence, committee memberships, other public company boards on which they serve as well as their attendance record for all Board and committee meetings, can be found in the Company's Management Proxy Circular.

Board Leadership

Galen G. Weston is the Chairman of the Board. The Chairman directs the operations of the Board. He chairs each meeting of the Board, is responsible for the management and effective functioning of the Board generally and provides leadership to the Board in all matters. These and other key responsibilities of the Chairman are set out in a position description established by the Board. The Board has also appointed an independent director, William A. Downe, to serve as lead director. The lead director provides leadership to the Board and particularly to the independent directors. He ensures that the Board operates independently of management and that directors have an independent leadership contact.

Board Responsibilities and Duties

The Board, directly and through its committees, supervises and oversees the management of the business and affairs of the Company. A copy of the Board's mandate can be found on the Company's website, **loblaw.ca**. The Board reviews the Company's strategic direction, assigns responsibility to management for the achievement of the strategy, approves major policy decisions, delegates to management the authority and responsibility of handling day-to-day affairs, and reviews management's performance and effectiveness. The Board's expectations of management are communicated to management directly and through committees of the Board.

The Board regularly receives reports on the operating results of the Company as well as reports on certain non-operational matters, including insurance, pensions, corporate governance, environmental, social and governance (ESG), workplace health and safety, legal, compliance and treasury matters. The Board also oversees the enterprise risk management (ERM) process, which is designed to assist all areas of the business in managing appropriate levels of risk tolerance by bringing a systematic approach, a methodology and tools for evaluating, measuring and monitoring key risks. The results of the ERM program and other business planning processes are used to identify emerging risks to the Company, prioritize risk management activities and develop a risk-based internal audit plan.

Ethical Business Conduct

The Code reflects the Company's long-standing commitment to high standards of ethical conduct and business practices. The Code is reviewed annually to ensure it is current and reflects best practices in the area of ethical business conduct and integrity and includes a strong "tone from the top" message. All directors, officers, employees/colleagues and contractors of the Company are required to comply with the Code and must acknowledge their commitment to abide by the Code on a periodic basis. The Company encourages the reporting of violations and potential violations and has established an Integrity Action Line, a toll-free number that any director, officer, supplier or employee may use to report conduct which he or she feels violates the Code or otherwise constitutes fraudulent or unethical conduct. A fraud reporting protocol has also been implemented to ensure that fraud is reported to senior management in a timely manner. In addition, the Audit Committee has endorsed procedures for the anonymous receipt, retention and handling of complaints regarding accounting, internal control or auditing matters. These procedures are available on the Company's website, **loblaw.ca**.

Board Committees

The following is a brief summary of some of the responsibilities of each committee of the Board.

Audit Committee

The Audit Committee is responsible for the oversight of the integrity of the Company's financial statements and related public disclosure, as well as the adequacy and effectiveness of applicable controls related to its ESG disclosures. In doing so, the Audit Committee reviews management's administration of the Company's internal controls over financial reporting, disclosure controls and procedures and internal audit function and related party transactions. The Audit Committee also oversees procedures for the receipt, retention and follow-up of any complaints regarding the Company's accounting, internal controls and auditing matters.

Governance, Employee Development, Nominating and Compensation Committee

The Governance Committee is responsible for the oversight of the Company's governance practices, including the development and implementation of good governance principles, consistent with high standards of corporate governance. The Governance Committee oversees the succession planning and compensation for the Board and senior management. The Chair of the Governance Committee, who is an independent director, has also been appointed by the Board to serve as lead director.

Pension Committee

The Pension Committee is responsible for the oversight of the administration, management, design and governance of the Company's pension plans, as well as the administration and management of the Company's benefit programs.

Risk and Compliance Committee

The Risk and Compliance Committee is responsible for the oversight of the Company's legal and regulatory compliance and ethics compliance program, ERM program, ESG program, policy, pharmacy and drug safety matters, food safety and product safety matters and information systems and technology matters.

ESG Governance

The Board oversees and monitors the Corporation's approach, policies and practices related to ESG matters. Management has established an ESG Steering Committee, comprised of senior leaders, responsible for setting priorities, tracking metrics and championing program initiatives across the Corporation. Various management committees are responsible for setting priorities and implementing and monitoring ESG-related initiatives across the organization.

Board of Directors

GALEN G. WESTON, B.A., M.B.A.
Chairman and Former President, Loblaw Companies Limited; Chairman and Chief Executive Officer, George Weston Limited; Chairman of President's Choice Bank; Chairman, Wittington Investments Limited; and President of the Weston Family Foundation.

SCOTT B. BONHAM, B.Sc., M.B.A.[1, 4]
Corporate Director; Co-founder of Intentional Capital Corp.; Former Co-Founder of GGV Capital; Former Vice-President, Capital Group Companies; Director, The Bank of Nova Scotia; Board Member of Canadian Institute of Advanced Research and the DenmarkBridge.

SHELLEY G. BROADER, B.A.[1, 4]
Corporate Director; Former President and Chief Executive Officer of Chicos FAS, Inc.; Former President and Chief Executive Officer of Walmart EMEA Ltd. and Walmart Canada; Former President and Chief Operating Officer of The Michaels Companies, Inc.; Director, IFCO Systems US LLC; Member of the U.S. Advisory Board of Amoobi SA; and Former Director of Walmart Canada Corporation and Walmart Mexico.

CHRISTIE J.B. CLARK, B. COMM., M.B.A., F.C.A., F.C.P.A.[1*, 3, 4]
Corporate Director; Former Chief Executive Officer and Senior Partner, PricewaterhouseCoopers LLP; Director, Air Canada; Director, AtkinsRéalis Canada Inc. (formerly SNC-Lavalin Group Inc.); Former Trustee, Choice Properties Real Estate Investment Trust; Former Director, Hydro One Inc., Hydro One Limited; Board Member, Canadian Olympic Committee, Canadian Olympic Foundation, Own the Podium, the Sunnybrook Foundation.

DANIEL DEBOW, B.A., J.D./M.B.A., L.L.M.[2, 4]
Vice President, Product, Shopify Inc.; Former Founder and Chief Executive Officer, Helpful.com; Co-Founder and Former Co-Chief Executive Officer of Rypple; Founding team member of Workbrain.

WILLIAM A. DOWNE, C.M., M.B.A.[2*]
Corporate Director; Former Chief Executive Officer, Chief Operating Officer, Head of BMO Capital Markets, BMO Financial Group; Former Director, Bank of Montreal and its subsidiaries, BMO Nesbitt Burns Holding Corporation and BMO Financial Corp.; Lead Director, ManpowerGroup Inc.; Chairman, Trans Mountain Corporation; Director, Rush University System for Health; Board Member, Social and Economic Policy Advisory Board, Rand Corporation.

JANICE FUKAKUSA, F.C.P.A., F.C.A., B.A., M.B.A.[1, 4*]
Corporate Director; Former Chief Financial Officer and Chief Administrative Officer, Royal Bank Of Canada; Director, Cineplex Inc., Brookfield Corporation (formerly Brookfield Asset Management Inc.), RioCan REIT; Chancellor, Toronto Metropolitan University.

M. MARIANNE HARRIS, B.Sc., J.D., M.B.A.[1, 2, 3]
Corporate Director; Former Managing Director and President, Corporate and Investment Banking, Merrill Lynch Canada Inc., Former Head of Financial Institutions Group Americas, Merrill Lynch Pierce Fenner & Smith; Director, George Weston Limited, Sun Life Financial Inc., Public Sector Pension Investment Board; Former Director, Hydro One Inc./ Hydro One Limited; Former Chair, Investment Industry Regulatory Organization of Canada (IIROC); Member of Dean's Advisory Council, Schulich School of Business; Advisory Council, Hennick Centre for Business and Law.

KEVIN HOLT, B.Sc.[1,4]
Corporate Director; Former Chief Executive Officer of Ahold Delhaize USA; Former Chief Operating Officer of Ahold USA; Former Chief Operating Officer of Delhaize America; Former Executive Vice President of Delhaize Group; Former Chief Executive Officer of Delhaize America; Former Director, Ahold Delhaize USA Inc. and Ahold Delhaize NV.; Former Director and Vice Chair, Industry Relations of Food Marketing Institute.

CLAUDIA KOTCHA, B.B.A., C.P.A.[2, 4]
Corporate Director; Former Vice President, Design Innovation & Strategy, Procter & Gamble; Former Trustee, Cooper Hewitt Smithsonian Design Museum; Director, American Red Cross, Los Angeles Region; Former Director, American Red Cross, Greater Miami and the Keys; Former Trustee of the Cooper Hewitt Smithsonian Design Museum.

SARAH RAISS, B.S., M.B.A.[2, 3*]
Corporate Director; Former Executive, TransCanada Corporation; Lead Director, Commercial Metals Company; RB Global, Inc. (formerly Ritchie Bros Auctioneers Inc.); Former Chair, Alberta Electric Systems; Former Director, Canadian Oil Sands Limited, Shoppers Drug Mart Corporation, Vermillion Energy Inc.

CORNELL WRIGHT, B.A., J.D., M.B.A.[4]
President and Director of Wittington Investments, Limited; Director, George Weston Limited, BCE, Inc.; Trustee, Choice Properties Real Estate Investment Trust, Former Partner, Torys LLP; Board Chair, the National Ballet of Canada; Trustee of University Health Network; and Executive in Residence at the University of Toronto's Rotman School of Management.

Notes
[1] Audit Committee
[2] Governance, Employee Development, Nominating and Compensation Committee
[3] Pension Committee
[4] Risk and Compliance Committee
[*] Chair of the Committee

Leadership

GALEN G. WESTON
Chairman

PER BANK
President and Chief Executive Officer

RICHARD DUFRESNE
Chief Financial Officer

ROBERT WIEBE
Chief Administrative Officer

FRANK GAMBIOLI
President, Market/Superstore

MELANIE SINGH
President, Hard Discount Division

JEFF LEGER
President, Shoppers Drug Mart

TINA LEE
Chief Executive Officer, T&T Supermarkets

IAN FREEDMAN
President, Joe Fresh

MARK WILSON
Executive Vice President and Chief Human Resources Officer

NICK HENN
Executive Vice President, Chief Legal Officer and Secretary

DAVID MARKWELL
Executive Vice President, Chief Technology and Analytics Officer

MARY MACISAAC
Senior Vice President, Loblaw Marketing and Control Brands

LAUREN STEINBERG
Senior Vice President, Loyalty, Media and Digital

MIKE RINALDI
Senior Vice President, Business Enablement and Enterprise Procurement

Live Life Well®

Loblaw Companies Limited

2023 Annual Report –
Financial Review

2023 Annual Report - Financial Review

Financial Highlights[1]

As at or for the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (52 weeks)**	2022 (52 weeks)
Consolidated Results of Operations		
Revenue	**$ 59,529**	$ 56,504
Revenue growth	**5.4 %**	6.3 %
Operating income	**$ 3,704**	$ 3,342
Adjusted EBITDA[2]	**6,647**	6,181
Adjusted EBITDA margin[2]	**11.2 %**	10.9 %
Net interest expense and other financing charges	**$ 803**	$ 683
Adjusted net interest expense and other financing charges[2]	**803**	694
Income taxes	**714**	665
Adjusted income taxes[2]	**858**	841
Adjusted effective tax rate[2]	**25.0 %**	26.4 %
Net earnings	**$ 2,187**	$ 1,994
Net earnings attributable to shareholders of the Company	**2,100**	1,921
Net earnings available to common shareholders of the Company[i]	**2,088**	1,909
Adjusted net earnings available to common shareholders of the Company[2]	**2,480**	2,263
Consolidated per Common Share ($)		
Diluted net earnings	**$ 6.52**	$ 5.75
Adjusted diluted net earnings[2]	**$ 7.75**	$ 6.82
Dividends		
Dividends declared per common share ($)	**$ 1.743**	$ 1.580
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents and short term investments	**$ 1,952**	$ 1,934
Cash flows from operating activities	**5,654**	4,755
Capital investments[ii]	**2,109**	1,571
Free cash flow[2]	**1,700**	1,528
Financial Measures		
Retail debt to retail adjusted EBITDA[2]	**2.3 x**	2.4 x
Adjusted return on equity[2]	**22.2 %**	20.2 %
Adjusted return on capital[2]	**11.5 %**	10.8 %

(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.

(ii) Capital investments are the sum of fixed asset purchases and intangible asset additions as presented in the Company's consolidated statements of cash flows, and prepayments transferred to fixed assets in the current year. Capital investments for the year ended December 30, 2023 include $37 million of prepayments transferred to fixed assets.

Financial Highlights[1]

As at or for the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023** **(52 weeks)**	2022 (52 weeks)
Retail Results of Operations		
Sales	**$ 58,345**	$ 55,492
Operating income	**3,500**	3,260
Gross profit[2]	**18,083**	17,165
Gross profit %[2]	**31.0 %**	30.9 %
Adjusted EBITDA[2]	**$ 6,361**	$ 5,939
Adjusted EBITDA margin[2]	**10.9 %**	10.7 %
Depreciation and amortization	**$ 2,848**	$ 2,746
Retail Operating Statistics		
Food retail same-store sales growth	**3.9 %**	4.7 %
Drug retail same-store sales growth	**5.4 %**	6.9 %
Drug retail same-store pharmacy sales growth	**6.8 %**	5.7 %
Drug retail same-store front store sales growth	**4.2 %**	8.2 %
Total retail square footage (in millions)	**71.2**	71.2
Number of corporate stores	**569**	547
Number of franchise stores	**535**	551
Number of Associate-owned drug stores	**1,351**	1,346
Financial Services Results of Operations		
Revenue	**$ 1,540**	$ 1,338
Earnings (Losses) before income taxes	**61**	(2)
Financial Services Operating Measures and Statistics		
Average quarterly net credit card receivables	**$ 3,950**	$ 3,607
Credit card receivables	**4,132**	3,954
Allowance for credit card receivables	**256**	206
Annualized yield on average quarterly gross credit card receivables	**13.9 %**	13.0 %
Annualized credit loss rate on average quarterly gross credit card receivables	**3.8 %**	2.7 %

Financial Highlights Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms section included within the Company's 2023 Annual Report.

(2) See Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis for the reconciliation of such non-GAAP and other financial measures to the most directly comparable GAAP measures.

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 audited annual consolidated financial statements and the accompanying notes for the year ended December 30, 2023 (“consolidated financial statements”) included within the 2023 Annual Report.

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards” or “GAAP”) and 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 and other 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 17 “Non-GAAP and Other Financial Measures”, of this MD&A for more information on the Company’s non-GAAP and other financial measures.

The information in this MD&A is current to February 21, 2024, unless otherwise noted. A glossary of terms can be found at the end of the 2023 Annual Report.

Unless otherwise indicated, all comparisons of results for the fourth quarter of 2023 (12 weeks ended December 30, 2023) are against results for the fourth quarter of 2022 (12 weeks ended December 31, 2022) and all comparisons of results for the full-year of 2023 (52 weeks ended December 30, 2023) are against the results for the full-year of 2022 (52 weeks ended December 31, 2022).

1. Forward-Looking Statements

The 2023 Annual Report, including the 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 the 2023 Annual 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 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 the 2023 Annual Report including, without limitation, Section 3 “Strategic Framework”, Section 5.1 “Consolidated Results of Operations”, Section 6.1 “Retail Segment”, Section 6.2 “Financial Services Segment”, Section 7 “Liquidity and Capital Resources”, Section 9 “Quarterly Results of Operations”, Section 12 “Enterprise Risks and Risk Management”, Section 14 “Critical Accounting Estimates and Judgments”, Section 15 “Accounting Standards”, “Section 16 “Strategic Update and Outlook” and Section 17 “Non-GAAP and Other 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 2023 Annual Report, and the Company's 2023 Annual Information Form ("AIF") for the year ended December 30, 2023. Such risks and uncertainties include:

- changes in economic conditions, including inflation, price increases from suppliers, levels of employment, costs of borrowing, household debt, political uncertainty and government regulation, the impact of natural disasters, war or acts of terrorism, pandemics, changes in interest rates, tax rates, or exchange rates, and access to consumer credit;
- inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- failure to realize benefits from investments in the Company's new IT systems and related processes;
- 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 attract and retain colleagues may impact the Company's ability to effectively operate and achieve financial performance goals;
- 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 maintain an effective supply chain and consequently an appropriate assortment of available product at the store and digital retail level;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- 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 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 Shoppers Drug Mart Licensees ("Associates");
- failure to adapt to environmental and social risks, including failure to execute against the Company's climate change and social equity initiatives;
- 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;
- adverse outcomes of legal and regulatory proceedings and related matters; and
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace.

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 2023 AIF (for the year ended December 30, 2023). 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. Overview

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. The Company has two operating segments: Retail and Financial Services. The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, and includes in-store pharmacies, health care services, other health and beauty products, apparel and other general merchandise. The Company's Financial Services segment provides credit card and everyday banking services, the PC Optimum™ loyalty program, insurance brokerage services, and telecommunication services. The businesses are underpinned by the *PC Optimum* loyalty program, a customer loyalty program that provides more than a billion dollars in annual rewards and is unique to each consumer across their network-wide purchases.

3. Strategic Framework

Loblaw is driven by its purpose to help Canadians Live Life Well® which guides the Company's strategic framework. This framework centres around Loblaw's three strategic pillars of Delivering Retail Excellence, Driving Growth, and Investing for the Future, while embedding Environmental, Social and Governance ("ESG") initiatives in everything Loblaw does. Underpinning these strategic pillars is a sharp focus on leveraging data driven insights and process efficiency excellence to deliver strong financial performance. The framework is supported by colleagues with a shared set of CORE values and culture principles that encourages colleagues to be authentic, build trust and make connections.

The Company strives to be the "best in food, health and beauty" and with its focus on retail excellence, it is constantly improving its retail operations to differentiate its customer offerings, to lower cost to serve and to deliver scale through its national logistics infrastructure. Retail operations benefit from more than one billion customer touchpoints annually and deliver a unique customer experience driven by industry leading control brands, healthy alternatives, and a choice of in-store shopping, pick-up and delivery. The approach to being "best in food" is driven by fresh food selection, competitive value, and customized assortments across banners. The approach to being "best in health and beauty" is supported by high quality health and wellness products, an expanding offer of healthcare services, and a diverse and differentiated beauty offering.

Building for the future, its purpose guides its investments in strategic growth initiatives to further differentiate its portfolio of assets, generate competitive advantages in products, services and price, improve its operational efficiencies, and create new areas of growth to service the changing needs of Canadians and to personalize their experiences.

Loblaw's purpose-led approach to addressing environmental, social and governance issues focuses on two priorities: fighting climate change and advancing social equity. ESG considerations are central to decisions made across the Company. By integrating consideration of environmental and social risks and good governance practices in its day-to-day business activities, implementing robust compliance and ethics programs and supporting its colleagues and the communities in which it operates, the Company aims to be a leading contributor to Canadian society both today and for generations to come.

Together, each of these components forms a part of the strategic framework that guides our direction now and into the future.

4. 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 years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (52 weeks)**	2022 (52 weeks)
Consolidated		
Revenue growth	**5.4 %**	6.3 %
Operating income	**$ 3,704**	$ 3,342
Adjusted EBITDA[2]	**6,647**	6,181
Adjusted EBITDA margin[2]	**11.2 %**	10.9 %
Net earnings	**$ 2,187**	$ 1,994
Net earnings attributable to shareholders of the Company	**2,100**	1,921
Net earnings available to common shareholders of the Company[i]	**2,088**	1,909
Adjusted net earnings available to common shareholders of the Company[2]	**2,480**	2,263
Diluted net earnings per common share ($)	**$ 6.52**	$ 5.75
Adjusted diluted net earnings per common share[2] ($)	**$ 7.75**	$ 6.82
Cash and cash equivalents and short term investments	**$ 1,952**	$ 1,934
Cash flows from operating activities	**5,654**	4,755
Free cash flow[2]	**1,700**	1,528
Financial Measures		
Retail debt to retail adjusted EBITDA[2]	**2.3 x**	2.4 x
Adjusted return on equity[2]	**22.2 %**	20.2 %
Adjusted return on capital[2]	**11.5 %**	10.8 %
Retail Segment		
Food retail same-store sales growth	**3.9 %**	4.7 %
Drug retail same-store sales growth	**5.4 %**	6.9 %
Operating income	**$ 3,500**	$ 3,260
Gross profit[2]	**18,083**	17,165
Gross profit %[2]	**31.0 %**	30.9 %
Adjusted EBITDA[2]	**$ 6,361**	$ 5,939
Adjusted EBITDA margin[2]	**10.9 %**	10.7 %
Financial Services Segment		
Earnings (Losses) before income taxes	**$ 61**	$ (2)
Annualized yield on average quarterly gross credit card receivables	**13.9 %**	13.0 %
Annualized credit loss rate on average quarterly gross credit card receivables	**3.8 %**	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.

5. Overall Financial Performance

5.1 Consolidated Results of Operations

The following is a summary of selected consolidated financial information for 2023:

As at or for the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (52 weeks)**	2022 (52 weeks)	$ Change	% Change
Revenue	**$ 59,529**	$ 56,504	$ 3,025	5.4 %
Operating income	**3,704**	3,342	362	10.8 %
Adjusted EBITDA(2)	**6,647**	6,181	466	7.5 %
Adjusted EBITDA margin(2)	**11.2 %**	10.9 %		
Depreciation and amortization	**$ 2,906**	$ 2,795	$ 111	4.0 %
Net interest expense and other financing charges	**803**	683	120	17.6 %
Adjusted net interest expense and other financing charges(2)	**803**	694	109	15.7 %
Income taxes	**714**	665	49	7.4 %
Adjusted income taxes(2)	**858**	841	17	2.0 %
Effective tax rate	**24.6 %**	25.0 %		
Adjusted effective tax rate(2)	**25.0 %**	26.4 %		
Net earnings attributable to non-controlling interests	**$ 87**	$ 73	$ 14	19.2 %
Net earnings attributable to shareholders of the Company	**$ 2,100**	$ 1,921	$ 179	9.3 %
Net earnings available to common shareholders of the Company(i)	**2,088**	1,909	179	9.4 %
Adjusted net earnings available to common shareholders of the Company(2)	**2,480**	2,263	217	9.6 %
Diluted net earnings per common share ($)	**$ 6.52**	$ 5.75	$ 0.77	13.4 %
Adjusted diluted net earnings per common share(2) ($)	**$ 7.75**	$ 6.82	$ 0.93	13.6 %
Diluted weighted average common shares outstanding (in millions)	**320.0**	331.7		

(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.

Loblaw continued to deliver strong and consistent financial and operating results across its various businesses in 2023. Loblaw's ability to deliver everyday value and savings to Canadians was reflected in strong sales growth across its Retail business as global inflationary pressures continued to impact customer behaviours. Loblaw's portfolio of best in class assets was well positioned to meet customer's everyday needs across food, health and wellness. The Company's relentless focus on retail excellence leveraged these assets to deliver strong sales growth, gross margin improvements, and leverage its operating costs.

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 were $2,088 million ($6.52 per common share), an increase of $179 million ($0.77 per common share) or 9.4% when compared to 2022. The increase included an improvement in the underlying operating performance of $217 million which was partially offset by the unfavourable change in adjusting items totaling $38 million, as described below:

- the improvement in the underlying operating performance of $217 million ($0.66 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 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 adjustments to certain tax provisions;

  partially offset by,
  - an increase in net interest expense and other financing charges.
- the unfavourable change in adjusting items totaling $38 million (unfavourable change of $0.16 per common share) was primarily due to the following:
  - the unfavourable impact of the prior year recovery related to Glenhuron Bank Limited ("Glenhuron") of $42 million ($0.13 per common share);
  - the year-over-year unfavourable change in gain on sale of non-operating properties of $35 million ($0.11 per common share);
  - the year-over-year unfavourable change in fair value adjustment on fuel and foreign currency contracts of $16 million ($0.05 per common share); and
  - the unfavourable impact of prior year restructuring and other related recoveries of $14 million ($0.04 per common share);

  partially offset by,
  - the year-over-year favourable impact of charges related to President's Choice Bank ("PC Bank") commodity tax matters of $69 million ($0.20 per common share); and
  - the favourable impact of prior year Lifemark transaction costs of $12 million ($0.04 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 ($0.27 per common share).

Adjusted net earnings available to common shareholders of the Company[2] were $2,480 million, an increase of $217 million or 9.6% when compared to 2022. Adjusted net earnings per common share[2] were $7.75 per common share, an increase of $0.93 or 13.6%. The increase includes the favourable impact from the repurchase of common shares.

Revenue

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (52 weeks)**	2022 (52 weeks)	$ Change	% Change
Retail	**$ 58,345**	$ 55,492	$ 2,853	5.1 %
Financial Services	**1,540**	1,338	202	15.1 %
Eliminations	**(356)**	(326)	(30)	(9.2)%
Revenue	**$ 59,529**	$ 56,504	$ 3,025	5.4 %

Revenue was $59,529 million, an increase of $3,025 million, or 5.4% when compared to 2022. The increase was primarily driven by an increase in Retail segment sales of $2,853 million, due to positive same-store sales growth. There was also an increase in Financial Services segment sales of $202 million.

Operating Income Operating income was $3,704 million, an increase of $362 million, or 10.8% when compared to 2022. The increase in operating income was driven by an improvement in the underlying operating performance of $357 million, and a favourable change in adjusting items totaling $5 million as described below:

- the improvement in the underlying operating performance of $357 million was primarily due to the following:
  - an improvement in the underlying operating performance of the Retail segment due to an increase in gross profit(2), partially offset by an increase in SG&A and depreciation and amortization.
- the favourable change in adjusting items totaling $5 million was primarily due to the following:
  - the year-over-year favourable impact of charges related to PC Bank commodity tax matters of $87 million; and
  - the favourable impact of prior year Lifemark Health Group ("Lifemark") transaction costs of $16 million;

  partially offset by,
  - the year-over-year unfavourable change from the gains on sale of non-operating properties of $45 million;
  - the year-over-year unfavourable impact of fair value adjustments on fuel and foreign currency contracts of $21 million;
  - the unfavourable impact of prior year restructuring and other related recoveries of $15 million; and
  - the year-over-year unfavourable impact of fair value adjustments on non-operating properties of $15 million.

Adjusted EBITDA(2)

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (52 weeks)**	2022 (52 weeks)	$ Change	% Change
Retail	**$ 6,361**	$ 5,939	$ 422	7.1 %
Financial Services	**286**	242	44	18.2 %
Adjusted EBITDA(2)	**$ 6,647**	$ 6,181	$ 466	7.5 %

Adjusted EBITDA(2) was $6,647 million, an increase of $466 million, or 7.5% when compared to 2022, driven by an increase in the Retail segment of $422 million, and an increase in the Financial Services segment of $44 million.

Depreciation and Amortization Depreciation and amortization was $2,906 million, an increase of $111 million or 4.0% when compared to 2022. The increase was primarily driven by an increase in depreciation of leased assets and IT assets, accelerated depreciation of $24 million as a result of network optimization, and an increase in depreciation of fixed assets related to conversions of retail locations, partially offset by the impact of prior year accelerated depreciation due to the reassessment of the estimated useful life of certain IT assets. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and Lifemark of $499 million (2022 – $497 million).

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $803 million, an increase of $120 million or 17.6% when compared to 2022. The increase was primarily driven by an increase in interest expense from lease liabilities, borrowing related to credit card receivables, long term debt, independent funding trusts, post-employment and other long term employee benefits, and prior year interest income related to Glenhuron as discussed in Section 17. Non-GAAP and Other Financial Measures below. This was partially offset by higher interest income on certain short term investments.

Income Taxes Income tax expense in 2023 was $714 million (2022 – $665 million) and the effective tax rate was 24.6% (2022 – 25.0%). The decrease to the effective tax rate was primarily attributable to adjustments to certain tax provisions and the non-taxable portion of the gain from real estate dispositions during the year, partially offset by the recovery of income taxes related to Glenhuron in 2022.

Adjusted income tax expense(2) in 2023 was $858 million (2022 – $841 million) and the adjusted effective tax rate(2) was 25.0% (2022 – 26.4%). The decrease to the adjusted effective tax rate(2) was primarily attributable to adjustments to certain tax provisions and the non-taxable portion of the gain from real estate dispositions during the year.

Net Earnings Attributable To Non-Controlling Interests Net earnings attributable to non-controlling interests were $87 million, an increase of $14 million or 19.2% when compared to 2022, primarily driven by an increase in franchisee earnings after profit sharing. 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.

5.2 Selected Financial Information

The selected information presented below has been derived from and should be read in conjunction with the annual consolidated financial statements of the Company dated December 30, 2023, December 31, 2022, and January 1, 2022, included within the 2023 and 2022 Annual Reports. The analysis of the data contained in the table focuses on the trends and significant events or items affecting the financial condition and results of the Company's operations over the most recent three years.

For the years ended December 30, 2023, December 31, 2022 and January 1, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (52 weeks)**	2022 (52 weeks)	2021 (52 weeks)
Revenue	**$ 59,529**	$ 56,504	$ 53,170
Operating income	**3,704**	3,342	2,937
Adjusted EBITDA(2)	**6,647**	6,181	5,587
Adjusted EBITDA margin(2)	**11.2 %**	10.9 %	10.5 %
Depreciation and amortization	**$ 2,906**	$ 2,795	$ 2,664
Net interest expense and other financing charges	**803**	683	495
Adjusted net interest expense and other financing charges(2)	**803**	694	684
Adjusted effective tax rate(2)	**25.0 %**	26.4 %	26.3 %
Net earnings	**$ 2,187**	$ 1,994	$ 1,976
Net earnings attributable to the shareholders of the Company	**2,100**	1,921	1,875
Net earnings available to common shareholders of the Company(i)	**2,088**	1,909	1,863
Adjusted net earnings available to common shareholders of the Company(2)	**2,480**	2,263	1,911
Basic net earnings per common share ($)	**$ 6.59**	$ 5.82	$ 5.49
Diluted net earnings per common share ($)	**$ 6.52**	$ 5.75	$ 5.45
Adjusted diluted net earnings per common share(2) ($)	**$ 7.75**	$ 6.82	$ 5.59
Diluted weighted average common shares (in millions)	**320.0**	331.7	341.8
Dividends declared per common share ($)	**$ 1.743**	$ 1.580	$ 1.400
Dividends declared per Second Preferred Share, Series B ($)	**$ 1.325**	$ 1.325	$ 1.325
Total assets	**$ 38,979**	$ 38,147	$ 36,614
Total long term debt	**$ 7,852**	$ 7,783	$ 7,213
Lease liabilities	**9,458**	9,115	8,839
Long term financial liabilities	**$ 17,310**	$ 16,898	$ 16,052

(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.

Revenue Revenue was $59,529 million in 2023, an increase of $3,025 million when compared to 2022. Food retail same-store sales growth was 3.9% (2022 – 4.7%). Drug retail same-store sales growth was 5.4% (2022 – 6.9%).

Revenue was $56,504 million in 2022, an increase of $3,334 million when compared to 2021. Food retail same-store sales growth was 4.7% (2021 – 0.3%). Drug retail same-store sales growth was 6.9% (2021 – 5.0%).

The Company's Retail segment sales have continued to grow despite the pressure of a highly competitive retail market, impacts of global economic uncertainties, and regulatory environment over the last three years. In 2021, COVID-19 continued to have a significant impact on the Company, continuing to accelerate some long-term trends, enabling the Company to advance its strategic growth areas of Everyday Digital Retail, Connected Healthcare and Payments and Rewards. In Food Retail, sales remained strong as eat-at-home trends remained elevated even in periods where social restrictions loosened. In Drug Retail, sales benefited from growth in pharmacy services as COVID-19 testing and vaccinations ramped up throughout the year. Higher margin front-store categories within Drug Retail, that had previously negatively impacted earnings, increased sales momentum as the economy opened up. In 2022, COVID-19 continued to impact Retail segment sales through the first half of the year. Food Retail benefited from elevated eat-at-home trends, and Drug Retail from strong cosmetics and over-the-counter ("OTC") product sales, as customers returned to pre-pandemic activities, while COVID-19 related testing and vaccines continued at elevated levels. Retail segment sales growth in the second half of 2022 benefited from global inflationary pressures and reflected continued strength in cosmetics and OTC sales in Drug Retail. In 2023, amidst global inflationary pressures, consumers increased their focus on value, which benefited the Company's sales due to its strength in private label products, discount banners, and personalized promotions, including its PC Optimum loyalty program. In Drug Retail, strong cosmetics and OTC product sales continued, while pharmacy services demonstrated strong growth, partially off-setting a decline in COVID-19 related services.

The Financial Services segment sales have continued to grow. In 2021, the Financial Services segment benefited from an increase in customer spending and higher sales attributable to The Mobile Shop™ kiosks. In 2022, the Financial Services segment continued to benefit from an increase in customer spending. Further, the segment benefited from growing credit card receivables in 2022 driven by growth in the active customer base. In 2023, the segment benefited from an increase in customer spending and higher sales attributable to *The Mobile Shop* kiosk. Further, the segment continued to benefit from growing credit card receivables driven by growth in the active customer base and an increase in customer spending.

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 fluctuated over the past three years and were impacted by certain adjusting items set out in Section 17 "Non-GAAP and Other Financial Measures," and the changes in the underlying operating performance of the Company. The fluctuations in net earnings available to common shareholders of the Company and diluted net earnings per common share were primarily due to:

- changes in underlying operating performance of the Retail segment due to COVID-19. The Company's financial results for the year ended December 30, 2023 and December 31, 2022 had higher revenue and cost of sales when compared to 2021;
- cost savings and operating efficiencies and investments in and benefits from strategic initiatives;
- fluctuations in the performance of the Financial Services segment driven by the impact of the increase in customer spending and growth in active customer base, the year-over-year movements of certain commodity taxes accrued, the expected credit loss provision, and operating costs;
- the favourable impact of the repurchase of common shares for cancellation; and
- the impact of certain adjusting items, including:
    - charges related to PC Bank commodity tax matters;
    - fair value adjustments on fuel and foreign currency;
    - the gains and losses on sale of non-operating properties;
    - Lifemark transaction costs;
    - fair value adjustments on non-operating properties;
    - restructuring and other related recoveries and costs; and
    - the recovery relating to Glenhuron.

Total Assets and Long Term Financial Liabilities In 2023, total assets of $38,979 million increased by 2.2% compared to 2022. The increase was primarily driven by an increase in fixed assets, right-of-use assets, credit card receivables, and other assets. This was partially offset by a decrease in intangible assets. Long term financial liabilities of $17,310 million, increased by 2.4% compared to 2022. This was primarily driven by an increase in lease liability and long term debt driven by an increase in guaranteed investment certificates ("GICs").

In 2022, total assets of $38,147 million increased by 4.2% compared to 2021. The increase was primarily driven by an increase in inventory, credit card receivables, and goodwill. This was partially offset by a decrease in cash and cash equivalents and a decrease in income tax recoverable due to collection of income tax refunds from Glenhuron. Long term financial liabilities of $16,898 million increased by 5.3% compared to 2021. This was primarily driven by an increase in lease liability and long term debt driven by an increase in GICs.

6. 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 and Associate-owned drug stores, and includes in-store pharmacies, health care services, other health and beauty products, apparel and other general merchandise. 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* loyalty program, insurance brokerage services, and telecommunication services.

6.1 Retail Segment

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (52 weeks)**	2022 (52 weeks)	$ Change	% Change
Sales	**$ 58,345**	$ 55,492	$ 2,853	5.1 %
Operating income	**3,500**	3,260	240	7.4 %
Gross profit[(2)]	**18,083**	17,165	918	5.3 %
Gross profit %[(2)]	**31.0 %**	30.9 %		
Adjusted EBITDA[(2)]	**$ 6,361**	$ 5,939	$ 422	7.1 %
Adjusted EBITDA margin[(2)]	**10.9 %**	10.7 %		
Depreciation and amortization	**$ 2,848**	$ 2,746	$ 102	3.7 %

The following table provides a breakdown of the Company's total and same-store sales for the Retail segment.

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (52 weeks)**		2022 (52 weeks)	
	Sales	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 41,188**	**3.9 %**	$39,398	4.7 %
Drug retail	**17,157**	**5.4 %**	16,094	6.9 %
Pharmacy and healthcare services	**8,642**	**6.8 %**	7,944	5.7 %
Front store	**8,515**	**4.2 %**	8,150	8.2 %

Sales Retail segment sales were $58,345 million in 2023, an increase of $2,853 million, or 5.1% compared to 2022, primarily driven by the following factors:

- Food retail same-store sales growth was 3.9% (2022 – 4.7%).
    - Same-store sales growth in food was strong;
    - Same-store sales growth in pharmacy was flat;
    - The Consumer Price Index ("CPI") as measured by The Consumer Price Index for Food Purchased From Stores was 7.8% (2022 – 9.7%) which was generally in line with the Company's internal food inflation; and
    - Food Retail traffic increased and basket size decreased.
- Drug retail same-store sales growth was 5.4% (2022 – 6.9%).
    - Pharmacy and healthcare services same-store sales growth was 6.8% (2022 – 5.7%). Pharmacy and healthcare services same-store sales growth benefited from the change in sales mix. The number of prescriptions dispensed increased by 0.6% (2022 – increased by 2.5%). On a same-store basis, the number of prescriptions dispensed increased by 0.9% (2022 – 2.6%) and the average prescription value increased by 4.8% (2022 – 2.4%); and
    - Front store same-store sales growth was 4.2% (2022 – 8.2%). Front store same-store sales growth benefited from higher consumer spending and economic re-opening.

In 2023, 23 food and drug stores were opened, and 12 food and drug stores were closed, and net retail square footage has remained constant at 71.2 million square feet.

Operating Income Operating income was $3,500 million in 2023, an increase of $240 million, or 7.4% compared to 2022. The increase was driven by an improvement in underlying operating performance of $322 million, partially offset by the unfavourable change in adjusting items totaling $82 million, as described below:

- the improvement in underlying operating performance of $322 million was due to an increase in gross profit[(2)], partially offset by an increase in SG&A and depreciation and amortization; and
- the unfavourable change in adjusting items totaling $82 million was primarily due to the following:
    - the year-over-year unfavourable change from the gains on sale of non-operating properties of $45 million;
    - the year-over-year unfavourable change in fair value adjustments on fuel and foreign currency contracts of $21 million;
    - the unfavourable impact of prior year restructuring and other related recoveries of $15 million; and
    - the year-over-year unfavourable change in fair value adjustments on non-operating properties of $15 million;

  partially offset by,

    - the favourable impact of prior year Lifemark transaction costs of $16 million.

Gross Profit[(2)] Gross profit[(2)] was $18,083 million in 2023, an increase of $918 million, or 5.3% compared to 2022. Gross profit percentage[(2)] of 31.0% increased by 10 basis points when compared to 2022, primarily driven by growth in higher margin Drug Retail front store categories and the scaling of the external freight business, partially offset by higher shrink.

Adjusted EBITDA[(2)] Adjusted EBITDA[(2)] was $6,361 million in 2023, an increase of $422 million, or 7.1% compared to 2022. The increase was driven by an increase in gross profit[(2)] of $918 million, partially offset by an increase in SG&A of $496 million. SG&A as a percentage of sales was 20.1%, a favourable decrease of 10 basis points when compared to 2022. The favourable decrease of 10 basis points was primarily due to operating leverage from higher sales.

Depreciation and Amortization Depreciation and amortization was $2,848 million, an increase of $102 million or 3.7% when compared to 2022. The increase was primarily driven by an increase in depreciation of leased assets and IT assets, accelerated depreciation of $24 million as a result of network optimization, and an increase in depreciation of fixed assets related to conversions of retail locations, partially offset by the impact of prior year accelerated depreciation due to the reassessment of the estimated useful life of certain IT assets. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of $499 million (2022 – $497 million).

Network Optimization In 2023, the Company recorded charges of $70 million associated with network optimization. Included in the charges was accelerated depreciation of $24 million as described above, and other charges. The Company finalized plans for 2024 that are expected to result in the conversion of 30 Provigo stores to Maxi discount stores in Quebec. Charges associated with store conversions 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.

6.2 Financial Services Segment

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (52 weeks)**	2022 (52 weeks)	$ Change	% Change
Revenue	**$ 1,540**	$ 1,338	$ 202	15.1 %
Earnings (Losses) before income taxes	**61**	(2)	63	3,150.0 %

(millions of Canadian dollars except where otherwise indicated)	**As at December 30, 2023**	As at December 31, 2022	$ Change	% Change
Average quarterly net credit card receivables	**$ 3,950**	$ 3,607	$ 343	9.5 %
Credit card receivables	**4,132**	3,954	178	4.5 %
Allowance for credit card receivables	**256**	206	50	24.3 %
Annualized yield on average quarterly gross credit card receivables	**13.9 %**	13.0 %		
Annualized credit loss rate on average quarterly gross credit card receivables	**3.8 %**	2.7 %		

Revenue Revenue was $1,540 million in 2023, an increase of $202 million compared to 2022. The increase in revenue was primarily driven by:

- higher interest income from growth in credit card receivables;
- higher interchange income and other credit card related revenue from an increase in customer spending; and
- higher sales attributable to *The Mobile Shop*.

Earnings (Losses) before income taxes Earnings before income taxes were $61 million in 2023, as compared to losses of $2 million in 2022. The improvement was primarily driven by:

- higher revenue as described above;
- the year-over-year impact from the prior year charge of $111 million versus the current year charge of $24 million related to PC Bank commodity tax matters; and
- lower operating costs, including benefits associated with the renewal of a long-term agreement with Mastercard and lower customer acquisition expenses.

partially offset by,

- higher contractual charge-offs, and loyalty program costs from an increase in customer spending and growth in the credit card portfolio;
- higher funding costs from an increase in interest rates and growth in credit card portfolio; and
- the year-over-year impact of the expected credit loss provision from the prior year increase of $1 million versus the current year increase of $50 million.

In the second quarter of 2023, the Federal government enacted certain commodity tax legislation that applies to PC Bank on a retroactive basis. A charge of $37 million, inclusive of interest, was recorded for this matter. In the fourth quarter of 2023, the Company reversed $13 million of previously recorded charges. The reversal was a result of new guidance issued by the Canada Revenue Agency ("CRA").

In July 2022, the Tax Court of Canada ("Tax Court") released a decision relating to PC Bank. 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. In September 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal. Subsequent to December 30, 2023, the Federal Court of Appeal scheduled the hearing of the appeal for March 6, 2024. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

Credit Card Receivables As at December 30, 2023, credit card receivables were $4,132 million, an increase of $178 million compared to December 31, 2022. This increase was primarily driven by growth in the active customer base and an increase in customer spending. The expected credit loss allowance for credit card receivables was $256 million, an increase of $50 million compared to December 31, 2022. The increase is reflective of the current and forecast macro-economic environment and its impact on consumer credit trends.

7. Liquidity and Capital Resources

7.1 Cash Flows

Major Cash Flow Components

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (52 weeks)**	2022 (52 weeks)	$ Change	% Change
Cash and cash equivalents, beginning of year	**$ 1,608**	$ 1,976	$ (368)	(18.6)%
Cash flows from (used in):				
Operating activities	**$ 5,654**	$ 4,755	$ 899	18.9 %
Investing activities	**(1,845)**	(2,368)	523	22.1 %
Financing activities	**(3,932)**	(2,751)	(1,181)	(42.9)%
Effect of foreign currency exchange rate changes on cash and cash equivalents	**3**	(4)	7	175.0 %
Increase in cash and cash equivalents	**$ (120)**	$ (368)	$ 248	67.4 %
Cash and cash equivalents, end of year	**$ 1,488**	$ 1,608	$ (120)	(7.5)%

Cash Flows from Operating Activities Cash flows from operating activities were $5,654 million, an increase of $899 million when compared to 2022. The increase in cash flows from operating activities was primarily driven by a favourable year-over-year change in non-cash working capital, and higher cash earnings, partially offset by the unfavourable year-over-year change of income taxes paid due to the prior year recovery of cash taxes related to Glenhuron. Cash flows from operating activities also increased as credit card receivables increased year-over-year at a rate lower than prior year.

Cash Flows used in Investing Activities Cash flows used in investing activities were $1,845 million, a decrease of $523 million when compared to 2022. The decrease in cash flows used in investing activities was primarily driven by the acquisition of Lifemark in 2022, an increase in proceeds from disposal of assets, partially offset by an increase in investments in fixed assets.

Capital Investments and Store Activity

As at December 30, 2023 and December 31, 2022	**2023 (52 weeks)**	2022 (52 weeks)	% Change
Corporate square footage (in millions)	**35.1**	34.9	0.6 %
Franchise square footage (in millions)	**17.0**	17.3	(1.7)%
Associate-owned drug store square footage (in millions)	**19.1**	19.0	0.5 %
Total retail square footage (in millions)	**71.2**	71.2	— %
Number of corporate stores	**569**	547	4.0 %
Number of franchise stores	**535**	551	(2.9)%
Number of Associate-owned drug stores	**1,351**	1,346	0.4 %
Total number of stores	**2,455**	2,444	0.5 %
Average store size (square feet)			
Corporate	**61,700**	63,800	(3.3)%
Franchise	**31,800**	31,400	1.3 %
Associate-owned drug store	**14,100**	14,100	— %

Capital Investments Capital investments were $2,109 million, an increase of $538 million or 34.2%, compared to 2022.

Cash Flows used in Financing Activities Cash flows used in financing activities were $3,932 million, an increase of $1,181 million when compared to 2022. The increase in cash flows used in financing activities was primarily driven by higher issuance of long term debt net of repayments in the prior year, higher repurchases of common shares in the current year, higher issuance of short-term debt in the prior year.

Free Cash Flow(2)

				2023 (52 weeks)				2022 (52 weeks)
For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Elimi-nations(i)**	**Total**	Retail	Financial Services	Elimi-nations(i)	Total
Cash flows from (used in) operating activities	**$ 5,480**	**$ 46**	**$ 128**	**$ 5,654**	$ 5,133	$ (444)	$ 66	$ 4,755
Less:								
Capital investments(ii)	**2,069**	**40**	**—**	**2,109**	1,538	33	—	1,571
Interest paid	**293**	**—**	**128**	**421**	278	—	66	344
Lease payments, net	**1,424**	**—**	**—**	**1,424**	1,312	—	—	1,312
Free cash flow(2)	**$ 1,694**	**$ 6**	**$ —**	**$ 1,700**	$ 2,005	$ (477)	$ —	$ 1,528

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

(ii) Capital investments are the sum of fixed asset purchases and intangible asset additions as presented in the Company's consolidated statements of cash flows, and prepayments transferred to fixed assets in the current year. Capital investments for the year ended December 30, 2023 include $37 million of prepayments transferred to fixed assets.

Free cash flow(2) from the Retail segment was $1,694 million, a decrease of $311 million when compared to 2022. The decrease was primarily driven by higher capital investments and the unfavourable year-over-year change of income taxes paid due to the prior year recovery of cash taxes related to Glenhuron, partially offset by a favourable change in non-cash working capital and higher cash earnings.

Free cash flow(2) from the Financial Services segment was $6 million, an increase of $483 million when compared to 2022, as credit card receivables increased year-over-year at a rate lower than prior year.

7.2 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 Credit Card Trust®* ("*Eagle*") notes and Guaranteed Investment Certificates.

The following table presents total debt by reportable operating segment:

(millions of Canadian dollars)			**As at December 30, 2023**			As at December 31, 2022
	Retail	**Financial Services**	**Total**	Retail	Financial Services	Total
Bank indebtedness	**$ 13**	**$ —**	**$ 13**	$ 8	$ —	$ 8
Demand deposits from customers	**—**	**166**	**166**	—	125	125
Short term debt(i)	**—**	**850**	**850**	—	700	700
Long term debt due within one year	**400**	**791**	**1,191**	—	727	727
Long term debt	**4,460**	**2,201**	**6,661**	4,866	2,190	7,056
Certain other liabilities(ii)	**280**	**—**	**280**	153	—	153
Total debt excluding lease liabilities	**$ 5,153**	**$4,008**	**$ 9,161**	$ 5,027	$ 3,742	$ 8,769
Lease liabilities due within one year	**1,455**	**—**	**1,455**	1,401	—	1,401
Lease liabilities	**8,003**	**—**	**8,003**	7,714	—	7,714
Total debt including total lease liabilities	**$ 14,611**	**$4,008**	**$18,619**	$14,142	$ 3,742	$17,884

(i) During 2023, PC Bank recorded a $150 million net increase of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

(ii) As at December 30, 2023, certain other liabilities include financial liabilities of $190 million related to the sale and leaseback of retail properties (December 31, 2022 — $73 million) (see note 27: Leases of the Company's consolidated financial statements).

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 calculates the Retail segment's debt to rolling year retail adjusted EBITDA(2) ratio to measure the leverage being employed.

	As at December 30, 2023	As at December 31, 2022
Retail debt to retail adjusted EBITDA(2)	**2.3 x**	2.4 x

The Retail debt to retail adjusted EBITDA(2) ratio as at December 30, 2023 decreased compared to December 31, 2022, primarily due to an improvement in 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 December 30, 2023 and throughout the year, the Company was in compliance with such covenants. As at December 30, 2023 and throughout the year, PC Bank has met all applicable regulatory requirements.

7.3 Components of Total Debt

Debentures There were no debentures issued in 2023. The following table summarizes the debentures issued in 2022.

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	Principal Amount 2022
Loblaw Companies Limited Notes(i)	5.01%	September 13, 2032	**$ 400**
Loblaw Companies Limited Notes(i)	5.34%	September 13, 2052	**400**
Total debentures issued			**$ 800**

(i) During 2022, the Company completed a dual-tranche issuance of $800 million aggregate principal amount of senior unsecured notes. In connection with this issuance, the Company used the net proceeds of the issuance to redeem $800 million outstanding principal amount of its Series 2023 unsecured notes.

There were no debentures repaid in 2023. The following table summarizes the debentures repaid in 2022.

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	Principal Amount 2022
Loblaw Companies Limited Notes(i)	4.86%	September 12, 2023	**$ 800**
Total debentures repaid			**$ 800**

(i) The Company recorded an early repayment premium charge of $7 million in net interest expense and other financing charges when the Company redeemed 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.

Committed Credit Facility The Company has a committed credit facility with a maturity date of July 15, 2027, provided by a syndicate of lenders. On December 14, 2023, the Company increased the committed credit facility from $1.0 billion to $1.5 billion with all other terms and conditions remaining substantially the same. This committed credit facility contains certain financial covenants (see note 23 of the Company's consolidated financial statements). As at December 30, 2023 and December 31, 2022, there were no amounts drawn under this facility.

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 December 30, 2023**	As at December 31, 2022
Securitized to independent securitization trusts:		
Securitized to *Eagle Credit Card Trust®*	**$ 1,350**	$ 1,350
Securitized to Other Independent Securitization Trusts	**850**	700
Total securitized to independent securitization trusts	**$ 2,200**	$ 2,050

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 December 30, 2023 and throughout 2023.

During 2023, *Eagle* issued $250 million (2022 – $250 million) of senior and subordinated term notes with a maturity date of June 17, 2028 (2022 – July 17, 2027). These notes have a weighted average interest rate of 5.25% (2022 – 4.89%). In connection with this issuance, $125 million (2022 – $140 million) of bond forward agreements were settled, resulting in a realized fair value gain of $4 million (2022 – gain of $8 million) before income taxes, which was cumulatively recorded in other comprehensive income 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 4.95% (2022 – 4.24%) on the *Eagle* notes issued (see note 28 of the Company's consolidated financial statements).

During 2023, $250 million (2022 – $250 million) of senior and subordinated term notes at weighted average interest rate of 3.10% (2022 – 2.71%), previously issued by *Eagle,* matured and were repaid on July 17, 2023 (2022 – October 17, 2022). As a result, during 2023, there was no net change in the balances related to *Eagle* notes.

Independent Funding Trusts As at December 30, 2023, the independent funding trusts had drawn $558 million (December 31, 2022 – $574 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 December 30, 2023, the Company provided a credit enhancement of $64 million (December 31, 2022 – $64 million) for the benefit of the independent funding trusts representing not less than 10% (December 31, 2022 – not less than 10%) of the principal amount of loans outstanding.

The Company has a $700 million revolving committed credit facility that is the source of funding to the independent funding trusts that has a maturity date of April 14, 2025.

Guaranteed Investment Certificates The following table summarizes PC Bank's GICs activity, before commissions in 2023 and 2022:

(millions of Canadian dollars)	**December 30, 2023 (52 weeks)**	December 31, 2022 (52 weeks)
Balance, beginning of year	**$ 1,567**	$ 996
GICs issued	**583**	764
GICs matured	**(496)**	(193)
Balance, end of year	**$ 1,654**	$ 1,567

As at December 30, 2023, $541 million in GICs were recorded as long term debt due within one year (December 31, 2022 – $477 million).

Associate Guarantees The Company has arranged for its Associates to obtain financing to facilitate their inventory purchases and fund their working capital requirements by providing guarantees to various Canadian chartered banks that support Associate loans. As at December 30, 2023, the Company's maximum obligation in respect of such guarantees was $580 million (December 31, 2022 – $580 million) with an aggregate amount of $476 million (December 31, 2022 – $473 million) in available lines of credit allocated to the Associates by the various banks. As at December 30, 2023, Associates had drawn an aggregate amount of $13 million (December 31, 2022 – $8 million) against these available lines of credit. Any amounts drawn by the Associates are included in bank indebtedness on the Company's consolidated balance sheets. As recourse, in the event that any payments are made under the guarantees, the Company holds a first-ranking security interest on all assets of Associates, subject to certain prior-ranking statutory claims.

7.4 Financial Condition

Adjusted return on equity[(2)] and Adjusted return on capital[(2)]

	As at December 30, 2023	As at December 31, 2022
Adjusted return on equity[(2)]	**22.2 %**	20.2 %
Adjusted return on capital[(2)]	**11.5 %**	10.8 %

Adjusted return on equity[(2)] as at December 30, 2023 increased compared to December 31, 2022, primarily due to an improvement in the underlying operating performance of the Retail segment and Financial Services segment.

Adjusted return on capital[(2)] as at December 30, 2023 increased compared to December 31, 2022, primarily due to an improvement in adjusted operating income[(2)].

7.5 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
Second Preferred Shares, Series B	Pfd-3 (high)	Stable	P-3 (high)	n/a

During 2023, Dominion Bond Rating Service Morningstar confirmed the credit ratings and trend of the Company, and Standard and Poor's Global Ratings confirmed the credit ratings and outlook of the Company.

7.6 Share Capital

First Preferred Shares (authorized - 1.0 million shares) There were no First Preferred Shares outstanding as at December 30, 2023 and December 31, 2022.

Second Preferred Shares (authorized - unlimited) The Company has outstanding 9.0 million 5.30% non-voting Second Preferred Shares, Series B, with a face value of $225 million, which were issued for net proceeds of $221 million. These preferred shares are presented as a component of equity on the consolidated balance sheets.

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:

	December 30, 2023 (52 weeks)		December 31, 2022 (52 weeks)	
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	**324,062,608**	**$ 6,489**	333,527,369	$ 6,643
Issued for settlement of stock options	**984,923**	**69**	1,487,377	100
Purchased and cancelled	**(14,521,152)**	**(277)**	(10,952,138)	(254)
Issued and outstanding, end of period	**310,526,379**	**$ 6,281**	324,062,608	$ 6,489
Shares held in trust, beginning of period	**(1,222,278)**	**$ (24)**	(595,495)	$ (12)
Purchased for future settlement of RSUs and PSUs	**(625,000)**	**(13)**	(1,172,000)	(23)
Released for settlement of RSUs and PSUs	**578,039**	**12**	545,217	11
Shares held in trust, end of period	**(1,269,239)**	**$ (25)**	(1,222,278)	$ (24)
Issued and outstanding, net of shares held in trust, end of period	**309,257,140**	**$ 6,256**	322,840,330	$ 6,465
Weighted average outstanding, net of shares held in trust	**316,732,641**		328,068,749	

Dividends The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Board of Directors ("Board"), which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over the long term, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to finance future growth. In the second quarter of 2023 and in the second quarter of 2022, the Board raised the quarterly dividend by $0.041 to $0.446 and $0.04 to $0.405 per common share, respectively.

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

	2023[i] **(52 weeks)**	2022 (52 weeks)
Dividends declared per share ($)		
Common Share	**$ 1.743**	$ 1.580
Second Preferred Share, Series B	**$ 1.325**	$ 1.325

(i) The Common Share dividends declared in the fourth quarter of 2023 of $0.446 per share had a payment date of December 30, 2023. The Second Preferred Shares, Series B dividends declared in the fourth quarter of 2023 of $0.33125 per share had a payment date of December 31, 2023.

(millions of Canadian dollars)	**December 30, 2023 (52 weeks)**	December 31, 2022 (52 weeks)
Dividends declared		
Common Share	**$ 550**	$ 517
Second Preferred Share, Series B	**12**	12
Total dividends declared	**$ 562**	$ 529

Subsequent to December 30, 2023, the Board declared a quarterly dividend of $0.446 per common share, payable on April 1, 2024 to shareholders of record on March 15, 2024 and a quarterly dividend of $0.33125 per share on the Second Preferred Shares, Series B payable on March 31, 2024 to shareholders of record on March 15, 2024.

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)	**December 30, 2023 (52 weeks)**	December 31, 2022 (52 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)[i]	**14,521,152**	10,952,138
Cash consideration paid	**$ 1,729**	$ 1,258
Premium charged to retained earnings[ii]	**1,352**	1,204
Reduction in common share capital[iii]	**277**	254
Common shares repurchased under the NCIB and held in trust (number of shares)	**625,000**	1,172,000
Cash consideration paid	**$ 72**	$ 138
Premium charged to retained earnings	**59**	115
Reduction in common share capital	**13**	23

(i) Common shares repurchased and cancelled as at December 30, 2023 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) Includes $84 million related to the automatic share purchase plan, as described below.
(iii) Includes $16 million related to the automatic share purchase plan, as described below.

In the second quarter of 2023, the Company renewed its NCIB to purchase on the Toronto Stock Exchange or through alternative trading systems up to 16,055,686 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. As at December 30, 2023, the Company had purchased 10,992,986 common shares for cancellation under its current NCIB. The Company is still permitted 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 2023, 14,521,152 common shares (2022 – 10,952,138) were purchased under the NCIB for cancellation, for aggregate consideration of $1,729 million (2022 – $1,258 million), including 7,132,579 common shares (2022 – 4,868,949) purchased from Weston, for aggregate consideration of $847 million (2022 – $558 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. As at December 30, 2023, an obligation to repurchase shares of $100 million was recognized under the ASPP in trade payables and other liabilities.

7.7 Off-Balance Sheet Arrangements

The following is a summary of the Company's off-balance sheet arrangements. Certain significant arrangements have also been discussed in Section 7.3 "Components of Total Debt".

Letters of Credit Standby and documentary letters of credit are used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and other performance guarantees, surety bond, securitization of PC Bank's credit card receivables, letter of credit and third party financing made available to the Company's franchisees. The gross potential liability related to the Company's letters of credit is approximately $457 million as at December 30, 2023 (December 31, 2022 – $450 million).

Guarantees In addition to the letters of credit mentioned above, the Company has entered into various guarantee arrangements including obligations to indemnify third parties in connection with leases and other transactions in the normal course of business.

Lease Obligations In connection with historical dispositions of certain of its assets, the Company has assigned leases to third parties. The Company remains contingently liable for these lease obligations in the event any of the assignees are in default of their lease obligations. The Company has guaranteed lease obligations of a third party distributor in the amount of $3 million (December 31, 2022 – $4 million).

Financial Services The Company has provided a guarantee on behalf of PC Bank to Mastercard International Incorporated ("Mastercard") for accepting PC Bank as a card member and licensee of Mastercard. As at December 30, 2023, the guarantee on behalf of PC Bank to Mastercard was USD $190 million (December 31, 2022 – USD $190 million).

Cash Collateralization As at December 30, 2023, the Company had agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of $93 million (December 31, 2022 – $93 million), of which a nominal amount (December 31, 2022 – nominal) was deposited with major financial institutions and classified as security deposits, which is included in other assets.

7.8 Contractual Obligations

The following illustrates certain of the Company's significant contractual obligations and discusses other obligations as at December 30, 2023:

Summary of Contractual Obligations

	Payments due by year						
(millions of Canadian dollars)	2024	2025	2026	2027	2028	Thereafter	Total
Total debt (including interest payments[(i)])	$ 2,558	$ 1,496	$ 854	$ 907	$ 1,360	$ 4,859	$12,034
Foreign exchange forward contracts	498	—	—	—	—	—	498
Financial Liabilities[(ii)]	12	13	12	12	12	154	215
Lease obligations	1,484	1,509	1,242	1,092	852	3,040	9,219
Contracts for purchases of investment projects[(iii)]	392	67	41	157	40	7	704
Purchase obligations[(iv)]	886	626	577	39	1	1	2,130
Total contractual obligations	$ 5,830	$ 3,711	$ 2,726	$ 2,207	$ 2,265	$ 8,061	$24,800

(i) Fixed interest payments are based on the maturing face values and annual interest for each instrument, including GICs, long term independent securitization trusts and an independent funding trust, as well as annual payment obligations for structured entities. Variable interest payments are based on the forward rates as of December 30, 2023.

(ii) These are the contractual payments that the Company is committed to related to the sale of retail properties to Choice Properties Real Estate Investment Trust and third parties.

(iii) These obligations include agreements for the purchase of equipment, real property and capital commitments for construction, expansion and renovation of buildings. These agreements may contain conditions that may or may not be satisfied. If the conditions are not satisfied, it is possible the Company will no longer have the obligation to proceed with the underlying transactions.

(iv) These obligations include contractual obligations to purchase goods or services of a material amount where the contract prescribes fixed or minimum volumes to be purchased or payments to be made within a fixed period of time for a set or variable price. These are only estimates of anticipated financial commitments under these arrangements and the amount of actual payments will vary. These purchase obligations do not include purchase orders issued or agreements made in the ordinary course of business which are solely for goods which are meant for resale, nor do they include any contracts which may be terminated on relatively short notice or with relatively insignificant cost or liability to the Company.

At year end, the Company had additional long term liabilities which included post-employment and other long term employee benefit plan liabilities, deferred vendor allowances, deferred income tax liabilities and provisions, including insurance liabilities. These long term liabilities have not been included above as the timing and amount of future payments are uncertain.

8. Financial Derivative Instruments

The Company uses derivative instruments to offset certain of its financial risks. The Company uses bond forwards and interest rate swaps, to manage its anticipated exposure to fluctuations in interest rates on future debt issuances. 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 financial derivative instruments designated as cash flow hedges:

	December 30, 2023 (52 weeks)			December 31, 2022 (52 weeks)		
(millions of Canadian dollars)	**Net asset/ (liability) Fair value**	**Gain/(loss) recorded in OCI**	**Gain/(loss) recorded in operating income**	Net asset/ (liability) Fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges						
Foreign Exchange Forwards[(i)]	**$ 7**	**$ (2)**	**$ 2**	$ 4	$ 4	$ 2
Bond Forwards[(ii)]	**—**	**11**	**(4)**	1	18	(5)
Interest Rate Swaps and Other[(iii)]	**(3)**	**(4)**	**2**	1	(1)	4
Total derivatives designated as cash flow hedges	**$ 4**	**$ 5**	**$ —**	$ 6	$ 21	$ 1

(i) PC Bank uses foreign exchange forwards, with a notional value of $9 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid expenses and other assets.

(ii) PC Bank uses bond forwards to manage its interest risk related to future debt issuances. During 2023, PC Bank settled all of its outstanding bond forwards..

(iii) PC Bank uses interest rate swaps, with a notional value of $180 million, to mitigate the impact of increases in interest rate. In the second quarter of 2023, the Company entered into a 20 year arrangement to hedge energy pricing on its purchases in Alberta beginning on January 1, 2025. The hedge has a notional value of $223 million and resulted in a fair value loss of $4 million in 2023, which has been recorded in other comprehensive income. The fair values of the derivatives are included in both prepaid expenses and other assets and trade payables and other liabilities.

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 2023 see Section 17 "Non-GAAP and other Financial Measures" of the MD&A.

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 financial derivative instruments not designated in a formal hedging relationship:

	December 30, 2023 (52 weeks)		December 31, 2022 (52 weeks)	
(millions of Canadian dollars)	**Net asset/ (liability) Fair value**	**Gain/(loss) recorded in operating income**	Net asset/ (liability) Fair value	Gain/(loss) recorded in operating income
Derivatives not designated in a formal hedging relationship				
Foreign Exchange and Other Forwards	**$ (3)**	**$ (4)**	$ 13	$ 32
Other Non-Financial Derivatives	**(4)**	**(7)**	1	24
Total derivatives not designated in a formal hedging relationship	**$ (7)**	**$ (11)**	$ 14	$ 56

9. Quarterly Results of Operations

9.1 Results by Quarter

The Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks due to an accounting convention common in the retail industry. Fiscal years 2023 and 2022 were both 52 weeks. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration.

The following is a summary of selected unaudited consolidated financial information for each of the eight most recently completed quarters:

Summary of Consolidated Quarterly Results

					2023					2022
(millions of Canadian dollars except where otherwise indicated)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)
Revenue	**$12,995**	**$13,738**	**$18,265**	**$14,531**	**$59,529**	$12,262	$12,847	$17,388	$14,007	$56,504
Adjusted EBITDA[2]	**1,448**	**1,640**	**1,926**	**1,633**	**6,647**	1,343	1,499	1,846	1,493	6,181
Net earnings available to common shareholders of the Company	**418**	**508**	**621**	**541**	**2,088**	437	387	556	529	1,909
Adjusted net earnings available to common shareholders of the Company[2]	**505**	**626**	**719**	**630**	**2,480**	459	566	663	575	2,263
Net earnings per common share:										
Basic ($)	**$ 1.30**	**$ 1.59**	**$ 1.97**	**$ 1.73**	**$ 6.59**	$ 1.31	$ 1.17	$ 1.71	$ 1.63	$ 5.82
Diluted ($)	**$ 1.29**	**$ 1.58**	**$ 1.95**	**$ 1.72**	**$ 6.52**	$ 1.30	$ 1.16	$ 1.69	$ 1.62	$ 5.75
Adjusted diluted net earnings per common share[2] ($)	**$ 1.55**	**$ 1.94**	**$ 2.26**	**$ 2.00**	**$ 7.75**	$ 1.36	$ 1.69	$ 2.01	$ 1.76	$ 6.82
Food Retail same-store sales growth	**3.1 %**	**6.1 %**	**4.5 %**	**2.0 %**	**3.9 %**	2.1 %	0.9 %	6.9 %	8.4 %	4.7 %
Drug Retail same-store sales growth	**7.4 %**	**5.7 %**	**4.6 %**	**4.6 %**	**5.4 %**	5.2 %	5.6 %	7.7 %	8.7 %	6.9 %

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

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- macro-economic conditions impacting food and drug retail prices;
- COVID-19 pandemic related impacts; and
- changes in net retail square footage. Over the past eight quarters, net retail square footage has remained constant at 71.2 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:

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- cost savings and operating efficiencies and benefits from strategic initiatives;
- the favourable impact of the repurchase of common shares for cancellation;
- COVID-19 pandemic related impacts; and
- the impact of certain adjusting items, as set out in Section 17 "Non-GAAP and Other Financial Measures", including:
    - charges and recoveries related to PC Bank commodity tax matters;
    - Lifemark transaction costs;
    - restructuring and other related recoveries and costs;
    - the recovery relating to Glenhuron;
    - fair value adjustments on non-operating properties;
    - fair value adjustments on fuel and foreign currency contracts; and
    - the gains and losses on sale of non-operating properties.

9.2 Fourth Quarter Results

The following is a summary of selected consolidated unaudited financial information for the fourth quarter of 2023:

For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	2022 (12 weeks)	$ Change	% Change
Revenue	**$ 14,531**	$ 14,007	$ 524	3.7 %
Operating income	**943**	871	72	8.3 %
Adjusted EBITDA(2)	**1,633**	1,493	140	9.4 %
Adjusted EBITDA margin(2)	**11.2 %**	10.7 %		
Depreciation and amortization	**$ 680**	$ 667	$ 13	1.9 %
Net interest expense and other financing charges	**195**	172	23	13.4 %
Adjusted net interest expense and other financing charges(2)	**195**	172	23	13.4 %
Income taxes	**188**	181	7	3.9 %
Adjusted income taxes(2)	**224**	205	19	9.3 %
Adjusted effective tax rate(2)	**25.7 %**	26.7 %		
Net earnings (losses) attributable to non-controlling interests	**$ 16**	$ (14)	$ 30	214.3 %
Net earnings attributable to shareholders of the Company	**$ 544**	$ 532	$ 12	2.3 %
Net earnings available to common shareholders of the Company(i)	**541**	529	12	2.3 %
Adjusted net earnings available to common shareholders of the Company(2)	**630**	575	55	9.6 %
Diluted net earnings per common share ($)	**$ 1.72**	$ 1.62	$ 0.10	6.2 %
Adjusted diluted net earnings per common share(2) ($)	**$ 2.00**	$ 1.76	$ 0.24	13.6 %
Diluted weighted average common shares outstanding (in millions)	**314.9**	327.4		
Cash flows from (used in)(i):				
Operating activities	**$ 1,405**	$ 1,148	$ 257	22.4 %
Investing activities	**(330)**	(416)	86	20.7 %
Financing activities	**(819)**	(539)	(280)	(51.9)%
Dividends declared per common share ($)	**$ 0.446**	$ 0.405	$ 0.041	10.1 %
Dividends declared per Second Preferred Share, Series B ($)	**$ 0.33125**	$ 0.33125	—	—

(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 another quarter of strong operational and financial results as it maintained its focus on retail excellence. The Company's value proposition, private label brands, and personalized *PC Optimum* offers continued to resonate with customers seeking quality and value. This resulted in traffic growth and continued market share momentum in Food Retail. The Company recorded an internal food inflation lower than Canada's food CPI again this quarter, demonstrating the impact of its continuing investments in value. Additionally, the Company opened 8 more Maxi and NoFrills discount stores in the fourth quarter. Drug Retail sales reflected continued strength in front store beauty products, and strong sales of cough and cold medications. Canadians reacted very positively to the convenience and level of care offered across the Company's 74 new pharmacy-based clinics, resulting in strong growth of new pharmacist led healthcare services. Operational excellence across the Company's businesses supported sales growth, provided sequential shrink improvements, and continued the Company's focused cost discipline, to drive earnings growth. Loblaw's strategy, unique assets, and dedicated colleagues position it well to best serve the needs of Canadians today and in the future.

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 fourth quarter of 2023 were $541 million ($1.72 per common share). When compared to the fourth quarter of 2022, this was an increase of $12 million ($0.10 per common share). The increase included an improvement in the underlying operating performance of $55 million, partially offset by the unfavourable change in adjusting items totaling $43 million as described below:

- the improvement in underlying operating performance of $55 million ($0.16 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 gross profit[2], partially offset by an increase in SG&A and depreciation and amortization;

  partially offset by,
  - the unfavourable impact from non-controlling interests.
- the unfavourable change in adjusting items totaling $43 million ($0.14 per common share) was primarily due to the following:
  - the unfavourable impact of prior year gain on sale of non-operating properties of $41 million ($0.13 per common share); and
  - the year-over-year unfavourable change in fair value adjustments of non-operating properties of $10 million ($0.03 per common share);

  partially offset by,
  - the favourable impact of recoveries related to PC Bank commodity tax matters of $12 million ($0.04 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 ($0.08 per common share).

Adjusted net earnings available to common shareholders of the Company[2] were $630 million, an increase of $55 million or 9.6% compared to the fourth quarter of 2022. Adjusted net earnings per common share[2] were $2.00, an increase of $0.24 or 13.6%. The increase includes the favourable impact from the repurchase of common shares.

Revenue

For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	2022 (12 weeks)	$ Change	% Change
Retail	**$ 14,157**	$ 13,694	$ 463	3.4 %
Financial Services	**487**	417	70	16.8 %
Eliminations	**(113)**	(104)	(9)	(8.7)%
Revenue	**$ 14,531**	$ 14,007	$ 524	3.7 %

Revenue was $14,531 million in the fourth quarter of 2023. When compared to the fourth quarter of 2022, this was an increase of $524 million, or 3.7%. The increase was primarily driven by an increase in Retail segment sales of $463 million due to positive same-store sales growth. There was also an increase in Financial Services segment sales of $70 million.

Operating Income Operating income was $943 million in the fourth quarter of 2023. When compared to the fourth quarter of 2022, this was an increase of $72 million, or 8.3%. The increase was driven by an improvement in underlying operating performance of $127 million, partially offset by the unfavourable change in adjusting items totaling $55 million as described below:

- the improvement in underlying operating performance of $127 million was primarily due to the following:
  - an improvement in the underlying operating performance of the Retail Segment due to an increase in gross profit(2), partially offset by an increase in SG&A and depreciation and amortization.
- the unfavourable change in adjusting items totaling $55 million was primarily due to the following:
  - the unfavourable impact of prior year gain on sale of non-operating properties of $50 million; and
  - the year-over-year unfavourable change in fair value adjustments on non-operating properties of $15 million;

  partially offset by,
  - the favourable impact of recoveries related to PC Bank commodity tax matters of $13 million.

Adjusted EBITDA(2)

For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	2022 (12 weeks)	$ Change	% Change
Retail	**$ 1,532**	$ 1,418	$ 114	8.0 %
Financial Services	**101**	75	26	34.7 %
Adjusted EBITDA(2)	**$ 1,633**	$ 1,493	$ 140	9.4 %

Adjusted EBITDA(2) was $1,633 million in the fourth quarter of 2023. When compared to the fourth quarter of 2022, this was an increase of $140 million or 9.4%, driven by an increase in the Retail segment of $114 million, and an increase in the Financial Services segment of $26 million.

Depreciation and Amortization Depreciation and amortization was $680 million in the fourth quarter of 2023, an increase of $13 million when compared to the fourth quarter of 2022. The increase in depreciation and amortization in the fourth quarter of 2023 was primarily driven by an increase in depreciation of leased assets and IT assets, accelerated depreciation of $7 million as a result of network optimization, and an increase in depreciation of fixed assets related to conversions of retail locations, partially offset by the impact of prior year accelerated depreciation due to the reassessment of the estimated useful life of certain IT assets. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of $115 million (2022 – $115 million).

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $195 million, an increase of $23 million or 13.4% compared to the fourth quarter of 2022. The increase was primarily driven by an increase in interest expense from lease liabilities and borrowing related to credit card receivables, and prior year interest income from post-employment and other long term employee benefits.

Income Taxes Income tax expense in the fourth quarter of 2023 was $188 million (2022 – $181 million) and the effective tax rate was 25.1% (2022 – 25.9%). The decrease in the effective tax rate was primarily attributable to the impact of certain non-deductible items.

Adjusted income tax expense(2) in the fourth quarter of 2023 was $224 million (2022 – $205 million) and the adjusted effective tax rate(2) was 25.7% (2022 – 26.7%). The decrease in the adjusted effective tax rate(2) was primarily attributable to the non-taxable portion of the gain from real estate dispositions during the quarter and the impact of certain non-deductible items.

Net Earnings (Losses) Attributable To Non-Controlling Interests Net earnings attributable to non-controlling interests were $16 million, as compared to losses of $14 million in the prior period. The increase is primarily driven by an increase in franchisee earnings after profit sharing. On a full year basis, net earnings attributable to non-controlling interests were $87 million, an increase of $14 million or 19.2% compared to 2022, primarily driven by an increase in franchisee earnings after profit sharing. 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.

Cash Flow

For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	2022 (12 weeks)	$ Change	% Change
Cash and cash equivalents, beginning of period	**$ 1,228**	$ 1,414	$ (186)	(13.2)%
Cash flows from (used in):				
Operating activities	**$ 1,405**	$ 1,148	$ 257	22.4 %
Investing activities	**(330)**	(416)	86	20.7 %
Financing activities	**(819)**	(539)	(280)	(51.9)%
Effect of foreign currency exchange rate changes on cash and cash equivalents	**4**	1	3	300.0 %
Increase in cash and cash equivalents	**$ 260**	$ 194	$ 66	34.0 %
Cash and cash equivalents, end of period	**$ 1,488**	$ 1,608	$ (120)	(7.5)%

Cash Flows from Operating Activities Cash flows from operating activities were $1,405 million in the fourth quarter of 2023, an increase of $257 million compared to the fourth quarter of 2022. The increase in cash flows from operating activities was primarily driven by higher cash earnings, and a cash payment made in the fourth quarter of 2022 in relation to PC Bank commodity tax matters. Cash flows from operating activities also increased as credit card receivables increased year-over-year at a rate lower than prior year.

Cash Flows used in Investing Activities Cash flows used in investing activities were $330 million in the fourth quarter of 2023, a decrease of $86 million compared to the fourth quarter of 2022. The decrease in cash flows used in investing activities was primarily driven by a favourable change in long-term and short term investment portfolio and an increase in proceeds from disposal of assets, partially offset by the release of $250 million in security deposits to repay *Eagle* notes maturing in the fourth quarter of 2022.

Cash Flows used in Financing Activities Cash flows used in financing activities were $819 million in the fourth quarter of 2023, an increase of $280 million compared to the fourth quarter of 2022. The increase in cash flows used in financing activities was primarily driven by higher repurchases of common shares in the current year and higher issuance of short-term debt in the current year.

Capital Investments Capital investments in the fourth quarter of 2023 were $676 million, an increase of $25 million or 3.8%, compared to the fourth quarter of 2022.

Free Cash Flow(2)

	2023 (12 weeks)				2022 (12 weeks)			
For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations(i)**	**Total**	Retail	Financial Services	Eliminations(i)	Total
Cash flows from (used in) operating activities	**$ 1,495**	**$ (131)**	**$ 41**	**$ 1,405**	$ 1,347	$ (218)	$ 19	$ 1,148
Less:								
Capital investments(ii)	**666**	**10**	**—**	**676**	640	11	—	651
Interest paid	**60**	**—**	**41**	**101**	66	—	19	85
Lease payments, net	**257**	**—**	**—**	**257**	233	—	—	233
Free cash flow(2)	**$ 512**	**$ (141)**	**$ —**	**$ 371**	$ 408	$ (229)	$ —	$ 179

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

(ii) Capital investments are the sum of fixed asset purchases and intangible asset additions as presented in the Company's consolidated statements of cash flows, and prepayments transferred to fixed assets in the current year. Capital investments in the fourth quarter of 2023 include $37 million of prepayments transferred to fixed assets.

Free cash flow(2) from the Retail segment in the fourth quarter of 2023 was $512 million, an increase of $104 million from the fourth quarter of 2022. The increase was primarily driven by higher cash earnings partially offset by higher capital investments.

Free cash flow[2] from the Financial Services segment in the fourth quarter of 2023 was $141 million, an increase of $88 million compared to the fourth quarter of 2022. The increase was primarily driven by, a cash payment made in the fourth quarter of 2022 in relation to PC Bank commodity tax matters and higher cash earnings. Free cash flow also increased as credit card receivables increased year-over-year at a rate lower than prior year.

Segment Information

	December 30, 2023 (12 weeks)				December 31, 2022 (12 weeks)			
(unaudited) (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations[i]**	**Total**	Retail	Financial Services	Eliminations[i]	Total
Revenue[ii]	**$14,157**	**$ 487**	**$ (113)**	**$ 14,531**	$13,694	$ 417	$ (104)	$14,007
Operating income	**$ 843**	**$ 100**	**$ —**	**$ 943**	$ 810	$ 61	$ —	$ 871
Net interest expense and other financing charges	**156**	**39**	**—**	**195**	144	28	—	172
Earnings before income taxes	**$ 687**	**$ 61**	**$ —**	**$ 748**	$ 666	$ 33	$ —	$ 699
Operating income	**$ 843**	**$ 100**	**$ —**	**$ 943**	$ 810	$ 61	$ —	$ 871
Depreciation and amortization	**666**	**14**	**—**	**680**	653	14	—	667
Adjusting items[iii]	**138**	**(13)**	**—**	**125**	70	—	—	70
Less: amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(115)**	**—**	**—**	**(115)**	(115)	—	—	(115)
Adjusted EBITDA[iii]	**$ 1,532**	**$ 101**	**$ —**	**$ 1,633**	$ 1,418	$ 75	$ —	$ 1,493
Depreciation and amortization[iv]	**551**	**14**	**—**	**565**	538	14	—	552
Adjusted operating income	**$ 981**	**$ 87**	**$ —**	**$ 1,068**	$ 880	$ 61	$ —	$ 941

(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 $167 million (December 31, 2022 – $141 million) of interest income.
(iii) Certain items are excluded from operating income to derive adjusted EBITDA[2]. Adjusted EBITDA[2] is used internally by management when analyzing segment underlying performance.
(iv) Depreciation and amortization for the calculation of adjusted EBITDA[2] excludes $115 million (December 31, 2022 – $115 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark.

Retail Segment Fourth Quarter Results of Operations

For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	2022 (12 weeks)	$ Change	% Change
Sales	**$ 14,157**	$ 13,694	$ 463	3.4 %
Operating income	**843**	810	33	4.1 %
Gross profit[(2)]	**4,409**	4,188	221	5.3 %
Gross profit %[(2)]	**31.1 %**	30.6 %		
Adjusted EBITDA[(2)]	**$ 1,532**	$ 1,418	$ 114	8.0 %
Adjusted EBITDA margin[(2)]	**10.8 %**	10.4 %		
Depreciation and amortization	**$ 666**	$ 653	$ 13	2.0 %

The following table provides a breakdown of the Company's total and same-store sales for the Retail segment.

For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**		2022 (12 weeks)	
	Sales	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 9,774**	**2.0 %**	$ 9,514	8.4 %
Drug retail	**4,383**	**4.6 %**	4,180	8.7 %
Pharmacy and healthcare services	**2,099**	**8.0 %**	1,941	5.4 %
Front store	**2,284**	**1.7 %**	2,239	11.5 %

Sales Retail segment sales were $14,157 million in the fourth quarter of 2023, an increase of $463 million, or 3.4% compared to the fourth quarter of 2022, primarily driven by the following factors:

- Food retail same-store sales growth was 2.0% (2022 – 8.4%) for the quarter.
  - Same-store sales growth in food was moderate;
  - Same-store sales growth in pharmacy was moderate;
  - The CPI as measured by The Consumer Price Index for Food Purchased From Stores was 4.9% (2022 – 11.2%) which was higher than the Company's internal food inflation; and
  - Food Retail traffic increased and basket size decreased.
- Drug retail same-store sales growth was 4.6% (2022 – 8.7%) for the quarter.
  - Pharmacy and healthcare services same-store sales growth was 8.0% (2022 – 5.4%). Pharmacy and healthcare services same-store sales growth benefited from the change in sales mix. The number of prescriptions dispensed increased by 3.5% (2022 – 2.0%). On a same-store basis, the number of prescriptions dispensed increased by 3.4% (2022 – 2.2%) and the average prescription value increased by 3.4% (2022 – 2.3%);
  - Front store same-store sales growth was 1.7% (2022 – 11.5%). Front store same-store sales growth benefited from higher consumer spending.

In the last 12 month, 23 food and drug stores were opened, and 12 food and drug stores were closed, and net retail square footage has remained constant at 71.2 million square feet.

Operating Income Operating income was $843 million in the fourth quarter of 2023, an increase of $33 million, or 4.1% compared to the fourth quarter of 2022. The increase was driven by an improvement in underlying operating performance of $101 million, and an unfavourable change in adjusting items totaling $68 million, as described below:

- the improvement in underlying operating performance of $101 million was due to an increase in gross profit[(2)], partially offset by an increase in SG&A and depreciation and amortization; and
- the unfavourable change in adjusting items totaling $68 million was primarily due to the following:
    - the unfavourable impact of prior year gain on sale of non-operating properties of $50 million; and
    - the year-over-year unfavourable change in fair value adjustments on non-operating properties of $15 million.

Gross Profit[(2)] Gross profit[(2)] was $4,409 million in the fourth quarter of 2023, an increase of $221 million, or 5.3% compared to 2022. The gross profit percentage[(2)] for the fourth quarter of 2023 was 31.1%, which was in line with the full-year gross profit percentage[(2)] of 31.0%, and was higher by 50 basis points compared to the fourth quarter of 2022 (2022 – decreased by 30 basis points). The increase was driven by lapping of high-intensity prior year promotional activities and the scaling of the external freight business, partially offset by higher shrink.

Adjusted EBITDA[(2)] Adjusted EBITDA[(2)] was $1,532 million in the fourth quarter of 2023, an increase of $114 million, or 8.0% compared to the fourth quarter of 2022. The increase was driven by an increase in gross profit[(2)] of $221 million, partially offset by an increase in SG&A of $107 million. SG&A as a percentage of sales was 20.3%, an increase of 10 basis points, driven by the year-over-year impact of labour costs including expenses related to the ratification of union labour agreements, partially offset by operating leverage from higher sales.

Depreciation and Amortization Depreciation and amortization was $666 million in the fourth quarter of 2023, an increase of $13 million when compared to the fourth quarter of 2022. The increase in depreciation and amortization in the fourth quarter of 2023 was primarily driven by an increase in depreciation of leased assets and IT assets, accelerated depreciation of $7 million as a result of network optimization, and an increase in depreciation of fixed assets related to conversions of retail locations, partially offset by the impact of prior year accelerated depreciation due to the reassessment of the estimated useful life of certain IT assets. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of $115 million (2022 – $115 million).

Network Optimization During the fourth quarter of 2023, the Company recorded charges of $25 million associated with network optimization. Included in the charges was accelerated depreciation of $7 million as described above, and other charges. The Company finalized plans for 2024 that are expected to result in the conversion of 30 Provigo stores to Maxi discount stores in Quebec. Charges associated with store conversions 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.

Financial Services Segment Fourth Quarter Results of Operations

For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	2022 (12 weeks)	$ Change	% Change
Revenue	**$ 487**	$ 417	$ 70	16.8 %
Earnings before income taxes	**61**	33	28	84.8 %

(millions of Canadian dollars except where otherwise indicated)	**As at December 30, 2023**	As at December 31, 2022	$ Change	% Change
Average quarterly net credit card receivables	**$ 3,950**	$ 3,607	$ 343	9.5 %
Credit card receivables	**4,132**	3,954	178	4.5 %
Allowance for credit card receivables	**256**	206	50	24.3 %
Annualized yield on average quarterly gross credit card receivables	**13.9 %**	13.0 %		
Annualized credit loss rate on average quarterly gross credit card receivables	**3.8 %**	2.7 %		

Revenue Revenue was $487 million in the fourth quarter of 2023, an increase of $70 million compared to the fourth quarter of 2022. The increase in the fourth quarter was primarily driven by:

- higher sales attributable to *The Mobile Shop;*
- higher interest income from growth in credit card receivables; and
- higher interchange income and other credit card related revenue from an increase in customer spending.

Earnings Before Income Tax Earnings before income taxes were $61 million in the fourth quarter of 2023, an increase of $28 million compared to the fourth quarter of 2022. The increase in the fourth quarter was primarily driven by:

- higher revenue as described above;
- lower operating costs, including benefits associated with the renewal of a long-term agreement with Mastercard; and
- a partial reversal of certain PC Bank commodity tax matters accrued in the second quarter of 2023;

partially offset by,

- higher contractual charge-offs and loyalty program costs from growth in credit card portfolio;
- the year-over-year unfavourable impact of the expected credit loss provision; and
- higher funding costs from an increase in interest rates.

Credit Card Receivables As at December 30, 2023, credit card receivables were $4,132 million, an increase of $178 million compared to December 31, 2022. The increase was primarily driven by growth in the active customer base and an increase in customer spending. The allowance for credit card receivables was $256 million, an increase of $50 million compared to December 31, 2022. The increase is reflective of the current and forecast macro-economic environment and its impact on consumer credit trends.

10. Disclosure Controls and Procedures

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.

As required by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, management, under the supervision of the President and CEO and the CFO, have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 30, 2023.

11. Internal Control over Financial Reporting

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

As required by NI 52-109, the President and CEO, and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework established in 'Internal Control - Integrated Framework (COSO Framework)' published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013. Based on that evaluation, management, under the supervision of the President and CEO and the CFO, have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 30, 2023.

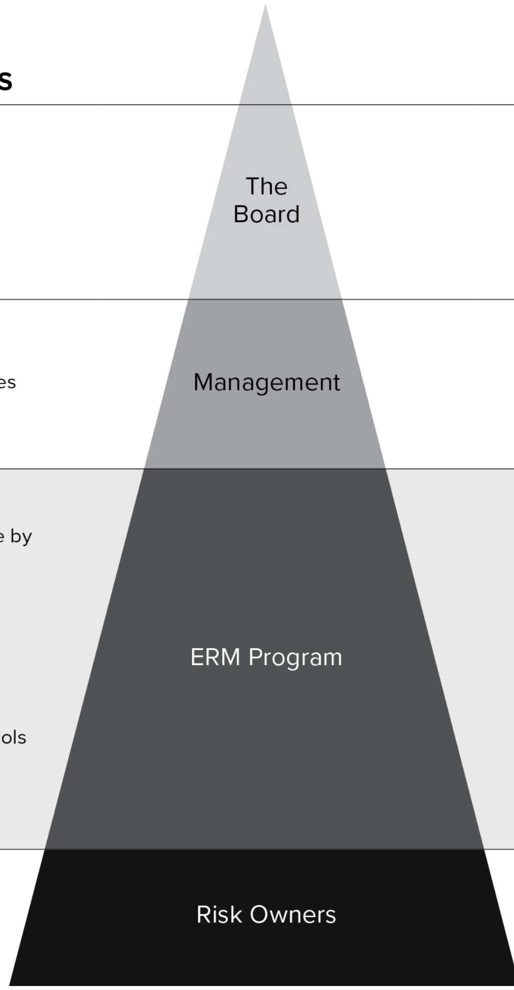
In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required 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 2023 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

12. Enterprise Risks and Risk Management

The Company is committed to maintaining a framework that ensures risk management is an integral part of its activities. The Company’s Enterprise Risk Management (“ERM”) program assists all areas of the business in managing risks within appropriate levels of tolerance by bringing a systematic approach and methodology for evaluating, measuring and monitoring key risks. The results of the ERM program and other business planning processes are used to identify emerging risks to the Company, prioritize risk mitigation activities and develop a risk-based internal audit plan.

Risks are not eliminated through the ERM program, but rather, are identified and managed in line with the Company’s Risk Appetite Statement and within approved risk tolerances. The Risk Appetite Statement articulates key aspects of the Company’s businesses, values, and brands and provides directional guidance on risk taking.



RESPONSIBILITIES / OUTCOMES		KEY ACTIVITIES
Oversight of the ERM program and the alignment between strategy and risk	The Board	• Review of strategy plans, including capital allocation • Review enterprise risks and mitigation plans • Annual approval of the ERM policy and Risk Appetite Statement
Based on risk ownership assigned by the Board, responsible for managing risk and implementing risk mitigation strategies and operating within the approved risk appetite thresholds	Management	• Periodic updates to the Board by the ERM function on the status of key risks(i) • Long-term risk levels are assessed to monitor potential long-term risk impacts
The ERM Program • Facilitate effective corporate governance by providing a consolidated view of risks • Focus on key risks that could impact strategic objectives(ii) • Ensure risk appetite and tolerances are defined and understood • Promote a culture of awareness of risk management and compliance • Assist in developing risk management tools and methodologies • Anticipate and provide early warnings of risks through key risk indicators	ERM Program	**ERM assessment:** • Continuous update and risk identification • Carried out in parallel with strategic planning • Includes interviews surveys, workshops with management and the Board • Monitor changes to enterprise risk • Mitigation plan updates and review key risk indicators against tolerances
Mitigation of risks(ii)	Risk Owners	• Managing risk and implementation of risk mitigation strategies for Operating and Financial Risks

(i) Risks are assessed and evaluated based on the Company’s vulnerability to the risk and the potential impact that the underlying risks would have on the Company’s ability to execute on its strategies and achieve its objectives.

(ii) Any of the key risks have the potential to negatively affect the Company and its financial performance. The Company has risk management strategies in place for key risks. However, there can be no assurance that the risks will be mitigated or will not materialize or that events or circumstances will not occur that could adversely affect the reputation, operations or financial condition or performance of the Company.

12.1 Operating Risks and Risk Management

The following discussion of risks identifies significant factors that could have a material adverse effect on the Company's business, operations, financial condition or future financial performance.

The following risks are a subset of the key risks identified through the ERM program. They should be read in conjunction with the full set of risks inherent in the Company's business, as included in the Company's AIF for the year ended December 30, 2023, which is hereby incorporated by reference:

Economic Conditions	Business Continuity
Cybersecurity, Privacy and Data Breaches	Food, Drug, Product and Services Safety
Regulatory Compliance	Change Management, Process and Efficiency
Inventory Management and Shrink	Environmental and Social
IT Systems Implementations and Data Management	Service Providers
Electronic Commerce and Disruptive Technology	Legal Proceedings
Colleague Attraction, Development and Succession Planning	Franchisee Relationships
Healthcare Reform	Associate-owned Drug Store Network and Relationships with Associates
Distribution and Supply Chain	Competitive Environment and Strategy
Labour Relations	

Economic Conditions The Company's revenue, profitability, brand and reputation may be impacted by general economic conditions. These economic conditions include inflation, price increases from suppliers, levels of employment, costs of borrowing, household debt, political uncertainty and government regulation, the impact of natural disasters, war or acts of terrorism, pandemics, changes in interest rates, tax rates, or exchange rates, and access to consumer credit. A number of these conditions could negatively impact consumer spending. As a result, these economic conditions may adversely impact demand for the Company's products and services which could adversely affect the Company's operations, financial performance, brand or reputation.

Cybersecurity, Privacy and Data Breaches The Company depends on the uninterrupted operation of its IT systems, networks and services including internal and public internet sites, data hosting and processing facilities and cloud-based services and hardware, such as point-of-sale processing at stores, to operate its business.

In the ordinary course of business, the Company collects, processes, transmits and retains confidential, sensitive and personal information ("Confidential Information"), including payment card industry data and personal health and financial information regarding the Company and its employees, franchisees, Associates, vendors, customers, patients, credit card and PC Money™ Account holders and loyalty program members ("members"). Some of this Confidential Information is held and managed by third party service providers. As with other large companies, the Company is regularly subject to cyberattacks and such attempts are occurring more frequently, are constantly evolving in nature and are becoming more sophisticated.

The Company has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access of Confidential Information and to reduce the likelihood of disruptions to its IT systems. The Company continues to make strategic investments in this area in order to mitigate cyber threats. The Company also has security processes, protocols and standards that are applicable to its third party service providers.

Despite these measures, all of the Company's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, electronic theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events.

The Company or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Company's security measures or its third party service providers' information systems.

As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Company's security measures or those of its third party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Company's or its third party service providers' security measures, which could result in a breach of employee, franchisee, Associate, customer, patient, credit card or *PC Money* Account holder or loyalty program member privacy or Confidential Information.

If the Company does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the Company's or its third party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Company's business could be disrupted and the Company could, among other things, be subject to: transaction errors; processing inefficiencies; the loss of or failure to attract new customers; the loss of revenue; the loss or unauthorized access to Confidential Information or other assets; the loss of or damage to intellectual property or trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs. Any such occurrences could adversely affect the reputation, operations or financial performance of the Company.

Regulatory Compliance The Company is subject to a wide variety of laws, regulations and orders across all countries in which it does business, including those laws involving product liability, labour and employment, anti-trust and competition, pharmacy, food safety, intellectual property, privacy, environmental and other matters. The Company is subject to taxation by various taxation authorities in Canada and a number of foreign jurisdictions. Changes to any of the laws, rules, regulations or policies applicable to the Company's business, including tax laws, minimum wage laws, and laws affecting the production, processing, preparation, distribution, packaging and labelling of food, pharmaceuticals and general merchandise products, could adversely affect the operations, financial condition or performance of the Company.

Failure by the Company to comply with applicable laws, regulations and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect the reputation, operations or financial condition or performance of the Company. In the course of complying with changes to laws, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business. 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.

The Company is subject to capital requirements from the OSFI, the primary regulator of PC 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 capital requirements as defined by OSFI. PC Bank uses Basel III as its regulatory capital management framework which includes a target common equity Tier 1 capital ratio of 7.0%, a Tier 1 capital ratio of 8.5% and a total capital ratio of 10.5%. In addition to the regulatory capital ratios requirement, PC Bank is subject to the Basel III Leverage ratio and OSFI's Guideline on Liquidity Adequacy Requirements ("LARs"). The LARs guideline establishes standards based on the Basel III framework. PC Bank would be assessed fines and other penalties for non-compliance with these and other regulations. In addition, failure by PC Bank to comply, understand, acknowledge and effectively respond to applicable regulations could result in regulatory intervention and reputational damage.

Inventory Management and Shrink The Company is subject to risks associated with managing its inventory and controlling shrink. Failure to successfully manage such risks could result in shortages of inventory, excess or obsolete inventory which cannot be sold profitably or increases in levels of inventory shrink. Any of these outcomes could adversely affect the financial performance of the Company. Although the Company has implemented new IT systems, which are intended to provide increased visibility to integrated inventory and sales information at store level, the Company's failure to effectively implement such new IT systems and applicable processes may increase the risks associated with managing inventory, including the risk that inaccurate inventory could result in inaccurate financial statements.

The Company's Retail segment is also examining its fundamental processes related to article lifecycle management, with the goal of making existing processes more efficient. This will impact existing workflow and system processes across procurement, supply chain and merchandising. Such simplification and efficiency processes are critical to the organization's ability to implement longer term system solutions and achieve efficiencies across the Retail divisions. Any failure to effectively deliver this enterprise core solution could negatively impact the Company's operations or financial performance.

IT Systems Implementations and Data Management The operations of the Company are reliant on the continuous and uninterrupted operations of critical technology systems. Any technology failure/outage pertaining to the availability, capacity or sustainability of the Company's IT systems may result in disruptions impacting the Company's customers or financial performance, or may negatively impact the Company's reputation. The Company continues to make investments in new IT systems to improve the operating effectiveness of the organization. Failure to successfully migrate from legacy systems to new IT systems or a significant disruption in the Company's current IT systems during the implementation of new systems could result in a lack of accurate data to effectively manage day-to-day operations of the business or achieve its operational objectives, causing significant disruptions to the business and potential financial losses.

Failure to successfully adopt or implement appropriate processes to support the new IT systems, or failure to effectively leverage or convert data from one system to another, may preclude the Company from optimizing its overall performance and could result in inefficiencies and duplication in processes, which in turn could adversely affect the reputation, operations or financial performance of the Company. Failure to realize the anticipated strategic benefits including revenue growth, anticipated cost savings or operating efficiencies associated with new IT systems could adversely affect the reputation, operations or financial performance of the Company.

The Company also depends on relevant and reliable information to operate its business. As the volume of data being generated and reported continues to increase across the Company, data accuracy, quality and governance are required for effective decision making. Failure by the Company to leverage data, including customer data, in a timely manner may adversely affect the Company's ability to execute its strategy and therefore its financial performance. Moreover, lack of sensitive data classification, protection and use case approval may result in operational or reputational risk.

Electronic Commerce and Disruptive Technologies The Company's e-commerce strategy is a growing business initiative. Customers expect innovative concepts and a positive customer experience, including a user-friendly website, customer offerings that are integrated with the Company's loyalty program, reliable data, safe and reliable processing of payments and a well-executed merchandise pick up or delivery process. If systems are damaged or cease to function properly, capital investment may be required. The Company is also vulnerable to various additional uncertainties associated with e-commerce including website downtime and other technical failures, changes in applicable federal and provincial regulations, security breaches, and consumer privacy concerns. If these technology-based systems and related processes do not function effectively, or if the Company is unable to identify and adapt to technological efficiencies, such as artificial/cognitive intelligence or automation in a timely manner, the Company's ability to grow its e-commerce business could be adversely affected. The Company has increased its investment in improving the digital customer experience, but there can be no assurances that the Company will be able to recover the costs incurred to date.

Colleague Attraction, Development and Succession Planning The Company's operations and continued growth are dependent on its ability to hire, retain and develop colleagues, including leaders. Any failure to effectively attract and retain colleagues and leaders, including those with scarce and/or specialized skills, and to establish adequate leadership succession planning, could result in a lack of requisite knowledge, skill and experience. This could erode the Company's competitive position or result in increased costs due to the competition for, or high turn-over of, colleagues. Any of the foregoing could negatively affect the Company's ability to operate its business, which in turn could adversely affect the Company's reputation, operations or financial performance.

Healthcare Reform The Company is reliant on prescription drug sales for a significant portion of its sales and profits. Prescription drugs and their sales are subject to numerous federal, provincial, territorial and local laws and regulations. Changes to these laws and regulations, including the potential implementation of a national pharmacare system, changes in the models used to fund prescription drugs such as the introduction of a pharmacare system, or non-compliance with these laws and regulations, could adversely affect the reputation, operations or financial performance of the Company.

Federal and provincial laws and regulations that establish public drug plans typically regulate prescription drug coverage, patient eligibility, pharmacy reimbursement, drug product eligibility and drug pricing. With respect to pharmacy reimbursement, such laws and regulations typically regulate the allowable drug cost of a prescription drug product, the permitted mark-up on a prescription drug product and the professional or dispensing fees that may be charged on prescription drug sales to patients eligible under the public drug plan. With respect to drug product eligibility, such laws and regulations typically regulate the requirements for listing the manufacturer's products as a benefit or partial benefit under the applicable governmental drug plan, drug pricing and, in the case of generic prescription drug products, the requirements for designating the product as interchangeable with a branded prescription drug product. In addition, other federal, provincial, territorial and local laws and regulations govern the approval, packaging, labeling, sale, marketing, advertising, handling, storage, distribution, dispensing and disposal of prescription drugs.

Sales of prescription drugs, pharmacy reimbursement and drug prices may be affected by changes to the healthcare industry, including legislative or other changes that impact patient eligibility, drug product eligibility, the allowable cost of a prescription drug product, the mark-up permitted on a prescription drug product, the amount of professional or dispensing fees paid by payers or the provision or receipt of manufacturer allowances by pharmacies and pharmacy suppliers.

The majority of prescription drug sales are reimbursed or paid by three types of payers: (i) government or public, (ii) private insurers or employers, and (iii) out-of-pocket by the patient. These payers have pursued and continue to pursue measures to manage the costs of their drug plans. Canada and each of the provinces has implemented legislative and/or other measures directed towards managing pharmacy service costs and controlling increasing drug costs incurred by public drug plans and private payers, which impact pharmacy reimbursement levels and the availability of manufacturer allowances. Legislative measures to control drug costs include lowering of generic drug pricing. Additionally, the pan-Canadian Pharmaceutical Alliance continues its work regarding cost reduction initiatives for pharmaceutical products and services.

Legislation in certain provincial jurisdictions establishes listing requirements that ensure that the selling price for a prescription drug product will not be higher than any selling price established by the manufacturer for the same prescription drug product under other provincial drug insurance programs. In some provinces, elements of the laws and regulations that impact pharmacy reimbursement and manufacturer allowances for sales to the public drug plans are extended by legislation to sales to private payers. Also, private payers (such as corporate employers and their insurers) are looking or may look to benefit from any measures implemented by government payers to reduce prescription drug costs for public plans by attempting to extend these measures to prescription drug plans they own or manage. Accordingly, changes to pharmacy reimbursement and manufacturer allowances for a public drug plan could also impact pharmacy reimbursement and manufacturer allowances for private payers. In addition, private payers could reduce pharmacy reimbursement for prescription drugs provided to their members or could elect to reimburse members only for products included on closed formularies or available from preferred providers.

Changes impacting pharmacy reimbursement programs and prescription drug pricing, legislative or otherwise, are expected to continue to put downward pressure on the value of prescription drug sales. These changes may have a material adverse effect on the Company's business, sales and profitability. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime affecting prescription drugs and pharmacy services. Non-compliance with any such existing or proposed laws or regulations, particularly those that provide for the licensing and conduct of wholesalers, the licensing and conduct of pharmacists, the regulation and ownership of pharmacies, the advertising of pharmacies and prescription services, the provision of information concerning prescription drug products, the pricing of prescription drugs, privacy and confidentiality and interactions with provincial drug and eHealth systems, could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Company.

Distribution and Supply Chain The Company's ability to satisfy its customers' demands and achieve its cost objectives depends on its ability to maintain key logistic and transport arrangements. The Company's distribution and supply chain could be negatively affected by unforeseen disruptions due to fire, severe weather conditions, natural disasters or other catastrophic events, public health events, labour disagreements, or other transportation problems. The loss of or disruption to these types of arrangements could interrupt product supply, which in turn could adversely affect the assortment and product availability at the store and digital retail level. If not effectively managed or remedied, these events could negatively impact customer experience and the Company's ability to attract and retain customers, and could adversely affect the Company's operations or financial performance.

Labour Relations The Company's workforce is comprised of both unionized and non-unionized colleagues. With respect to those colleagues that are covered by collective agreements, there can be no assurance as to the outcome of any labour negotiations or the timing of their completion. Renegotiating collective agreements or the failure to successfully renegotiate collective agreements and changes to business operations could result in strikes, work stoppages or business interruptions, and if any of these events were to occur, they could adversely affect the reputation, operations and financial performance of the Company. If non-unionized colleagues become unionized, the terms of the resulting collective agreements would have implications for the affected operations, such as higher labour costs.

Business Continuity The Company's ability to continue critical operations and processes could be negatively impacted by adverse events resulting from various incidents, including severe weather, work stoppages, prolonged IT systems failure, terrorist activity, power failures, border closures or a pandemic or other national or international catastrophe. The Company has business continuity plans in place to manage any such events. Despite this, ineffective contingency planning, business interruptions, crises or potential disasters could adversely affect the reputation, operations or financial performance of the Company.

Food, Drug, Product and Services Safety The Company's products may expose it to risks associated with product safety and defects and product handling in relation to the manufacturing, design, packaging and labeling, storage, distribution, and display of products. The Company cannot be certain that active management of these risks, including maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems, will eliminate all the risks related to food and product safety. The Company could be adversely affected in the event of a significant outbreak of food-borne illness or food safety issues including food tampering or contamination. In addition, failure to trace or locate any contaminated or defective products could affect the Company's ability to be effective in a recall situation. The Company is also subject to risk associated with the distribution of drug products, errors related to medication dispensing or compounding, injections, patient services or consultation. The occurrence of such events or incidents, as well as any failure to maintain the cleanliness and health standards at store level, could result in harm to customers and negative publicity, could adversely affect the Company's brands, reputation, operations or financial performance and could lead to unforeseen liabilities from legal claims or otherwise.

Change Management, Process and Efficiency Many initiatives are underway to reduce the complexity and cost of the Company's business operations, ensuring a low cost operating structure that allows for continued investments in the Company's strategic growth areas. These efforts include initiatives focused on improving processes and generating efficiencies across the Company's administrative, store and distribution network infrastructures. The success of these initiatives is dependent on effective leadership and realizing intended benefits. Ineffective change management could result in a lack of integrated processes and procedures, unclear accountabilities and decision-making rights, decreased colleague engagement, ineffective communication and training or a lack of requisite knowledge. Any of the foregoing could disrupt operations, increase the risk of customer dissatisfaction, adversely affect the Company's reputation or financial performance or adversely affect the ability of the Company to implement and achieve its long-term strategic objectives.

Environmental and Social As a leading Canadian food and pharmacy retailer, Loblaw is committed to creating positive environmental and social change by focusing on issues that matter most to the Company's customers, employees, communities and other stakeholders, with a particular focus on combatting climate change and advancing social equity. Any failure or perceived failure to advance the environmental or social priorities of the Company or its stakeholders may negatively affect the Company's reputation, operations or financial performance.

Environmental The Company faces environmental risks that could, directly or indirectly, negatively impact the Company's reputation, operations or performance over the short or long term.

In particular, the Company is confronted with issues relating to climate change. As a large company, Loblaw has the opportunity to make a significant positive impact on the environment. To address this opportunity, Loblaw is focused on several strategic initiatives, including reducing emissions, food and plastic waste. Federal and provincial governments are also striving to combat climate change, including through the consideration and/or implementation of carbon reduction targets and financial mechanisms to reduce carbon emissions, such as carbon taxes, carbon pricing and caps and trade. In addition to its own initiatives, the Company may be required to make operational changes and/or incur significant financial costs to comply with the various governmental reforms, which may differ across jurisdictions. Additionally, certain global climate change patterns (e.g. rising sea levels, changing rainfall) may impact sourcing of food and food ingredients. Any failure to meet its strategic objectives, adhere to climate change reforms or to adapt to the impacts of climate change, such as failure to reduce emissions, eliminate food and plastic waste or mitigate sourcing and supply chain disruptions, could result in fines or could adversely affect the Company's reputation, operations or financial performance.

The Company maintains a portfolio of real estate and other facilities and is subject to environmental risks associated with the contamination of such properties and facilities, whether by previous owners or occupants, neighbouring properties or by the Company itself. In particular, the Company has a number of underground fuel storage tanks, the majority of which are used for its supply chain transport fleets. Contamination resulting from leaks from these tanks is possible. Additional environmental issues relating to matters or sites may require the Company to incur significant additional costs. The Company also operates refrigeration equipment in its stores and distribution centres to preserve perishable products as they pass through the supply chain and ultimately to consumers. These systems contain refrigerant gases which could be released if equipment fails or leaks. A release of these gases could have adverse effects on the environment. Failure to properly manage any of these environmental risks could adversely affect the reputation, operations or financial performance of the Company.

The Company is subject to legislation that imposes liabilities on retailers, brand owners and importers for costs associated with recycling and disposal of consumer goods packaging and printed materials distributed to consumers. There is a risk that the Company will be subject to increased costs associated with these laws. In addition, the Company could be subject to increased or unexpected costs associated with environmental incidents and the related remediation activities, including litigation and regulatory related costs, all of which could adversely affect the reputation or financial performance of the Company.

Social The Company faces risks associated with social issues and has established certain priorities in response, including achieving adequate representation of traditionally under-represented groups in management positions and the colleague population as a whole, building a culture of inclusion and investing in communities, particularly by supporting women's and children's health. In the event that the Company is not perceived to have robust diversity and inclusion programs, its ability to attract, develop and retain colleagues could be compromised. The Company recognizes its responsibility to respect and protect the human rights of all people who support and intersect with the business, and is committed to not tolerating abuse, discrimination or harassment in any form. Ineffective action or inaction in response to social matters, including a failure or perceived failure to adequately address its priorities, could adversely affect the Company's reputation or financial performance.

Service Providers The Company has a wide range of key business relationships with third parties including vendors, suppliers, distributors and contractors. The Company relies on vendors, including offshore vendors in both mature and developing markets, to provide the Company with goods and services. Offshore sourcing increases certain risks to the Company, including risks associated with food safety and general merchandise product defects, non-compliance with ethical and safe business practices and inadequate supply of products. The Company has no direct influence over how vendors are managed. Negative events affecting vendors or inefficient, ineffective or incomplete vendor management strategies, policies and/or procedures, including those related to ethical sourcing, could adversely impact the Company's reputation and impair the Company's ability to meet customer needs or control costs and quality, which could adversely affect the reputation, operations or financial performance of the Company.

The Company relies on service providers including transport carriers or other delivery service providers, logistic service providers and operators of warehouses and distribution facilities. Ineffective selection, contractual terms or relationship management could impact the Company's ability to source products (both national brand and control brand products), to have products available for customers, to market to customers or to operate efficiently and effectively. Disruption in services from suppliers could interrupt the delivery of merchandise to stores or customers, which in turn could adversely affect the operations or financial performance of the Company.

PC Bank uses third party service providers to process credit card transactions, operate call centres and operationalize certain risk management strategies for the PC® Mastercard® and *PC Money* Account. A significant disruption in the services provided by third party service providers could adversely affect the financial performance of PC Bank and the Company.

The Company has outsourced certain administrative functions of its business to service providers including account payments, payroll services, IT support, investment management and custodial relationships, and benefit plan administration. Any disruption in the services provided by these suppliers could adversely affect the return on these assets or liquidity of the Company.

Legal Proceedings In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings. The proceedings may involve suppliers, customers, patients, Associates, franchisees, regulators, tax authorities or other persons. The potential outcome of legal proceedings and claims is uncertain.

Shoppers Drug Mart was previously 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 licensed Associates ("Associates"), claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who were 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. A summary judgment trial of the matter was held in December 2022 and on February 17, 2023, the Superior Court released its decision in relation to those summary judgment motions (the "Decision"). The Superior Court dismissed the plaintiffs' claims on the majority of the issues including a request for damages at this stage of proceedings. The Court also held that Shoppers Drug Mart breached the 2002 form of Associate Agreement when it did not remit certain amounts that it received from generic drug manufacturers to Associates. On March 20, 2023, the plaintiffs filed a Notice of Appeal and on April 4, 2023, the Company filed a Notice of Cross-Appeal. A hearing for the appeals was held on February 14, 2024 and on February 15, 2024, and a decision is pending. Accordingly, the Company has not recorded any amounts related to the potential liability associated with this lawsuit. The Company does not believe that the ultimate resolution of this matter will have a material adverse impact on its financial condition or prospects.

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 2023 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 response to such class action lawsuits, certain major grocery retailers have cross claimed against the Company and Weston, and the Company and Weston believe such crossclaims are without merit.

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. In January 2024, Shoppers Drug Mart Inc. was served with a second class action in Saskatchewan started by Lac La Ronge Indian Band. The case is brought on behalf of Band members and is claiming damages relating to abatement costs, the diversion of financial and other resources, the reduction in the value of the reserve lands and interests, and lost tax revenues. Shoppers Drug Mart Inc. is being sued as a representative of an international defendant subclass of opioid "dealers" and Sanis Health Inc. is a proposed supplier class member. 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 consolidated financial statements.

In July 2022, the Tax Court released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court of Canada 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 and in the first half of 2023 both PC Bank and the Crown submitted their respective facta for the appeal. Subsequent to December 30, 2023, the Federal Court of Appeal scheduled the hearing of the appeal for March 6, 2024. The Company has not reversed any portion of the charge of $111 million, inclusive of interest, recorded in the second quarter of 2022. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

Franchisee Relationships The Company has entered into agreements with third party franchisees that permit the franchisees to own and operate retail stores in accordance with prescribed procedures and standards. A substantial portion of the Company's revenues and earnings comes from amounts paid by franchisees in connection with their store operations and leased property. Franchisees are independent operators and their operations may be negatively affected by factors beyond the Company's control. If franchisees do not operate their stores in accordance with the Company's standards or otherwise in accordance with good business practices, franchisee fees and rent paid to the Company could be negatively affected, which in turn could adversely affect the Company's reputation, operations or financial performance. In addition, the Company's reputation could be harmed if a significant number of franchisees were to experience operational failures, health and safety exposures or were unable to pay the Company for products, fees or rent.

The Company's franchise system is also subject to franchise legislation enacted by a number of provinces. Any new legislation or failure to comply with existing legislation could adversely affect operations and could add administrative costs and burdens, any of which could affect the Company's relationship with its franchisees.

Supply chain or system changes by the Company could cause or be perceived to cause disruptions to franchised store operations and could result in negative effects on the financial performance of franchisees. Relationships with franchisees could pose significant risks if they are disrupted, which could adversely affect the reputation, operations or financial performance of the Company.

Associate-owned Drug Store Network and Relationships with Associates The success of the Company and the reputation of its brands are closely tied to the performance of the Shoppers Drug Mart Associate-owned drug stores. Accordingly, the Company relies on Associates to successfully operate, manage and execute retail programs and strategies at their respective drug store locations. Associates are independent business operators that have entered into agreements with the Company to own and operate retail stores in accordance with prescribed procedures and standards. The success of the operations and financial performance of their respective drug stores may be beyond the Company's control. In addition, Associates are subject to franchise legislation. Disruptions to the Company's relationships with Shoppers Drug Mart Associate-owned drug stores or changes in legislation could negatively affect revenue from Associates, which in turn could adversely affect the reputation, operations or financial performance of the Company.

Competitive Environment and Strategy The retail industry in Canada is highly competitive. The Company competes against a wide variety of retailers including supermarket and retail drug store operators, as well as mass merchandisers, warehouse clubs, online retailers, mail order prescription drug distributors, limited assortment stores, discount stores, convenience stores and specialty stores. Many of these competitors offer a selection of food, drug and general merchandise, while others remain focused on supermarket-type merchandise. In addition, the Company is subject to competitive pressures from new entrants into the marketplace and from the expansion or renovation of existing competitors, particularly those expanding into the grocery and retail drug markets and those offering e-commerce retail platforms. The Company's loyalty program is a valuable offering to customers and provides a key differentiating marketing tool for the business. The marketing, promotional and other business activities related to the Company's loyalty program must be well managed and coordinated to preserve positive customer perception. The Company has made significant investments in support of its strategic growth areas of Everyday Digital Retail, Payments and Rewards and Connected Healthcare, which are all subject to competitive pressures. Failure to achieve these or other strategic priorities could adversely affect the Company's financial position and its competitiveness.

The Company's inability to effectively predict market activity, leverage customer preferences and spending patterns and respond in a timely manner to trends, or compete effectively with its current or future competitors could result in, among other things, reduced market share and reduced profitability. If the Company is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be adversely affected. The failure to effectively respond to customer trends may adversely impact the Company's relationship with its customers. The Company closely monitors market developments and market share trends. Failure by the Company to sustain its competitive position could adversely affect the Company's financial performance.

12.2 Financial Risks and Risk Management

The Company is exposed to a number of financial risks, including those associated with financial instruments, which have the potential to affect its operating and financial performance. The Company uses OTC derivative instruments to offset certain of these risks. Policies and guidelines prohibit the use of any derivative instrument for trading or speculative purposes. The fair value of derivative instruments is subject to changing market conditions which could adversely affect the financial performance of the Company.

The following is a list of the Company's financial risks which are discussed in detail below:

Liquidity	Credit
Commodity Prices	Interest Rates
Currency Exchange Rates	Credit Ratings

Liquidity Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost effective manner to fund its obligations as they come due. The Company is exposed to liquidity risk through, among other areas, PC Bank, which requires a reliable source of funding for its credit card business. PC Bank relies on its securitization programs, demand deposits from customers and the acceptance of guaranteed investment certificate deposits to fund the receivables of its credit cards. The Company would experience liquidity risks if it fails to maintain appropriate levels of cash and short-term investments, is unable to access sources of funding or fails to appropriately diversify sources of funding. If any of these events were to occur, they could adversely affect the financial performance of the Company.

Liquidity risk is mitigated by maintaining appropriate levels of cash and cash equivalents and short term investments, actively monitoring market conditions, and by diversifying sources of funding, including the Company's committed credit facilities, and maintaining a well diversified maturity profile of debt and capital obligations.

Commodity Prices The Company is exposed to increases in the prices of commodities in operating its stores and distribution networks, as well as to the indirect effect of changing commodity prices on the price of consumer products. Rising commodity prices could adversely affect the financial performance of the Company. To manage a portion of this exposure, the Company uses purchase commitments and derivative instruments in the form of exchange traded futures contracts and forward contracts to minimize cost volatility related to commodities.

Currency Exchange Rates The Company is exposed to foreign currency exchange rate variability, primarily on its USD denominated purchases in trade payables and other liabilities. A depreciating Canadian dollar relative to the USD will have a negative impact on year-over-year changes in reported operating income and net earnings, while an appreciating Canadian dollar relative to the USD will have the opposite impact. To manage a portion of this exposure, the Company uses derivative instruments in the form of futures contracts and forward contracts to minimize cost volatility related to foreign exchange.

Credit The Company is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to the Company, including derivative instruments, cash and cash equivalents, short term investments, security deposits, PC Bank's credit card receivables, finance lease receivable, pension assets held in the Company's defined benefit plans and accounts receivable, including amounts due from government and third-party drug plans arising from prescription drug sales, independent accounts and amounts owed from vendors. Failure to manage credit risk could adversely affect the financial performance of the Company.

The risk related to derivative instruments, cash and cash equivalents and short term investments is reduced by policies and guidelines that require that the Company enters into transactions only with counterparties or issuers that have a minimum long term "A-" credit rating from a recognized credit rating agency and place minimum and maximum limits for exposures to specific counterparties and instruments.

PC Bank manages its credit card receivable risk by employing stringent credit scoring techniques, actively monitoring the credit card portfolio and reviewing techniques and technology that can improve the effectiveness of the collection process. In addition, these receivables are dispersed among a large, diversified group of credit card customers.

Finance lease receivable and accounts receivable, including amounts due from governments and third-party drug plans arising from prescription drug sales, independent accounts and amounts owed from vendors and tenants, are actively monitored on an ongoing basis and settled on a frequent basis in accordance with the terms specified in the applicable agreements.

Interest Rates The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt, and from the refinancing of existing financial instruments. An increase in interest rates could adversely affect the operations or financial performance of the Company. The Company manages interest rate risk by monitoring the respective mix of fixed and floating rate debt and by taking action as necessary to maintain an appropriate balance considering current market conditions, with the objective of maintaining the majority of its debt at fixed interest rates.

Credit Ratings Credit ratings assigned to the Company and any of its securities may be changed at any time based on the judgment of the credit rating agencies and may also be impacted by a change in the credit rating of Weston, Choice Properties Real Estate Investment Trust ("Choice Properties") and their respective affiliates. In addition, the Company, Weston, Choice Properties and their respective affiliates may incur additional indebtedness in the future, which could impact current and future credit ratings. A reduction in credit ratings could materially adversely affect the market value of the Company's outstanding securities and the Company's access to and cost of financing.

13. Related Party Transactions

The Company's controlling shareholder is Weston, which owns, directly and indirectly, 163,473,491 of the Company's common shares, representing approximately 52.6% of the Company's outstanding common shares. Galen G. Weston beneficially owns or controls, directly and indirectly, including through Wittington Investments, Limited ("Wittington"), a total of 78,018,416 of Weston's common shares, representing approximately 58.0% of Weston's outstanding common shares. Galen G. Weston also beneficially owns 473,636 of the Company's common shares, representing approximately 0.2% of the Company's outstanding common shares.

Weston is the controlling shareholder of Choice Properties. Therefore, Choice Properties is a related party by virtue of common control. As at December 30, 2023, Weston's ownership interest in Choice Properties was approximately 61.7% (December 31, 2022 – 61.7%). The Company is Choice Properties' largest tenant, representing approximately 57.1% (December 31, 2022 – 57.5%) of Choice Properties' rental revenue as at December 30, 2023. The Company also executes various agreements and transactions with Choice Properties.

In the ordinary course of business, the Company enters into various transactions with related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Transactions with Related Parties

(millions of Canadian dollars)	Transaction Value 2023	2022
Included in cost of sales		
Inventory purchases from a related party[i]	**$ 41**	$ 39
Operating income		
Transactions with Weston and Wittington		
Cost sharing agreements with Weston[ii]	**$ 58**	$ 71
Net administrative services provided by Weston[iii]	**19**	16
Dividends paid to Weston	**290**	272
Lease Payments to Wittington	**1**	1
Transactions with Choice Properties		
Lease payments to Choice Properties[iv]	**$ 763**	$ 753
Lease surrender payments received from Choice Properties	**(8)**	—
Site intensification payments received from Choice Properties[v]	**(17)**	(3)

(i) Associated British Foods plc is a related party by virtue of a common director of such entity's parent company and Wittington. Total balance outstanding owing to Associated British Foods plc as at December 30, 2023 was $4 million (December 31, 2022 – $6 million).

(ii) The Company and Weston have each entered into certain contracts with third parties for administrative and corporate services, including telecommunication services and IT related matters on behalf of itself and the related party. Through cost sharing agreements that have been established between the Company and Weston concerning these costs, the Company has agreed to be responsible to Weston for the Company's proportionate share of the total costs incurred.

(iii) The Company and Weston have entered into an agreement whereby certain administrative services are provided by one party to the other. The services to be provided under this agreement include those related to commodity management, pension and benefits, information systems, risk management, treasury, certain accounting functions and legal. Payments are made quarterly based on the actual costs of providing these services. Where services are provided on a joint basis for the benefit of the Company and Weston together, each party pays the appropriate proportion of the costs.

(iv) During 2023, lease payments paid to Choice Properties included base rent of $534 million (2022 – $528 million) and operating expenses of $229 million (2022 – $225 million).

(v) During 2023, the Company received site intensification payments from Choice Properties. Included in certain investment properties sold to Choice Properties is excess land with development potential. Choice Properties will compensate the Company, over time, with site intensification payments, as Choice Properties pursues development, intensification or redevelopment of such excess lands. The payments the Company receives are calculated in accordance with a payment grid, set out in the Strategic Alliance Agreement, that takes into account the region, market ranking and type of use for the property.

The net balances due to (from) related parties are comprised as follows:

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Weston	**$ 8**	$ 116
Choice Properties	**(31)**	(18)

Other Transactions and Agreements with Choice Properties

Strategic Alliance Agreement The Strategic Alliance Agreement established on the initial public offering ("IPO") of Choice Properties creates a series of rights and obligations between Choice Properties and the Company, intended to establish a preferential and mutually beneficial business and operating relationship. The Strategic Alliance Agreement will expire on the earlier of July 5, 2033 or the date on which Weston and its affiliates own less than 50% effective interest in Choice Properties (on a fully diluted basis).

Commitments The following is a summary of the Company's future undiscounted contractual lease payments to Choice Properties:

	Payments due by year						**As at December 30, 2023**	As at December 31, 2022
(millions of Canadian dollars)	2024	2025	2026	2027	2028	Thereafter	**Total**	Total
Lease payments	$ 546	$ 591	$ 509	$ 461	$ 370	$ 1,403	**$ 3,880**	$ 4,151

Financial Liabilities with Choice Properties During 2023, the Company disposed of two retail properties (2022 – two retail properties) to Choice Properties for total proceeds of $86 million (2022 – $15 million). The properties were leased back by the Company. The transactions did not meet the criteria for sale of asset in accordance with IFRS 15, "Revenue from and Contracts with Customers" ("IFRS 15") as the Company did not relinquish control of the properties under the terms of the leases. (see note 27).

Disposition of Properties to Choice Properties During 2023, the Company sold four properties (2022 – one property) to Choice Properties for proceeds of $92 million (2022 – $26 million) and recognized a gain of $11 million (2022 – $19 million). All (2022 – none) of these properties were leased back by the Company. In the fourth quarter of 2023, the Company sold three properties (2022 – nil) to Choice Properties for proceeds of $80 million (2022 – $26 million) and recognized a gain of $8 million (2022 – nil). All (2022 – none) of these properties were leased back by the Company.

Other Transactions

Venture Fund 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 the Venture Fund, which hired an external fund manager to oversee it. The purpose of the 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 33% interest in the Venture Fund I. The Company has a total capital commitment of $33 million over a 10-year period (see note 18 of the consolidated financial statements).

During 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 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 (see note 18 of the consolidated financial statements).

Post-Employment Benefit Plans The Company sponsors a number of post-employment plans, which are related parties. Contributions made by the Company to these plans are disclosed in note 22 to the consolidated financial statements. Effective November 21, 2022, Loblaw became the sponsor of a group plan which was previously sponsored by the parent company, Weston. As a participant of the group plan, the Company will continue to make contributions for its share of defined benefit costs, including interest, service and administrative costs. In 2023 and 2022, the Company did not make any contributions to the group plan.

Income Tax Matters From time to time, the Company, Weston and its affiliates may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations.

Key Management Personnel The Company's key management personnel are comprised of the Board and certain members of the executive team of the Company, as well as both the Board and certain members of the executive team of Weston and Wittington to the extent that they have the authority and responsibility for planning, directing and controlling the day-to-day activities of the Company.

Compensation of Key Management Personnel Annual compensation of key management personnel that is directly attributable to the Company was as follows:

(millions of Canadian dollars)	2023	2022
Salaries, director fees and other short term employee benefits	**$ 10**	$ 8
Equity-based compensation	**1**	2
Total compensation	**$ 11**	$ 10

Other transactions with related parties, as defined by IFRS Accounting Standards, were not significant during the year.

14. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of the 2023 Annual Report, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

14.1 Consolidation

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company consolidates all of its wholly owned subsidiaries. Judgment is applied in determining whether the Company controls the entities in which it does not have ownership rights or does not have full ownership rights. Most often, judgment involves reviewing contractual rights to determine if rights are participating (giving power over the entity) or protective rights (protecting the Company's interest without giving it power).

14.2 Business Combinations - Valuation of Intangible Assets

Key Estimations The Company applies significant judgment in estimating the fair value of intangible assets. In determining the fair value of customer relationships and brands, various valuation techniques are used. Specifically, the Company used the multi-period excess earnings method to fair value customer relationships and the royalty relief method to fair value brands using a discounted cash flow model. Under these valuation approaches, the Company developed assumptions related to revenue and gross margin forecasts, attrition rate, royalty rate and discount rates.

14.3 Inventories

Key Estimations Inventories are carried at the lower of cost and net realizable value which requires the Company to utilize estimates related to fluctuations in shrink, future retail prices, the impact of vendor rebates on cost, seasonality and costs necessary to sell the inventory.

14.4 Impairment of Non-Financial Assets (Goodwill, Intangible Assets, Fixed Assets and Right-of-Use Assets)

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining cash generating units ("CGUs") for the purpose of testing fixed assets, right-of-use assets and intangible assets for impairment. Judgment is also used to determine the goodwill CGUs for the purpose of testing goodwill for impairment. The Company has determined that each retail location is a separate CGU. Intangible assets are allocated to the CGUs (or groups of CGUs) to which they relate. Goodwill is allocated to CGUs (or groups of CGUs) based on the level at which management monitors goodwill, which cannot be higher than an operating segment. The allocation of goodwill is made to CGUs (or groups of CGUs) that are expected to benefit from the synergies and future growth of the business combination from which they arose. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed. In applying this judgment management considers profitability of the CGU and other qualitative factors.

Key Estimations In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines fair value less costs to sell using such estimates as market rental rates for comparable properties, discount rates and capitalization rates. The Company determines value in use by using estimates including projected future sales and earnings, and discount rates consistent with external industry information reflecting the risk associated with the specific cash flows.

14.5 Impairment of Credit Card Receivables

Judgments Made in Relation to Accounting Policies Applied and Key Sources of Estimation In each stage of the expected credit loss ("ECL") model, impairment is determined based on the probability of default, loss given default, and expected exposures at default on drawn and undrawn exposures on credit card receivables. The application of the ECL model requires management to apply the following significant judgments, assumptions and estimations:

- Movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on credit card receivables. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- Thresholds for significant increase in credit risk based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- Forecasts of future economic conditions, namely the unemployment rate. Management uses an average of unemployment rate forecasts published by major Canadian Chartered Banks and the Conference Board of Canada to establish the base case scenario and other representative ranges of possible forecast scenarios.

14.6 Income and Other Taxes

Judgments Made in Relation to Accounting Policies Applied The calculation of current and deferred income taxes requires management to make certain judgments including expectations about future operating results, the timing and reversal of temporary differences, and the interpretation of tax rules in jurisdictions where the Company performs activities. Where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on the most likely amount of the liability or recovery.

14.7 Segment Information

Judgments Made in Relation to Determining the Aggregation of Operating Segments The Company uses judgment in assessing the criteria used to determine the aggregation of operating segments. The Retail reportable operating segment consists of several operating segments comprised primarily of food retail and Associate-owned drug stores, and also includes in-store pharmacies and healthcare services and other health and beauty products, apparel and other general merchandise. The Company has aggregated its retail operating segments on the basis of their similar economic characteristics, customers and nature of products. This similarity in economic characteristics reflects the fact that the Company's retail operating segments operate primarily in Canada and are therefore subject to the same economic market pressures and regulatory environment. The Company's retail operating segments are subject to similar competitive pressures such as price and product innovation and assortment from existing competitors and new entrants into the marketplace. The similar economic characteristics also include the provision of centralized, common functions such as marketing and IT across all retail operating segments.

The retail operating segments' customer profile is primarily individuals who are purchasing goods for their own or their family's personal needs and consumption. The nature of products and the product assortment sold by each of the retail operating segments is also similar and includes grocery, pharmaceuticals, cosmetics, electronics and housewares. The aggregation of the retail operating segments reflects the nature and financial effects of the business activities in which the Company engages and the economic environment in which it operates.

14.8 Provisions

Judgments made in Relation to Accounting Policies Applied and Key Estimations The recording of provisions requires management to make certain judgments regarding whether there is a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and if a reliable estimate of the amount of the obligation can be made. The Company has recorded provisions primarily in respect of self-insurance, legal claims and charges related to PC Bank commodity tax matters. The Company reviews the merits, risks and uncertainties of each provision, based on current information, and the amount expected to be required to settle the obligation. Provisions are reviewed on an ongoing basis and are adjusted accordingly when new facts and events become known to the Company.

14.9 Leases

Judgments Made in Relation to Accounting Policies Applied Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, store performances, past business practice and the length of time remaining before the option is exercisable. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact management's assessment of lease term, and any changes in management's estimate of lease terms may have a material impact on the Company's consolidated balance sheets and statements of earnings.

Key Estimations In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate using a base risk-free interest rate estimated by reference to the Government of Canada bond yield with an adjustment that reflects the Company's credit rating, the security, lease term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

15. Accounting Standards

15.1 Amendments to Accounting Standards

Amendments to IAS 1 In February 2021, the International Accounting Standards Board issued amendments to International Accounting Standard 1 Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2 Making Materiality Judgments ("IFRS Practice Statement 2"). The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 12 The Company adopted the amendments to IAS 12, "Income Taxes" ("IAS 12"), issued in May 2023, introducing a mandatory temporary exception to the requirements of IAS 12 under which a company does not recognize or disclose information about deferred tax assets and liabilities related to the proposed Organization for Economic Co-operation and Development ("OECD") Pillar Two model rules ("Pillar Two"). The Company applied the temporary exception as of December 30, 2023 as disclosed in note 7 of the consolidated financial statements.

16. Strategic Update and Outlook[3]

Strategic Update Loblaw's portfolio of businesses remains strong and well-positioned as economic pressures continue to drive consumers to its banners, in search for more value. 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 landscape, the Company will continue to focus on three strategic pillars in 2024: 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 refine its retail network to better meet customer needs and improve its overall profitability. This includes an increased focus on its Discount business, where Loblaw has a unique opportunity to bring its NoFrills and Maxi stores to more communities and neighbourhoods across the country. 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. A clear differentiator and area of focus is Loblaw's ability to digitally engage customers with a suite of proprietary assets – Loblaw Digital (including PC Express), Advance, and *PC Optimum*, Canada's strongest loyalty program. The Company will focus on enhancing these platforms across each of its businesses, improving the customer experience and functionality. In particular, the Company's *PC Optimum* loyalty program continues to evolve, with 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 execute on retail excellence while advancing its growth initiatives with the goal of continuing to deliver consistent operational and financial results in 2024. The Company's businesses remain well positioned to meet the everyday needs of Canadians.

For the full-year 2024, the Company expects:

- its Retail business to grow earnings faster than sales;
- adjusted net earnings per common share[2] growth in the high single-digits;
- to continue investing in our store network and distribution centres by investing a net amount of $1.8 billion in capital expenditures, which reflects gross capital investments of approximately $2.2 billion, net of approximately $400 million of proceeds from property disposals; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

17. Non-GAAP and Other Financial Measures

The Company uses the following non-GAAP and other 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; adjusted return on capital; and same-store sales. The Company believes these non-GAAP and other 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 and other 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.

				2023 (12 weeks)				2022 (12 weeks)
For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$ 14,157**	**$ 487**	**$ (113)**	**$ 14,531**	$ 13,694	$ 417	$ (104)	$ 14,007
Cost of sales	**9,748**	**110**	**—**	**9,858**	9,506	81	—	9,587
Gross profit	**$ 4,409**	**$ 377**	**$ (113)**	**$ 4,673**	$ 4,188	$ 336	$ (104)	$ 4,420
Adjusted gross profit	**$ 4,409**	**$ 377**	**$ (113)**	**$ 4,673**	$ 4,188	$ 336	$ (104)	$ 4,420

				2023 (52 weeks)				2022 (52 weeks)
For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$ 58,345**	**$ 1,540**	**$ (356)**	**$ 59,529**	$ 55,492	$ 1,338	$ (326)	$ 56,504
Cost of sales	**40,262**	**230**	**—**	**40,492**	38,327	201	—	38,528
Gross profit	**$ 18,083**	**$ 1,310**	**$ (356)**	**$ 19,037**	$ 17,165	$ 1,137	$ (326)	$ 17,976
Adjusted gross profit	**$ 18,083**	**$ 1,310**	**$ (356)**	**$ 19,037**	$ 17,165	$ 1,137	$ (326)	$ 17,976

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.

			2023 (12 weeks)			2022 (12 weeks)
For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Total**	Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			**$ 544**			$ 532
Add impact of the following:						
Non-controlling interests			**16**			(14)
Net interest expense and other financing charges			**195**			172
Income taxes			**188**			181
Operating income	**$ 843**	**$ 100**	**$ 943**	$ 810	$ 61	$ 871
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 115**	**$ —**	**$ 115**	$ 115	$ —	$ 115
Fair value adjustment on fuel and foreign currency contracts	**14**	**—**	**14**	11	—	11
Fair value adjustment on non-operating properties	**9**	**—**	**9**	(6)	—	(6)
Gain on sale of non-operating properties	**—**	**—**	**—**	(50)	—	(50)
Recoveries related to PC Bank commodity tax matters	**—**	**(13)**	**(13)**	—	—	—
Adjusting items	**$ 138**	**$ (13)**	**$ 125**	$ 70	$ —	$ 70
Adjusted operating income	**$ 981**	**$ 87**	**$ 1,068**	$ 880	$ 61	$ 941
Depreciation and amortization	**666**	**14**	**680**	653	14	667
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(115)**	**—**	**(115)**	(115)	—	(115)
Adjusted EBITDA	**$ 1,532**	**$ 101**	**$ 1,633**	$ 1,418	$ 75	$ 1,493

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	2023 (52 weeks) Retail	Financial Services	Total	2022 (52 weeks) Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			**$ 2,100**			$ 1,921
Add impact of the following:						
Non-controlling interests			**87**			73
Net interest expense and other financing charges			**803**			683
Income taxes			**714**			665
Operating income	**$3,500**	**$ 204**	**$3,704**	$ 3,260	$ 82	$ 3,342
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 499**	**$ —**	**$ 499**	$ 497	$ —	$ 497
Charges related to PC Bank commodity tax matters	**—**	**24**	**24**	—	111	111
Fair value adjustment on fuel and foreign currency contracts	**16**	**—**	**16**	(5)	—	(5)
Fair value adjustment on non-operating properties	**9**	**—**	**9**	(6)	—	(6)
Lifemark transaction costs	**—**	**—**	**—**	16	—	16
Restructuring and other related recoveries	**—**	**—**	**—**	(15)	—	(15)
Gain on sale of non-operating properties	**(12)**	**—**	**(12)**	(57)	—	(57)
Adjusting items	**$ 512**	**$ 24**	**$ 536**	$ 430	$ 111	$ 541
Adjusted operating income	**$ 4,012**	**$ 228**	**$4,240**	$ 3,690	$ 193	$ 3,883
Depreciation and amortization	**2,848**	**58**	**2,906**	2,746	49	2,795
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(499)**	**—**	**(499)**	(497)	—	(497)
Adjusted EBITDA	**$ 6,361**	**$ 286**	**$6,647**	$ 5,939	$ 242	$ 6,181

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 and Lifemark 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.

The acquisition of Lifemark in 2022 included approximately $299 million of definite life intangible assets, which are being amortized over their estimated useful lives.

Charges (recoveries) related to PC Bank commodity tax matters In the second quarter of 2023, the Federal government enacted certain commodity tax legislation that applies to PC Bank on a retroactive basis. A charge of $37 million, inclusive of interest, was recorded for this matter. In the fourth quarter of 2023, the Company reversed $13 million of previously recorded charges. The reversal was a result of new guidance issued by the CRA.

In the second quarter of 2022, the Company recorded a charge of $111 million, inclusive of interest. In July 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. In September 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal. Subsequent to December 30, 2023, the Federal Court of Appeal scheduled the hearing of the appeal for March 6, 2024.

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.

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

Restructuring and other related recoveries 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 2023 and on a full-year basis, the Company did not record any restructuring and other related recoveries or charges. In 2022, the Company recorded restructuring and other related recoveries of $15 million. The recoveries recognized in 2022 were mainly in connection to the previously announced closure of two distribution centres in Laval and Ottawa. 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 2023, the Company did not record any gain or loss related to the sale of non-operating properties (2022 – $50 million). In 2023, the Company recorded a gain related to the sale of non-operating properties of $12 million (2022 – $57 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 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 30, 2023 and December 31, 2022 (millions of Canadian dollars)	**2023 (12 weeks)**	2022 (12 weeks)	**2023 (52 weeks)**	2022 (52 weeks)
Net interest expense and other financing charges	**$ 195**	$ 172	**$ 803**	$ 683
Add: Recovery related to Glenhuron	**—**	—	**—**	11
Adjusted net interest expense and other financing charges	**$ 195**	$ 172	**$ 803**	$ 694

Recovery related to Glenhuron In 2021, the Supreme Court of Canada 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 $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 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	2022 (12 weeks)	**2023 (52 weeks)**	2022 (52 weeks)
Adjusted operating income(i)	**$ 1,068**	$ 941	**$ 4,240**	$ 3,883
Adjusted net interest expense and other financing charges(i)	**195**	172	**803**	694
Adjusted earnings before taxes	**$ 873**	$ 769	**$ 3,437**	$ 3,189
Income taxes	**$ 188**	$ 181	**$ 714**	$ 665
Add impact of the following:				
Tax impact of items included in adjusted earnings before taxes(ii)	**36**	24	**144**	143
Recovery related to Glenhuron	**—**	—	**—**	33
Adjusted income taxes	**$ 224**	$ 205	**$ 858**	$ 841
Effective tax rate	**25.1 %**	25.9 %	**24.6 %**	25.0 %
Adjusted effective tax rate	**25.7 %**	26.7 %	**25.0 %**	26.4 %

(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 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	2022 (12 weeks)	**2023 (52 weeks)**	2022 (52 weeks)
Net earnings attributable to shareholders of the Company	**$ 544**	$ 532	**$ 2,100**	$ 1,921
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(12)**	(12)
Net earnings available to common shareholders of the Company	**$ 541**	$ 529	**$ 2,088**	$ 1,909
Net earnings attributable to shareholders of the Company	**$ 544**	$ 532	**$ 2,100**	$ 1,921
Adjusting items (refer to the following table)	**89**	46	**392**	354
Adjusted net earnings attributable to shareholders of the Company	**$ 633**	$ 578	**$ 2,492**	$ 2,275
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(12)**	(12)
Adjusted net earnings available to common shareholders of the Company	**$ 630**	$ 575	**$ 2,480**	$ 2,263
Diluted weighted average common shares outstanding (millions)	**314.9**	327.4	**320.0**	331.7

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.

	2023 (12 weeks)		2022 (12 weeks)		**2023 (52 weeks)**		2022 (52 weeks)	
For the periods ended December 30, 2023 and December 31, 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	**$ 541**	**$ 1.72**	$ 529	$ 1.62	**$ 2,088**	**$ 6.52**	$ 1,909	$ 5.75
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 85**	**$ 0.27**	$ 83	$ 0.25	**$ 367**	**$ 1.15**	$ 365	$ 1.11
Fair value adjustment on fuel and foreign currency contracts	**10**	**0.03**	8	0.03	**12**	**0.04**	(4)	(0.01)
Fair value adjustment on non-operating properties	**6**	**0.02**	(4)	(0.01)	**6**	**0.02**	(4)	(0.01)
Gain on sale of non-operating properties	**—**	**—**	(41)	(0.13)	**(10)**	**(0.03)**	(45)	(0.14)
Lifemark transaction costs	**—**	**—**	—	—	**—**	**—**	12	0.04
Restructuring and other related recoveries	**—**	**—**	—	—	**—**	**—**	(14)	(0.04)
Recovery related to Glenhuron	**—**	**—**	—	—	**—**	**—**	(42)	(0.13)
Charges (recoveries) related to PC Bank commodity tax matters	**(12)**	**(0.04)**	—	—	**17**	**0.05**	86	0.25
Adjusting items	**$ 89**	**$ 0.28**	$ 46	$ 0.14	**$ 392**	**$ 1.23**	$ 354	$ 1.07
Adjusted	**$ 630**	**$ 2.00**	$ 575	$ 1.76	**$ 2,480**	**$ 7.75**	$ 2,263	$ 6.82

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.

				2023 (12 weeks)				2022 (12 weeks)
For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations(i)**	**Total**	Retail	Financial Services	Eliminations(i)	Total
Cash flows from (used in) operating activities	**$ 1,495**	**$ (131)**	**$ 41**	**$ 1,405**	$ 1,347	$ (218)	$ 19	$ 1,148
Less:								
Capital investments(ii)	**666**	**10**	**—**	**676**	640	11	—	651
Interest paid(i)	**60**	**—**	**41**	**101**	66	—	19	85
Lease payments, net	**257**	**—**	**—**	**257**	233	—	—	233
Free cash flow	**$ 512**	**$ (141)**	**$ —**	**$ 371**	$ 408	$ (229)	$ —	$ 179

				2023 (52 weeks)				2022 (52 weeks)
For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations(i)**	**Total**	Retail	Financial Services	Eliminations(i)	Total
Cash flows from (used in) operating activities	**$5,480**	**$ 46**	**$ 128**	**$ 5,654**	$ 5,133	$ (444)	$ 66	$ 4,755
Less:								
Capital investments(ii)	**2,069**	**40**	**—**	**2,109**	1,538	33	—	1,571
Interest paid(i)	**293**	**—**	**128**	**421**	278	—	66	344
Lease payments, net	**1,424**	**—**	**—**	**1,424**	1,312	—	—	1,312
Free cash flow	**$ 1,694**	**$ 6**	**$ —**	**$ 1,700**	$ 2,005	$ (477)	$ —	$ 1,528

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

(ii) Capital investments are the sum of fixed asset purchases and intangible asset additions as presented in the Company's consolidated statements of cash flows, and prepayments transferred to fixed assets in the current year. Capital investments in the fourth quarter of 2023 and for the year ended December 30, 2023 include $37 million of prepayments transferred to fixed assets.

Retail Debt to Retail Adjusted EBITDA, Adjusted Return on Equity and 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 Retail Adjusted EBITDA*** Retail segment total debt divided by Retail segment adjusted EBITDA for the last four quarters. Please refer to section "7.2 Liquidity and Capital Structure" of this MD&A.
- ***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 "7.4 Financial Condition" of this MD&A.
- ***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 "7.4 Financial Condition" of this MD&A.

Same-Store Sales Same-store sales are retail segment sales for stores in operation in both comparable periods, including relocated, converted, expanded, contracted or renovated stores. The Company believes this metric is useful in assessing sales trends excluding the effect of the opening and closure of stores.

Non-GAAP and Other Financial Measures - Selected Quarterly and Three Year Summary 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.

					2023					2022	2021
(unaudited) (millions of Canadian dollars)	**First Quarter (12 weeks)**	**Second Quarter (12 weeks)**	**Third Quarter (16 weeks)**	**Fourth Quarter (12 weeks)**	**Total (52 weeks)**	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	Total (52 weeks)
Net earnings attributable to shareholders of the Company	**$ 421**	**$ 511**	**$ 624**	**$ 544**	**$2,100**	$ 440	$ 390	$ 559	$ 532	$ 1,921	$ 1,875
Add (deduct) impact of the following:											
Non-controlling interests	**16**	**30**	**25**	**16**	**87**	33	38	16	(14)	73	101
Net interest expense and other financing charges	**181**	**193**	**234**	**195**	**803**	142	152	217	172	683	495
Income taxes	**151**	**193**	**182**	**188**	**714**	123	162	199	181	665	466
Operating income	**$ 769**	**$ 927**	**$1,065**	**$ 943**	**$3,704**	$ 738	$ 742	$ 991	$ 871	$3,342	$2,937
Add (deduct) impact of the following:											
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 114**	**$ 116**	**$ 154**	**$ 115**	**$ 499**	$ 117	$ 114	$ 151	$ 115	$ 497	$ 506
Charges (recoveries) related to PC Bank commodity tax matters	**—**	**37**	**—**	**(13)**	**24**	—	111	—	—	111	—
Fair value adjustment on fuel and foreign currency contracts	**3**	**5**	**(6)**	**14**	**16**	(14)	4	(6)	11	(5)	(13)
Fair value adjustment on non-operating properties	**—**	**—**	**—**	**9**	**9**	—	—	—	(6)	(6)	(2)
Lifemark transaction costs	**—**	**—**	**—**	**—**	**—**	3	13	—	—	16	—
Restructuring and other related (recoveries) costs	**—**	**—**	**—**	**—**	**—**	(15)	—	—	—	(15)	13
(Gain) Loss on sale of non-operating properties	**1**	**—**	**(13)**	**—**	**(12)**	—	(4)	(3)	(50)	(57)	(12)
Adjusting items	**$ 118**	**$ 158**	**$ 135**	**$ 125**	**$ 536**	$ 91	$ 238	$ 142	$ 70	$ 541	$ 492
Adjusted operating income	**$ 887**	**$1,085**	**$1,200**	**$1,068**	**$4,240**	$ 829	$ 980	$ 1,133	$ 941	$3,883	$3,429
Depreciation and amortization	**675**	**671**	**880**	**680**	**2,906**	631	633	864	667	2,795	2,664
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(114)**	**(116)**	**(154)**	**(115)**	**(499)**	(117)	(114)	(151)	(115)	(497)	(506)
Adjusted EBITDA	**$1,448**	**$1,640**	**$1,926**	**$1,633**	**$6,647**	$ 1,343	$ 1,499	$ 1,846	$ 1,493	$ 6,181	$5,587

(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 Interest Expense and Other Financing Charges The following table reconciles adjusted net interest expense and other financing charges to GAAP net interest expense and other financing charges reported for the periods ended as indicated.

(unaudited) (millions of Canadian dollars)	**2023** **(52 weeks)**	2022 (52 weeks)	2021 (52 weeks)
Net interest expense and other financing charges	**$ 803**	$ 683	$ 495
Add: Recovery related to Glenhuron	**—**	11	189
Adjusted net interest expense and other financing charges	**$ 803**	$ 694	$ 684

Adjusted Income Taxes and Adjusted Effective Tax Rate The following table reconciles the effective tax rate applicable to adjusted earnings before taxes to the GAAP effective tax rate applicable to earnings before taxes as reported for the periods ended as indicated.

(unaudited) (millions of Canadian dollars except where otherwise indicated)	**2023** **(52 weeks)**	2022 (52 weeks)	2021 (52 weeks)
Adjusted operating income(i)	**$ 4,240**	$ 3,883	$ 3,429
Adjusted net interest expense and other financing charges(i)	**803**	694	684
Adjusted earnings before taxes	**$ 3,437**	$ 3,189	$ 2,745
Income taxes	**$ 714**	$ 665	$ 466
Add impact of the following:			
Tax impact of items included in adjusted earnings before taxes(ii)	**144**	143	127
Recovery related to Glenhuron	**—**	33	128
Adjusted income taxes	**$ 858**	$ 841	$ 721
Effective tax rate	**24.6 %**	25.0 %	19.1%
Adjusted effective tax rate	**25.0 %**	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 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.

					2023					2022	2021
(unaudited) (millions of Canadian dollars	**First Quarter (12 weeks)**	**Second Quarter (12 weeks)**	**Third Quarter (16 weeks)**	**Fourth Quarter (12 weeks)**	**Total (52 weeks)**	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	Total (52 weeks)
As reported	**$ 418**	**$ 508**	**$ 621**	**$ 541**	**$2,088**	$ 437	$ 387	$ 556	$ 529	$1,909	$1,863
Add (deduct) impact of the following(i):											
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 84**	**$ 85**	**$ 113**	**$ 85**	**$ 367**	$ 87	$ 83	$ 112	$ 83	$ 365	$ 372
Fair value adjustment on fuel and foreign currency contracts	**2**	**4**	**(4)**	**10**	**12**	(11)	3	(4)	8	(4)	(10)
Fair value adjustment on non-operating properties	**—**	**—**	**—**	**6**	**6**	—	—	—	(4)	(4)	(1)
(Gain) Loss on sale of non-operating properties	**1**	**—**	**(11)**	**—**	**(10)**	—	(3)	(1)	(41)	(45)	(10)
Lifemark transaction costs	**—**	**—**	**—**	**—**	**—**	2	10	—	—	12	—
Restructuring and other related (recoveries) costs	**—**	**—**	**—**	**—**	**—**	(14)	—	—	—	(14)	10
Recovery related to Glenhuron	**—**	**—**	**—**	**—**	**—**	(42)	—	—	—	(42)	(313)
Charges (recoveries) related to PC Bank commodity tax matters	**—**	**29**	**—**	**(12)**	**17**	—	86	—	—	86	—
Adjusting items	**$ 87**	**$ 118**	**$ 98**	**$ 89**	**$ 392**	$ 22	$ 179	$ 107	$ 46	$ 354	$ 48
Adjusted(i)	**$ 505**	**$ 626**	**$ 719**	**$ 630**	**$2,480**	$ 459	$ 566	$ 663	$ 575	$2,263	$ 1,911

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

(unaudited) ($ except where otherwise indicated)	2023 First Quarter (12 weeks)	2023 Second Quarter (12 weeks)	2023 Third Quarter (16 weeks)	2023 Fourth Quarter (12 weeks)	2023 Total (52 weeks)	2022 First Quarter (12 weeks)	2022 Second Quarter (12 weeks)	2022 Third Quarter (16 weeks)	2022 Fourth Quarter (12 weeks)	2022 Total (52 weeks)	2021 Total (52 weeks)
As reported	**$ 1.29**	**$ 1.58**	**$ 1.95**	**$ 1.72**	**$ 6.52**	$ 1.30	$ 1.16	$ 1.69	$ 1.62	$ 5.75	$ 5.45
Add (deduct) impact of the following[(i)]:											
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 0.26**	**$ 0.26**	**$ 0.35**	**$ 0.27**	**$ 1.15**	$ 0.25	$ 0.25	$ 0.34	$ 0.25	$ 1.11	$ 1.09
Fair value adjustment on fuel and foreign currency contracts	**—**	**0.01**	**(0.01)**	**0.03**	**0.04**	(0.03)	0.01	(0.02)	0.03	(0.01)	(0.03)
Fair value adjustment on non-operating properties	**—**	**—**	**—**	**0.02**	**0.02**	—	—	—	(0.01)	(0.01)	—
Gain on sale of non-operating properties	**—**	**—**	**(0.03)**	**—**	**(0.03)**	—	(0.01)	—	(0.13)	(0.14)	(0.03)
Lifemark transaction costs	**—**	**—**	**—**	**—**	**—**	0.01	0.03	—	—	0.04	—
Restructuring and other related (recoveries) costs	**—**	**—**	**—**	**—**	**—**	(0.04)	—	—	—	(0.04)	0.03
Recovery related to Glenhuron	**—**	**—**	**—**	**—**	**—**	(0.13)	—	—	—	(0.13)	(0.92)
Charges (recoveries) related to PC Bank commodity tax matters	**—**	**0.09**	**—**	**(0.04)**	**0.05**	—	0.25	—	—	0.25	—
Adjusting items	**$ 0.26**	**$ 0.36**	**$ 0.31**	**$ 0.28**	**$ 1.23**	$ 0.06	$ 0.53	$ 0.32	$ 0.14	$ 1.07	$ 0.14
Adjusted[(i)]	**$ 1.55**	**$ 1.94**	**$ 2.26**	**$ 2.00**	**$ 7.75**	$ 1.36	$ 1.69	$ 2.01	$ 1.76	$ 6.82	$ 5.59
Diluted weighted average common shares outstanding (millions)	**324.8**	**322.5**	**318.4**	**314.9**	**320.0**	336.7	334.4	329.6	327.4	331.7	341.8

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

18. Additional Information

Additional information about the Company has been filed electronically with various securities regulators in Canada through SEDAR+ and is available online at www.sedarplus.ca and with OSFI as the primary regulator for the Company's subsidiary, PC Bank.

February 21, 2024
Toronto, Canada

MD&A Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms section included within the Company's 2023 Annual Report.

(2) See Section 17 "Non-GAAP and Other Financial Measures", which includes the reconciliation of such non-GAAP and other measures to the most directly comparable GAAP measures.

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

Management's Statement of Responsibility for Financial Reporting

Management of Loblaw Companies Limited is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements, Management's Discussion and Analysis and all other information in the 2023 Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. It also includes ensuring that the financial information presented elsewhere in the 2023 Annual Report is consistent with that in the consolidated financial statements.

Management is also responsible for providing reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced. Management is required to design a system of internal controls and certify as to the design and operating effectiveness of internal control over financial reporting. A dedicated control compliance team reviews and evaluates internal controls, the results of which are shared with management on a quarterly basis.

PricewaterhouseCoopers LLP, whose report follows, were appointed as independent auditors by a vote of the Company's shareholders to audit the consolidated financial statements.

The Board of Directors, acting through an Audit Committee comprised solely of directors who are independent, are responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. The Audit Committee meets regularly with senior and financial management, internal auditors and the independent auditors to discuss internal controls, auditing activities and financial reporting matters. The independent auditors and internal auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in the 2023 Annual Report based on the review and recommendation of the Audit Committee.

Toronto, Canada
February 21, 2024

[signed]
Per Bank
President and Chief Executive Officer

[signed]
Richard Dufresne
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Loblaw Companies Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Loblaw Companies Limited and its subsidiaries (together, the Company) as at December 30, 2023 and December 31, 2022, and its financial performance and its cash flows for the 52-week years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of earnings for the 52-week years ended December 30, 2023 and December 31, 2022;
- the consolidated statements of comprehensive income for the 52-week years ended December 30, 2023 and December 31, 2022;
- the consolidated statements of changes in equity for the 52-week years ended December 30, 2023 and December 31, 2022;
- the consolidated balance sheets as at December 30, 2023 and December 31, 2022;
- the consolidated statements of cash flows for the 52-week years ended December 30, 2023 and December 31, 2022; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the 52-week year ended December 30, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of fixed assets and right-of-use assets for retail locations

Refer to note 2 –Accounting Policies, note 3 – Critical Accounting Estimates and Judgments, note 14 – Fixed Assets and note 27 – Leases to the consolidated financial statements.

As at December 30, 2023, the Company had fixed assets of $6,346 million and right-of-use assets of $7,662 million. At each balance sheet date, management reviews the carrying amounts of its fixed assets and right-of-use assets at the Cash Generating Unit (CGU) level to determine whether there is any indication of impairment. Judgment is used to determine whether an indication of impairment exists; if any such indication exists, the CGU is then tested for impairment. In applying this judgment, management considers profitability of the CGU and other qualitative factors. Management determined that each retail location is a separate CGU for purposes of fixed asset and right-of-use asset impairment testing. The fixed assets and right-of-use assets related to the retail location CGUs represent a significant portion of the Company's fixed assets and right-of-use assets.

Management identified indications of impairment for certain retail location CGUs and therefore an impairment test was performed for these CGUs. An impairment loss is recognized for the amount by which the CGU's carrying value exceeds its recoverable amount.

The recoverable amount of each CGU is the higher of its value in use and its fair value less costs to sell (FVLCTS). Value in use is based on the estimated future cash flows from the CGU discounted to their present value using a pre-tax discount rate (discounted cash flow model). The FVLCTS reflects the amount that could be obtained from the disposal of the CGU in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

Assumptions utilized by management to determine the recoverable amount based on value in use include discount rates, projected future sales and earnings. Assumptions utilized by management to determine the recoverable amount based on FVLCTS include market rental rates, discount rates and capitalization rates.

For the year ended December 30, 2023, the Company recorded $39 million of impairment losses on fixed assets and $11 million of impairment losses on right-of-use assets in respect of 17 retail location CGUs.

We considered this a key audit matter due to the judgments made by management in assessing the indications of impairment and developing the assumptions to determine the recoverable amounts of the retail location CGUs. This resulted in significant audit effort and subjectivity in performing procedures to assess the indications of impairment and to test the recoverable amounts of the retail location CGUs. In addition, the audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.

Our approach to addressing the matter included the following procedures, among others:

- Evaluated management’s assessment of indications of impairment, which included the following:
  - Assessed the reasonableness of the profitability of the CGUs on a sample basis by considering the actual historical performance of the CGUs.
  - Assessed other qualitative factors by considering evidence obtained in other areas of the audit.
  - Tested the underlying data used in the indications of impairment assessment on a sample basis by tracing to supporting documentation and testing the mathematical accuracy.
  - Performed a sensitivity analysis over indications of impairment.
- Tested how management determined the recoverable amounts for a sample of retail location CGUs that had indications of impairment, which included the following:
  - Evaluated the appropriateness of the methods used by management.
  - Tested underlying data used in the recoverable amount calculations and tested the mathematical accuracy.
  - Evaluated the reasonableness of the projected future sales and earnings used in the discounted cash flow models by (i) comparing to actual historical sales and earnings generated by the retail location CGUs; and (ii) considering management’s budget and strategic plans.
  - Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the reasonableness of the discount rates and the market rental rates.
- Tested the disclosures made in the consolidated financial statements with regards to the impairment assessments of the retail location CGUs

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the 2023 Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Anita McOuat.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
February 21, 2024

Consolidated Statements of Earnings

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)		2023		2022
Revenue	**$**	**59,529**	$	56,504
Cost of sales		**40,492**		38,528
Selling, general and administrative expenses		**15,333**		14,634
Operating income	**$**	**3,704**	$	3,342
Net interest expense and other financing charges (note 6)		**803**		683
Earnings before income taxes	**$**	**2,901**	$	2,659
Income taxes (note 7)		**714**		665
Net earnings	**$**	**2,187**	$	1,994
Attributable to:				
Shareholders of the Company (note 8)	**$**	**2,100**	$	1,921
Non-controlling interests		**87**		73
Net earnings	**$**	**2,187**	$	1,994
Net earnings per common share ($) (note 8)				
Basic	**$**	**6.59**	$	5.82
Diluted	**$**	**6.52**	$	5.75
Weighted average common shares outstanding (millions) (note 8)				
Basic		**316.7**		328.1
Diluted		**320.0**		331.7

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)		**2023**		2022
Net earnings	**$**	**2,187**	$	1,994
Other comprehensive income, net of taxes				
Items that are or may be subsequently reclassified to profit or loss:				
Foreign currency translation gains	**$**	**—**	$	2
Gains on cash flow hedges (note 28)		**4**		16
Gain (loss) on long term securities (note 28)		**1**		(2)
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial gains (losses) (note 24)		**199**		(227)
Other comprehensive income, net of taxes	**$**	**204**	$	(211)
Total comprehensive income	**$**	**2,391**	$	1,783
Attributable to:				
Shareholders of the Company	**$**	**2,304**	$	1,710
Non-controlling interests		**87**		73
Total comprehensive income	**$**	**2,391**	$	1,783

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated)	Common Share Capital	Preferred Share Capital	**Total Share Capital**	**Retained Earnings**	**Contributed Surplus**	Foreign Currency Translation Adjustment	Cash Flow Hedges	Fair Value Adjustments	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total Equity**
Balance as at December 31, 2022	$ 6,465	$ 221	**$ 6,686**	**$ 4,461**	**$ 122**	$ 41	$ (15)	$ 4	**$ 30**	**$ 157**	**$ 11,456**
Net earnings	$ —	$ —	**$ —**	**$ 2,100**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 87**	**$ 2,187**
Other comprehensive income	—	—	**—**	**199**	**—**	—	4	1	**5**	**—**	**204**
Total comprehensive income	$ —	$ —	**$ —**	**$ 2,299**	**$ —**	$ —	$ 4	$ 1	**$ 5**	**$ 87**	**$ 2,391**
Common shares purchased and cancelled (note 22)	(277)	—	**(277)**	**(1,352)**	**—**	—	—	—	**—**	**—**	**(1,629)**
Effect of equity-based compensation (note 22 and 25)	69	—	**69**	**—**	**14**	—	—	—	**—**	**—**	**83**
Shares purchased and held in trust (note 22)	(13)	—	**(13)**	**(59)**	**—**	—	—	—	**—**	**—**	**(72)**
Shares released from trust (note 22 and 25)	12	—	**12**	**29**	**—**	—	—	—	**—**	**—**	**41**
Dividends declared per common share – $1.743 (note 22)	—	—	**—**	**(550)**	**—**	—	—	—	**—**	**—**	**(550)**
Dividends declared per preferred share – $1.325 (note 22)	—	—	**—**	**(12)**	**—**	—	—	—	**—**	**—**	**(12)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	—	**—**	**(89)**	**(89)**
	$ (209)	$ —	**$ (209)**	**$ 355**	**$ 14**	$ —	$ 4	$ 1	**$ 5**	**$ (2)**	**$ 163**
Balance as at December 30, 2023	$ 6,256	$ 221	**$ 6,477**	**$ 4,816**	**$ 136**	$ 41	$ (11)	$ 5	**$ 35**	**$ 155**	**$ 11,619**

(millions of Canadian dollars except where otherwise indicated)	Common Share Capital	Preferred Share Capital	**Total Share Capital**	**Retained Earnings**	**Contributed Surplus**	Foreign Currency Translation Adjustment	Cash Flow Hedges	Fair Value Adjustments	**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	$ —	$ —	**$ —**	**$ 1,921**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 73**	**$ 1,994**
Other comprehensive income	—	—	**—**	**(227)**	**—**	2	14	—	**16**	**—**	**(211)**
Total comprehensive income	$ —	$ —	**$ —**	**$ 1,694**	**$ —**	$ 2	$ 14	$ —	**$ 16**	**$ 73**	**$ 1,783**
Common shares purchased and cancelled (note 22)	(254)	—	**(254)**	**(1,204)**	**—**	—	—	—	**—**	**—**	**(1,458)**
Effect of equity-based compensation (note 22 and 25)	100	—	**100**	**—**	**6**	—	—	—	**—**	**—**	**106**
Shares purchased and held in trust (note 22)	(23)	—	**(23)**	**(115)**	**—**	—	—	—	**—**	**—**	**(138)**
Shares released from trust (note 22 and 25)	11	—	**11**	**24**	**—**	—	—	—	**—**	**—**	**35**
Dividends declared per common share – $1.580 (note 22)	—	—	**—**	**(517)**	**—**	—	—	—	**—**	**—**	**(517)**
Dividends declared per preferred share – $1.325 (note 22)	—	—	**—**	**(12)**	**—**	—	—	—	**—**	**—**	**(12)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	—	**—**	**(80)**	**(80)**
	$ (166)	$ —	**$ (166)**	**$ (130)**	**$ 6**	$ 2	$ 14	$ —	**$ 16**	**$ (7)**	**$ (281)**
Balance as at December 31, 2022	$ 6,465	$ 221	**$ 6,686**	**$ 4,461**	**$ 122**	$ 41	$ (15)	$ 4	**$ 30**	**$ 157**	**$ 11,456**

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

(millions of Canadian dollars)		As at December 30, 2023		As at December 31, 2022
Assets				
Current assets				
Cash and cash equivalents (note 9)	**$**	**1,488**	$	1,608
Short term investments (note 9)		**464**		326
Accounts receivable (note 10)		**1,298**		1,199
Credit card receivables (note 11)		**4,132**		3,954
Inventories (note 12)		**5,820**		5,855
Prepaid expenses and other assets		**324**		353
Assets held for sale (note 13)		**52**		81
Total current assets	**$**	**13,578**	$	13,376
Fixed assets (note 14)		**6,346**		5,696
Right-of-use assets (note 27)		**7,662**		7,409
Investment properties (note 15)		**53**		60
Intangible assets (note 16)		**5,994**		6,505
Goodwill (note 17)		**4,349**		4,323
Deferred income tax assets (note 7)		**125**		86
Other assets (note 18)		**872**		692
Total assets	**$**	**38,979**	$	38,147
Liabilities				
Current liabilities				
Bank indebtedness (note 31)	**$**	**13**	$	8
Trade payables and other liabilities		**6,324**		6,218
Loyalty liability		**123**		180
Provisions (note 19)		**115**		110
Income taxes payable		**240**		195
Demand deposits from customers		**166**		125
Short term debt (note 11)		**850**		700
Long term debt due within one year (note 20)		**1,191**		727
Lease liabilities due within one year (note 27)		**1,455**		1,401
Associate interest		**370**		434
Total current liabilities	**$**	**10,847**	$	10,098
Provisions (note 19)		**123**		109
Long term debt (note 20)		**6,661**		7,056
Lease liabilities (note 27)		**8,003**		7,714
Deferred income tax liabilities (note 7)		**1,132**		1,279
Other liabilities (notes 21)		**594**		435
Total liabilities	**$**	**27,360**	$	26,691
Equity				
Share capital (note 22)	**$**	**6,477**	$	6,686
Retained earnings		**4,816**		4,461
Contributed surplus (note 25)		**136**		122
Accumulated other comprehensive income		**35**		30
Total equity attributable to shareholders of the Company	**$**	**11,464**	$	11,299
Non-controlling interests		**155**		157
Total equity	**$**	**11,619**	$	11,456
Total liabilities and equity	**$**	**38,979**	$	38,147

Contingent Liabilities (note 30).
See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	2023	2022
Operating activities		
Net earnings	**$ 2,187**	$ 1,994
Add (deduct):		
Income taxes (note 7)	**714**	665
Net interest expense and other financing charges (note 6)	**803**	683
Adjustments to investment properties (note 13 and 15)	**9**	(6)
Depreciation and amortization	**2,906**	2,795
Asset impairments, net of recoveries	**17**	34
Change in allowance for credit card receivables (note 11)	**50**	1
Change in provisions (note 19)	**19**	(6)
Change in non-cash working capital (note 9)	**(9)**	(490)
Change in gross credit card receivables (note 11)	**(228)**	(512)
Income taxes paid	**(917)**	(439)
Interest received	**24**	38
Other	**79**	(2)
Cash flows from operating activities	**$ 5,654**	$ 4,755
Investing activities		
Fixed asset purchases (note 14)	**$ (1,665)**	$ (1,152)
Intangible asset additions (note 16)	**(407)**	(419)
(Purchase) disposal of short term investments (note 9)	**(138)**	138
Acquisition of Lifemark Health Group, net of cash acquired (note 5)	**—**	(813)
Proceeds from disposal of assets	**321**	164
Lease payments received from finance leases	**17**	15
Disposal (purchases) of long term securities (note 18)	**45**	(180)
Other	**(18)**	(121)
Cash flows used in investing activities	**$ (1,845)**	$ (2,368)
Financing activities		
Increase (decrease) in bank indebtedness	**$ 5**	$ (44)
Increase in short term debt (note 11)	**150**	250
Increase in demand deposits from customers	**41**	50
Long term debt (note 20)		
Issued	**833**	1,818
Repayments	**(762)**	(1,243)
Interest paid	**(421)**	(344)
Cash rent paid on lease liabilities - Interest (note 6 and 27)	**(370)**	(333)
Cash rent paid on lease liabilities - Principal (note 27)	**(1,071)**	(994)
Dividends paid on common and preferred shares (note 22)	**(562)**	(529)
Common share capital		
Issued (note 25)	**61**	88
Purchased and held in trust (note 22)	**(72)**	(138)
Purchased and cancelled (note 22)	**(1,729)**	(1,258)
Proceeds from financial liabilities (note 27)	**115**	15
Other	**(150)**	(89)
Cash flows used in financing activities	**$ (3,932)**	$ (2,751)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 3**	$ (4)
Decrease in cash and cash equivalents	**$ (120)**	$ (368)
Cash and cash equivalents, beginning of year	**1,608**	1,976
Cash and cash equivalents, end of year	**$ 1,488**	$ 1,608

See accompanying notes to the consolidated financial statements.

For the years ended December 30, 2023 and December 31, 2022 (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 products, 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 2S5. Loblaw Companies Limited and its subsidiaries are together referred to, in these 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 33).

Note 2. Accounting Policies

Statement of Compliance The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards” or “GAAP”) and using the accounting policies described herein.

These consolidated financial statements were approved for issuance by the Company’s Board of Directors (“Board”) on February 21, 2024.

Basis of Presentation The consolidated financial statements were prepared on a historical cost basis except for the following items that were measured at fair value:

- investment properties as described in note 15;
- defined benefit pension plan assets with the obligations related to these pension plans measured at their discounted present value as described in note 24;
- liabilities for cash-settled equity-based compensation arrangements as described in note 25; and
- certain financial instruments as described in note 28.

The accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all years presented.

The consolidated financial statements are presented in Canadian dollars.

Certain prior year amounts have been reclassified to conform to the fiscal 2023 presentation.

Fiscal Year The fiscal year of the Company ends on the Saturday closest to December 31. 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. The years ended December 30, 2023 and December 31, 2022 both contained 52 weeks.

Basis of Consolidation The consolidated financial statements include the accounts of the Company and other entities that the Company controls. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company assesses control on an ongoing basis.

Structured entities are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are consolidated if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the structured entity. Structured entities controlled by the Company were established under terms that impose strict limitations on the decision-making powers of the structured entities' management and that results in the Company receiving the majority of the benefits related to the structured entities' operations and net assets, being exposed to the majority of risks incident to the structured entities' activities, and retaining the majority of the residual or ownership risks related to the structured entities or their assets.

Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

Non-controlling interests are recorded in the consolidated financial statements and represent the non-controlling shareholders' equity in an entity consolidated by the Company for which the Company's ownership is less than 100%. Transactions with non-controlling interests are treated as transactions with equity owners of the Company. Changes in the Company's ownership interest in its subsidiaries are accounted for as equity transactions.

Loblaw consolidates the Associates as well as the franchisees of its food retail stores that are subject to a simplified franchise agreement implemented in 2015 ("Franchise Agreement"). An "Associate" is a pharmacist-owner of a corporation that is licensed to operate a retail drug store at a specific location using the Company's trademarks. The consolidation of Associates and franchisees is based on the concept of control, for accounting purposes, which was determined to exist through the agreements that govern the relationships between the Company and the Associates and franchisees. Loblaw does not have any direct or indirect shareholdings in the corporations that operate the Associates. Associate interest reflects the investment the Associates have in the net assets of their businesses. Under the terms of the Associate Agreements, Shoppers Drug Mart Inc. (or an affiliate thereof) agrees to purchase the assets that the Associates use in store operations, primarily at the carrying value to the Associate, when Associate Agreements are terminated by either party. The Associates' corporations and the franchisees remain separate legal entities.

Business Combinations Business combinations are accounted for using the acquisition method as of the date when control is transferred to the Company. The Company measures goodwill as the excess of the sum of the fair value of the consideration transferred over the net identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Net Earnings per Common Share Basic net earnings per common share ("EPS") is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by adjusting the net earnings available to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive instruments.

Revenue Recognition The Company recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which the Company expects to be entitled to.

Retail Retail segment revenue includes the sale of goods and services to customers through corporate, franchise-owned retail food and Associate-owned drug stores, which includes in-store pharmacies, health care services and other health and beauty products, apparel and other general merchandise. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, net of estimated returns and sales incentives. The Company recognizes revenue made through corporate, franchise and Associate stores at the time the point of sale is made or when service is delivered to the customers. The Company recognizes revenue made through independent wholesale customers at the time of delivery of inventory and when administrative and management services are rendered.

For certain sale of goods in which the Company earns commissions, including but not limited to lottery and third party gift cards, the Company records net revenue as an agent on the basis that the Company does not control pricing or bear inventory risk.

Financial Services Financial Services revenue includes interest income on credit card loans, credit card service fees, commissions, and other revenue related to financial services. Interest income is recognized using the effective interest method. Credit card service fees are recognized when services are rendered. Commission revenue is recorded on a net basis. Other revenue is recognized periodically or according to contractual provisions.

Income Taxes Current and deferred taxes are recognized in the consolidated statement of earnings, except for current and deferred taxes related to a business combination, or amounts charged directly to equity or other comprehensive income, which are recognized in the consolidated balance sheet.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the asset and liability method of accounting on temporary differences arising between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Deferred tax is measured using enacted or substantively enacted income tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. A deferred tax asset is recognized for temporary differences as well as unused tax losses and credits to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities where the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recorded on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Cash Equivalents Cash equivalents consist of highly liquid marketable investments such as government treasury bills and banker'acceptances with an original maturity date of 90 days or less from the date of acquisition. Credit card and debit card transactions that typically process in three days or less are also classified as cash and cash equivalents.

Short Term Investments Short term investments are investments in highly liquid and rated certificates of deposit, commercial paper or other securities, primarily Canadian and United States government securities and notes of other creditworthy parties, with an original term to maturity of more than 90 days and remaining term to maturity of less than one year from the date of acquisition.

Credit Card Receivables The Company, through President's Choice Bank ("PC Bank"), a wholly owned subsidiary of the Company, has credit card receivables that are stated net of an allowance. Interest income is recorded in revenue and interest expense is recorded in net interest expense and other financing charges using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash receipts through the expected life of the credit card receivable (or, where appropriate, a shorter period) to the carrying amount. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired credit card receivables, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The Company applies the expected credit loss ("ECL") model to assess impairment on its credit card receivables at each balance sheet date. Credit card receivables are assessed collectively for impairment by applying the three-stage approach. Refer to the Impairment of Financial Assets policy for details of each stage. The application of the ECL model requires PC Bank to apply significant judgments, assumptions and estimations (see note 3 "Impairment of Credit Card Receivables").

Impairment losses and reversals are recorded in selling, general and administrative expenses ("SG&A") in the consolidated statements of earnings with the carrying amount of the credit card receivables adjusted through the use of allowance accounts.

The Company, through PC Bank, participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. PC Bank maintains and monitors co-ownership interest in credit card receivables with independent securitization trusts, in accordance with its financing requirements. PC Bank is required to absorb a portion of the related credit losses. As a result, Loblaw has not transferred all of the risks and rewards related to these assets and continues to recognize these assets in credit card receivables. The transferred receivables are accounted for as financing transactions. The associated liabilities secured by these assets are included in either short term debt or long term debt based on their characteristics and are carried at amortized cost. Loblaw provides a standby letter of credit for the benefit of the independent securitization trusts.

Eagle Credit Card Trust® PC Bank participates in a single seller revolving co-ownership securitization program with *Eagle Credit Card Trust®* ("*Eagle*") and continues to service the credit card receivables on behalf of *Eagle*, but does not receive any fee for its servicing obligations and has a retained interest in the securitized receivables represented by the right to future cash flows after obligations to investors have been met. The Company consolidates *Eagle* as a structured entity.

Other Independent Securitization Trusts The Other Independent Securitization Trusts administer multi-seller, multi-asset securitization programs that acquire assets from various participants, including credit card receivables from PC Bank. These trusts are managed by major Canadian chartered banks. PC Bank does not control the trusts through voting interests and does not exercise any control over the trusts' management, administration or assets. The activities of these trusts are conducted on behalf of the participants and each trust is a conduit through which funds are raised to purchase assets through the issuance of senior and subordinated short term and medium term asset backed notes. These trusts are unconsolidated structured entities.

Inventories The Company values inventories at the lower of cost and net realizable value.

Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition. The cost of inventories are measured at weighted average cost.

The Company estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations in retail prices due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period that these costs are incurred.

Vendor Allowances The Company receives allowances from certain of its vendors whose products it purchases. These allowances are received for a variety of buying and/or merchandising activities, including vendor programs such as volume purchase allowances, purchase discounts, listing fees and exclusivity allowances. Allowances received from a vendor are a reduction in the cost of the vendor's products and services, and are recognized as a reduction in the cost of sales and the related inventory in the consolidated statement of earnings and the consolidated balance sheet, respectively, when it is probable that they will be received and the amount of the allowance can be reliably estimated. Amounts received but not yet earned are presented in other liabilities as deferred vendor allowances.

Certain exceptions apply if the consideration is a payment for goods or services delivered to the vendor or for direct reimbursement of selling costs incurred to promote goods. The consideration is then recognized as a reduction of the cost incurred in the consolidated statements of earnings.

Assets Held for Sale Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell and are not depreciated. The fair value measurement of assets held for sale is categorized within Level 2 of fair value hierarchy. Assets that were previously classified as investment properties are measured using the fair value model consistent with properties classified as investment properties.

Fixed Assets Fixed assets are recognized and subsequently measured at cost less accumulated depreciation and any net accumulated impairment losses.

Borrowing costs directly attributable to the acquisition, construction or production of fixed assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings, are capitalized to the cost of those fixed assets, based on a quarterly weighted average cost of borrowing. All other borrowing costs are expensed as incurred and recognized in net interest expense and other financing charges.

Gains and losses on disposal of fixed assets are determined by comparing the fair value of proceeds from disposal with the net book value of the assets and are recognized net, in operating income. For transactions in which the sale of a fixed asset satisfies the requirements of IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), and the asset is leased back by the Company, the Company recognizes, in operating income, only the amount of gains or losses that relate to the rights transferred to the purchaser.

Fixed assets are depreciated on a straight-line basis over their estimated useful lives to their estimated residual value when the assets are available for use. When significant parts of a fixed asset have different useful lives, they are accounted for as separate components and depreciated separately. Estimated useful lives are as follows:

Buildings	10 to 40 years
Equipment and fixtures	2 to 10 years
Building improvements	up to 10 years
Leasehold improvements	Lesser of term of the lease and useful life up to 25 years[(i)]

(i) If it is reasonably certain that the Company will obtain ownership of the leased asset by the end of the lease term, the associated leasehold improvements are depreciated over the useful life of the asset on the same basis as owned assets.

Fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of Non-Financial Assets policy.

Leases

As a Lessee At inception of a contract, the Company determines whether a contract is or contains a lease. When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable supplier prices for a similar asset and/or service.

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in cost of sales and SG&A expenses on the most systematic basis.

The measurement of lease liabilities includes the fixed and in-substance fixed payments and variable lease payments that depend on an index or a rate, less any lease incentives receivable. If applicable, lease liabilities will also include a purchase option exercise price if the Company is reasonably certain to exercise that option, termination penalties if the lease term also reflects the termination option and amounts expected to be payable under a residual value guarantee. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in management's assessment of whether it will exercise a renewal or termination option or a change in future lease payments due to a change in index or rate. Right-of-use assets are adjusted by the same remeasurement amount.

Right-of-use assets are measured at the initial amount of the lease liabilities plus any initial direct costs, lease payments made at or before the commencement date net of lease incentives received, and decommissioning costs. Subsequent to initial measurement, the Company applies the cost model with the exception of the fair value model application to right-of-use assets that meet the definition of investment properties. Right-of-use assets are measured at cost less accumulated depreciation, net accumulated impairment losses, and any remeasurements of lease liabilities. The assets are depreciated on a straight-line basis over the earlier of the assets' useful lives or the end of the lease terms. Right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of Non-Financial Assets policy.

Discount rates used in the present value calculation are the interest rates implicit in the leases, or if the rates cannot be readily determined, the Company's incremental borrowing rates. Lease terms applied are the contractual non-cancellable periods of the leases plus periods covered by an option to renew the leases if the Company is reasonably certain to exercise that option and the periods covered by an option to terminate the leases if the Company is reasonably certain not to exercise that option.

For sale and leaseback transactions, the Company applies the requirements of IFRS 15 to determine whether the transfer of the asset should be accounted for as a sale. If the transfer of the asset is a sale in accordance with IFRS 15, the Company will measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. If the transfer of the asset is not a sale in accordance with IFRS 15, the Company will continue to account for the asset under International Accounting Standard ("IAS") 16, "Property, Plant and Equipment" and recognize the proceeds received as financial liabilities.

Investment Properties Investment properties are properties owned by the Company that are held to either earn rental income, for capital appreciation, or both. The Company's investment properties include single tenant properties held to earn rental income and certain multiple tenant properties. Land and buildings leased to franchisees are not accounted for as investment properties as these properties are related to the Company's operating activities.

Investment property assets are measured using the fair value model. Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Gains and losses arising from changes in the fair value are recognized in operating income in the period in which they arise. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

When a property changes from own use to investment property, the property is remeasured to fair value. Any gain arising from the remeasurement is recognized in operating income to the extent that it reverses a previous impairment loss on that property, with any remaining gain recognized in other comprehensive income. Any loss on remeasurement is recognized in operating income. All subsequent changes in fair value of the property are recognized in operating income. Upon sale of an investment property that was previously classified as fixed assets, amounts included in the revaluation reserve are transferred to retained earnings.

When an investment property carried at fair value changes to own use, the property is recognized in fixed assets at the fair value at the date of change in use. The property is subsequently accounted for under the accounting policy for fixed assets.

Goodwill Goodwill arising in a business combination is recognized as an asset at the date that control is acquired. Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment on an annual basis or more frequently if there are indicators that goodwill may be impaired as described in the Impairment of Non-Financial Assets policy.

Intangible Assets Intangible assets with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses. These intangible assets are amortized on a straight-line basis over their estimated useful lives and are tested for impairment as described in the Impairment of Non-Financial Assets policy. Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually. Amortization expense for intangible assets is recognized in selling, general and administrative expenses. Estimated useful lives are as follows:

Software	3 to 10 years
Prescription files	7 to 8 years
Loyalty program	18 years
Customer relationships	5 to 20 years

Indefinite life intangible assets are measured at cost less any accumulated impairment losses. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired as described in the Impairment of Non-Financial Assets policy.

Impairment of Non-Financial Assets At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets at the cash generating unit ("CGU") level, other than inventories, deferred tax assets and investment properties, to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its recoverable amount to its carrying value. Goodwill and indefinite life intangible assets are tested for impairment at least annually.

For the purpose of impairment testing, assets, including right-of-use assets, are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets. This grouping is referred to as a CGU. The Company has determined that each retail location is a separate CGU for purposes of impairment testing.

Goodwill arising from a business combination is tested for impairment at the minimum grouping of CGUs that are expected to benefit from the synergies of the business combination from which the goodwill arose.

The recoverable amount of a CGU or CGU grouping is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows from the CGU or CGU grouping discounted to their present value using a pre-tax discount rate in a discounted cash flow model that reflects current market assessments of the time value of money and the risks specific to the CGU or CGU grouping. If the CGU or CGU grouping includes right-of-use assets in its carrying amount, the pre-tax discount rate reflects the risks associated with the exclusion of lease payments from the estimated future cash flows. The fair value less costs to sell reflects the amount that could be obtained from the disposal of the CGU or CGU grouping in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

An impairment loss is recognized if the carrying amount of a CGU or CGU grouping exceeds its recoverable amount. For asset impairments other than goodwill, the impairment loss reduces the carrying amounts of the non-financial assets in the CGU on a pro-rata basis, up to an asset's individual recoverable amount. Any loss identified from goodwill impairment testing is first applied to reduce the carrying amount of goodwill allocated to the CGU grouping, and then to reduce the carrying amounts of the other non-financial assets in the CGU or CGU grouping on a pro-rata basis.

For assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

Impairment losses and reversals are recognized in SG&A.

Customer Loyalty Awards Programs The Company defers revenue at the time the award is earned by loyalty program members ("members") based on the relative fair value of the award. The relative fair value is determined by allocating consideration between the fair value of the loyalty awards earned by members, net of breakage, and the goods and services on which the awards were earned, based on their relative stand-alone selling price. The estimated fair value per point for the PC Optimum™ Program is determined based on the program reward schedule and is $1 for every 1,000 points earned. The breakage rate of the program is an estimate of the amount of points that will never be redeemed. The rate is reviewed on an ongoing basis and is estimated utilizing historical redemption activity and anticipated earn and redeem behaviour of members. The majority of the Company's loyalty liability, which is contract liability, is expected to be redeemed and recognized as revenue within one year of issuance.

Financial Instruments and Derivative Financial Instruments Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Upon initial recognition, financial instruments, including derivatives and embedded derivatives in certain contracts, are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using valuation methodologies, primarily discounted cash flows taking into account external market inputs where possible. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

The following table summarizes the classification and measurement of the Company's financial assets and liabilities:

Asset / Liability	Classification / Measurement
Cash and cash equivalents	Amortized cost
Short term investments	Amortized cost / fair value through other comprehensive income
Accounts receivable	Amortized cost
Credit card receivables	Amortized cost
Certain other assets	Amortized cost / fair value through profit and loss
Long term securities	Fair value through other comprehensive income
Bank indebtedness	Amortized cost
Trade payables and other liabilities	Amortized cost
Demand deposits from customers	Amortized cost
Short term debt	Amortized cost
Long term debt	Amortized cost
Associate Interest	Amortized cost
Certain other liabilities	Amortized cost
Derivatives	Fair value through profit and loss / fair value through other comprehensive income

Financial derivative instruments in the form of forwards and futures, as well as non-financial derivatives in the form of futures contracts, options contracts and forward contracts, are recorded at fair value on the consolidated balance sheet. The Company does not use derivative instruments for speculative purposes. Embedded derivatives are separated from the host contract and accounted for separately on the consolidated balance sheet at fair value if the host contract is not a financial asset. Derivative instruments are recorded in current or non-current assets and liabilities based on their remaining terms to maturity. All changes in fair values of the derivative instruments are recorded in net earnings unless the derivative qualifies and is effective as a hedging item in a designated hedging relationship.

The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange and interest rates. The effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. If the change in fair value of the hedging item is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net earnings. The Company ensures that the hedge accounting relationships are aligned with the Company's risk management objectives and strategy and applies a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company's risk management strategy and hedging activities are disclosed in note 28 "Financial Instruments" and note 29 "Financial Risk Management".

Gains and losses on financial assets and financial liabilities classified as fair value through profit and loss ("FVTPL") are recognized in net earnings in the period in which they are incurred. Settlement date accounting is used to account for the purchase and sale of financial assets. Gains or losses between the trade date and settlement date on FVTPL financial assets are recorded in net earnings.

Valuation Process The determination of the fair value of financial instruments is performed by the Company's treasury and financial reporting departments on a quarterly basis. There was no change in the valuation techniques applied to financial instruments during the current year. The following table describes the valuation techniques used in the determination of the fair values of financial instruments:

Type	**Valuation Approach**
Cash and cash equivalents, short term investments, accounts receivable, credit card receivables, bank indebtedness, trade payables and other liabilities, demand deposits from customers and short term debt	The carrying amount approximates fair value due to the short term maturity of these instruments.
Derivatives	Specific valuation techniques used to value derivative financial instruments include: • Quoted market prices or dealer quotes for similar instruments; and • The fair values of other derivative instruments are determined based on observable market information as well as valuations determined by external valuators with experience in financial markets.
Long term debt and certain other financial instruments	The fair value is based on the present value of contractual cash flows, discounted at the Company's current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, quoted market prices.

Impairment of Financial Assets The Company applies a forward-looking ECL model at each balance sheet date to financial assets measured at amortized cost or those measured at fair value through other comprehensive income ("FVOCI"), except for investments in equity instruments.

The ECL model applied to financial assets requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. Consideration of how changes in economic factors affect ECLs are determined on a probability-weighted basis.

Impairment losses and reversals are recorded in SG&A with the carrying amount of the financial asset or group of financial assets adjusted through the use of allowance accounts.

Foreign Currency Translation The functional currency of the Company is the Canadian dollar.

Transactions in foreign currencies are translated into the functional currency at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the balance sheet date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in operating income.

The assets and liabilities of foreign operations that have a functional currency different from that of the Company, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency at the foreign currency exchange rate in effect at the balance sheet date. Revenues and expenses of foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted. The resulting foreign currency exchange gains or losses are recognized in the foreign currency translation adjustment as part of other comprehensive income. When such foreign operation is disposed of, the related foreign currency translation reserve is recognized in net earnings as part of the gain or loss on disposal. On the partial disposal of such foreign operation, the relevant proportion is reclassified to net earnings.

Defined Benefit Post-Employment Plans The Company has a number of contributory and non-contributory defined benefit post-employment plans providing pension and other benefits to eligible employees. The defined benefit pension plans provide a pension based on length of service and eligible pay. The other defined benefits include health care, life insurance and dental benefits provided to eligible employees who retire at certain ages having met certain service requirements. The Company's net defined benefit plan obligations (assets) for each plan are actuarially calculated by a qualified actuary at the end of each annual reporting period using the projected unit credit method pro-rated based on service and management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate of health care costs. The discount rate used to value the defined benefit plan obligation is based on high quality corporate bonds denominated in the same currency with cash flows that match the terms of the defined benefit plan obligations. Past service costs (credits) arising from plan amendments are recognized in operating income in the year that they arise. The actuarially determined net interest costs on the net defined benefit plan obligation are recognized in net interest expense and other financing charges.

The fair values of plan assets are deducted from the defined benefit plan obligations to arrive at the net defined benefit plan obligations (assets). For plans that result in a net defined benefit asset, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan ("asset ceiling"). If it is anticipated that the Company will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements, the net defined benefit asset is reduced to the amount of the asset ceiling. When the payment in the future of minimum funding requirements related to past service would result in a net defined benefit surplus or an increase in a surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions.

Remeasurements including actuarial gains and losses, the effect of the asset ceiling (if applicable) and the impact of any minimum funding requirements are recognized through other comprehensive income and subsequently reclassified from accumulated other comprehensive income to retained earnings.

The Company also participates in pension plans with Weston. The Company has established a stated policy to allocate the net defined benefit cost to the Company and Weston based on the obligation attributable to plan participants, provided by a third-party actuary. Both the service cost and contribution to be paid are determined based on the actuarial valuation.

Other Long Term Employee Benefit Plans The Company offers other long term employee benefits including contributory long term disability benefits and non-contributory continuation of health care and dental benefits to employees who are on long term disability leave. As the amount of the long term disability benefit does not depend on length of service, the obligation is recognized when an event occurs that gives rise to an obligation to make payments. The accounting for other long term employee benefit plans is similar to the method used for defined benefit plans except that all actuarial gains and losses are recognized in operating income.

Defined Contribution Plans The Company maintains a number of defined contribution pension plans for employees in which the Company pays fixed contributions for eligible employees into a registered plan and has no further significant obligation to pay any further amounts. The costs of benefits for defined contribution plans are expensed as employees have rendered service.

Multi-Employer Pension Plans The Company participates in multi-employer pension plans ("MEPPs") which are accounted for as defined contribution plans. The Company's responsibility to make contributions to these plans is limited to amounts established pursuant to its collective agreements. Defined benefit MEPPs are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plans is not available due to the size and number of contributing employers in the plans. The contributions made by the Company to MEPPs are expensed as contributions are due.

Equity-Settled Equity-Based Compensation Plans Stock options, Restricted Share Units ("RSUs"), Performance Share Units ("PSUs"), Director Deferred Share Units ("DSUs") and Executive Deferred Share Units ("EDSUs") issued by the Company are substantially all settled in common shares and are accounted for as equity-settled awards.

Stock options outstanding have a seven year term to expiry, vest 20% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is based on the greater of the volume weighted average trading price of the Company's common share for either the five trading days prior to the date of grant or the trading day immediately preceding the grant date. The fair value of each tranche of options granted is measured separately at the grant date using a Black-Scholes option pricing model, and includes the following assumptions:

- The expected dividend yield is estimated based on the expected annual dividend prior to the option grant date and the closing share price as at the option grant date;
- The expected share price volatility is estimated based on the Company's historical volatility over a period consistent with the expected life of the options;
- The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the grant date for a term to maturity equal to the expected life of the options; and
- The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on historical experience and general option holder behaviour.

RSUs and PSUs vest after the end of a three year performance period. The number of PSUs that vest is based on the achievement of specified performance measures. The fair value of each RSU and PSU granted is measured separately at the grant date based on the market value of a Loblaw common share. Dividends paid may be reinvested in RSUs and PSUs and are treated as capital transactions.

The Company established a trust for each of the RSU and PSU plans to facilitate the purchase of shares for future settlement upon vesting. The Company is the sponsor of the respective trusts and has assigned Computershare Trust Company of Canada as the trustee. The trusts are considered structured entities and are consolidated in the Company's financial statements with the cost of the acquired shares recorded at book value as a reduction to share capital. Any premium on the acquisition of the shares above book value is applied to retained earnings until the shares are issued to settle RSU and PSU plan obligations.

Members of the Board, who are not management of the Company, may elect to receive a portion of their annual retainers and fees in the form of DSUs. Eligible executives of the Company may elect to defer up to 100% of the Short Term Incentive Plan earned in any year into the EDSU plan. Dividends paid earn fractional DSUs and EDSUs, respectively and are treated as capital transactions. DSUs and EDSUs vest upon grant.

The compensation expense for equity-settled plans is prorated over the vesting or performance period, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures.

Upon exercise of options, the amount accumulated in contributed surplus for the award plus the cash received upon exercise is recognized as an increase in share capital. Upon settlement of RSUs and PSUs, the amount accumulated in contributed surplus for the award is reclassified to share capital, with any premium or discount applied to retained earnings.

Employee Share Ownership Plan The Company's contributions to the Employee Share Ownership Plan ("ESOP") are measured at cost and recorded as compensation expense in operating income when the contribution is made. The ESOP is administered through a trust which purchases the Company's common shares on the open market on behalf of its employees.

Note 3. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of these consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements. The Company's accounting policies are disclosed in note 2.

Consolidation

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company consolidates all of its wholly owned subsidiaries. Judgment is applied in determining whether the Company controls the entities in which it does not have ownership rights or does not have full ownership rights. Most often, judgment involves reviewing contractual rights to determine if rights are participating (giving power over the entity) or protective rights (protecting the Company's interest without giving it power).

Business Combinations - Valuation of Intangible Assets

Key Estimations The Company applies significant judgment in estimating the fair value of intangible assets. In determining the fair value of customer relationships and brands, various valuation techniques are used. Specifically, the Company used the multi-period excess earnings method to fair value customer relationships and the royalty relief method to fair value brands using a discounted cash flow model. Under these valuation approaches, the Company developed assumptions related to revenue and gross margin forecasts, attrition rate, royalty rate and discount rates.

Inventories

Key Estimations Inventories are carried at the lower of cost and net realizable value which requires the Company to utilize estimates related to fluctuations in shrink, future retail prices, the impact of vendor rebates on cost, seasonality and costs necessary to sell the inventory.

Impairment of Non-Financial Assets (Goodwill, Intangible Assets, Fixed Assets and Right-of-Use Assets)

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining CGUs for the purpose of testing fixed assets, right-of-use assets and intangible assets for impairment. Judgment is also used to determine the goodwill CGUs for the purpose of testing goodwill for impairment. The Company has determined that each retail location is a separate CGU. Intangible assets are allocated to the CGUs (or groups of CGUs) to which they relate. Goodwill is allocated to CGUs (or groups of CGUs) based on the level at which management monitors goodwill, which cannot be higher than an operating segment. The allocation of goodwill is made to CGUs (or groups of CGUs) that are expected to benefit from the synergies and future growth of the business combination from which they arose. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed. In applying this judgment management considers profitability of the CGU and other qualitative factors.

Key Estimations In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines fair value less costs to sell using such estimates as market rental rates for comparable properties, discount rates and capitalization rates. The Company determines value in use by using estimates including projected future sales and earnings, and discount rates consistent with external industry information reflecting the risk associated with the specific cash flows.

Impairment of Credit Card Receivables

Judgments Made in Relation to Accounting Policies Applied and Key Estimations In each stage of the ECL model, impairment is determined based on the probability of default, loss given default, and expected exposures at default on drawn and undrawn exposures on credit card receivables. The application of the ECL model requires management to apply the following significant judgments, assumptions and estimations:

- Movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on credit card receivables. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- Thresholds for significant increase in credit risk based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- Forecasts of future economic conditions, namely the unemployment rate. Management uses an average of unemployment rate forecasts published by major Canadian Chartered Banks and the Conference Board of Canada to establish the base case scenario and other representative ranges of possible forecast scenarios.

Income and Other Taxes

Judgments Made in Relation to Accounting Policies Applied The calculation of current and deferred income taxes requires management to make certain judgments including expectations about future operating results, the timing and reversal of temporary differences, and the interpretation of tax rules in jurisdictions where the Company performs activities. Where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on the most likely amount of the liability or recovery.

Segment Information

Judgments Made in Relation to Determining the Aggregation of Operating Segments The Company uses judgment in assessing the criteria used to determine the aggregation of operating segments. The Retail reportable operating segment consists of several operating segments comprised primarily of food retail and Associate-owned drug stores, and also includes in-store pharmacies and healthcare services and other health and beauty products, apparel and other general merchandise. The Company has aggregated its retail operating segments on the basis of their similar economic characteristics, customers and nature of products. This similarity in economic characteristics reflects the fact that the Company's retail operating segments operate primarily in Canada and are therefore subject to the same economic market pressures and regulatory environment. The Company's retail operating segments are subject to similar competitive pressures such as price and product innovation and assortment from existing competitors and new entrants into the marketplace. The similar economic characteristics also include the provision of centralized, common functions such as marketing and information technology ("IT") across all retail operating segments.

The retail operating segments' customer profile is primarily individuals who are purchasing goods for their own or their family's personal needs and consumption. The nature of products and the product assortment sold by each of the retail operating segments is also similar and includes grocery, pharmaceuticals, cosmetics, electronics and housewares. The aggregation of the retail operating segments reflects the nature and financial effects of the business activities in which the Company engages and the economic environment in which it operates.

Provisions

Judgments made in Relation to Accounting Policies Applied and Key Estimations The recording of provisions requires management to make certain judgments regarding whether there is a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and if a reliable estimate of the amount of the obligation can be made. The Company has recorded provisions primarily in respect of self-insurance, legal claims and charges related to PC Bank commodity tax matters. The Company reviews the merits, risks and uncertainties of each provision, based on current information, and the amount expected to be required to settle the obligation. Provisions are reviewed on an ongoing basis and are adjusted accordingly when new facts and events become known to the Company.

Leases

Judgments Made in Relation to Accounting Policies Applied Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, store performances, past business practice and the length of time remaining before the option is exercisable. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact management's assessment of lease term, and any changes in management's estimate of lease terms may have a material impact on the Company's consolidated balance sheets and statements of earnings.

Key Estimations In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate using a base risk-free interest rate estimated by reference to the Government of Canada bond yield with an adjustment that reflects the Company's credit rating, the security, lease term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

Note 4. Amendments to IFRS Accounting Standards

Amendments to IAS 1 In February 2021, the International Accounting Standards Board issued amendments to International Accounting Standard 1 Presentation of Financial Statements ("IAS 1") and IFRS Practice Statement 2 Making Materiality Judgments ("IFRS Practice Statement 2"). The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements.

Amendments to IAS 12 The Company adopted the amendments to IAS 12, "Income Taxes" ("IAS 12"), issued in May 2023, introducing a mandatory temporary exception to the requirements of IAS 12 under which a company does not recognize or disclose information about deferred tax assets and liabilities related to the proposed Organization for Economic Co-operation and Development ("OECD") Pillar Two model rules ("Pillar Two"). The Company applied the temporary exception as of December 30, 2023 as disclosed in note 7.

Note 5. 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 cash 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 which 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 was 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**	

Selling, general and administrative expense in 2022 included $16 million of transaction costs related to the acquisition.

Note 6. Net Interest Expense and Other Financing Charges

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

(millions of Canadian dollars)		**2023**		2022
Interest expense and other financing charges				
Lease liabilities (note 27)	**$**	**370**	$	333
Long term debt[(i)]		**321**		303
Borrowings related to credit card receivables		**82**		52
Post-employment and other long term employee benefits (note 24)		**14**		—
Independent funding trusts		**37**		22
Financial liabilities (note 27)		**12**		5
Bank indebtedness		**1**		1
	$	**837**	$	716
Interest income				
Accretion income	**$**	**(3)**	$	(4)
Short term interest income		**(31)**		(14)
Post-employment and other long term employee benefits (note 24)		**—**		(4)
	$	**(34)**	$	(22)
Recovery related to Glenhuron Bank Limited (note 7)	**$**	**—**	$	(11)
Net interest expense and other financing charges	**$**	**803**	$	683

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

Note 7. Income Taxes

The components of income taxes recognized in the consolidated statements of earnings were as follows:

(millions of Canadian dollars)		**2023**		2022
Current income taxes				
Current period	**$**	**1,005**	$	818
Recovery related to Glenhuron Bank Limited		**—**		(33)
Adjustments in respect of prior periods		**(36)**		8
	$	**969**	$	793
Deferred income taxes				
Origination and reversal of temporary differences	**$**	**(252)**	$	(113)
Adjustments in respect of prior periods		**(3)**		(15)
	$	**(255)**	$	(128)
Income taxes	**$**	**714**	$	665

In 2021, the Supreme Court of Canada ruled in favour of the Company on the Glenhuron Bank Limited (“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 $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.

Income tax expense (recovery) recognized in other comprehensive income was as follows:

(millions of Canadian dollars)	**2023**	2022
Net defined benefit plan actuarial gains (losses) (note 24)	**$ 71**	$ (83)
Gains on cash flow hedges (note 28)	**2**	4
Gain on long term securities (note 28)	**—**	1
Net income tax expense (recovery) recognized in other comprehensive income	**$ 73**	$ (78)

The effective tax rate in the consolidated statement of earnings was reported at rates different than the weighted average basic Canadian federal and provincial statutory income tax rates for the following reasons:

	2023	2022
Weighted average basic Canadian federal and provincial statutory income tax rate	**26.5 %**	26.5 %
Net increase (decrease) resulting from:		
Recovery related to Glenhuron	**— %**	(1.2)%
Non-deductible and non-taxable items	**(0.5)%**	0.3 %
Adjustments in respect of prior periods	**(1.3)%**	(0.3)%
Other	**(0.1)%**	(0.3)%
Effective tax rate applicable to earnings before income taxes	**24.6 %**	25.0 %

Unrecognized deferred income tax assets Deferred income tax assets were not recognized on the consolidated balance sheets in respect of the following items:

(millions of Canadian dollars)	**2023**	2022
Deductible temporary differences	**$ 14**	$ 15
Non-capital loss carryforwards	**180**	176
Unrecognized deferred tax assets	**$ 194**	$ 191

The non-capital loss carryforwards expire in the years 2029 to 2043. The deductible temporary differences do not expire under current income tax legislation. Deferred income tax assets were not recognized in respect of these items because it is not probable that future taxable income will be available to the Company to utilize the benefits.

Recognized deferred income tax assets and liabilities Deferred income tax assets and liabilities were attributable to the following:

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Trade payables and accrued liabilities	**$ 94**	$ 74
Other liabilities	**204**	217
Lease liabilities	**2,476**	2,405
Fixed assets	**(588)**	(641)
Right-of-use assets	**(2,004)**	(1,969)
Goodwill and intangible assets	**(1,282)**	(1,347)
Non-capital loss carryforwards (expiring 2029 to 2043)	**64**	43
Other	**29**	25
Net deferred income tax liabilities	**$ (1,007)**	$ (1,193)
Recorded on the consolidated balance sheets as follows:		
Deferred income tax assets	**$ 125**	$ 86
Deferred income tax liabilities	**(1,132)**	(1,279)
Net deferred income tax liabilities	**$ (1,007)**	$ (1,193)

Global Minimum Tax (Pillar Two) In December 2021, the OECD issued model rules for a new global minimum tax framework. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates, and will be effective for the Company's fiscal year ended December 28, 2024.

The Company is in the process of assessing its exposure to Pillar Two legislation based on the most recent tax filings, country-by-country reporting and financial statements of the Company. The Company does not expect Pillar Two top-up taxes to have a material impact on the Company's consolidated results of operations.

The Company is applying the exception to recognizing and disclosing information about deferred tax asset and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Note 8. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**2023**	2022
Net earnings attributable to shareholders of the Company	**$ 2,100**	$ 1,921
Dividends on preferred shares in equity (note 22)	**(12)**	(12)
Net earnings available to common shareholders	**$ 2,088**	$ 1,909
Weighted average common shares outstanding (note 22)	**316.7**	328.1
Dilutive effect of equity-based compensation	**2.6**	3.0
Dilutive effect of certain other liabilities	**0.7**	0.6
Diluted weighted average common shares outstanding	**320.0**	331.7
Basic net earnings per common share ($)	**$ 6.59**	$ 5.82
Diluted net earnings per common share ($)	**$ 6.52**	$ 5.75

In 2023, 49,863 (2022 – 1,106,204) potentially dilutive instruments were excluded from the computation of diluted net earnings per common share as they were anti-dilutive.

Note 9. Cash and Cash Equivalents, Short Term Investments and Change in Non-cash Working Capital

The components of cash and cash equivalents, short term investments and change in non-cash working capital were as follows:

Cash and cash equivalents

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Cash	**$ 947**	$ 777
Cash equivalents	**541**	831
Total cash and cash equivalents	**$ 1,488**	$ 1,608

Short Term Investments

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Government treasury bills	**$ 353**	$ 299
Bankers' acceptances	**87**	3
Guaranteed investment certificates	**22**	21
Other	**2**	3
Total short term investments	**$ 464**	$ 326

Changes in Non-cash Working Capital

(millions of Canadian dollars)	**December 30, 2023**	December 31, 2022
Change in:		
Accounts receivable	**$ (163)**	$ (214)
Prepaid expenses and other assets	**19**	(94)
Inventories	**35**	(689)
Trade payables and other liabilities	**116**	507
Other	**(16)**	—
Change in non-cash working capital	**$ (9)**	$ (490)

Note 10. Accounts Receivable

The following are continuities of the Company's allowances for uncollectible accounts receivable:

(millions of Canadian dollars)		**2023**		2022
Allowances, beginning of year	**$**	**(31)**	$	(23)
Net addition		**(5)**		(8)
Allowances, end of year	**$**	**(36)**	$	(31)

Credit risk associated with accounts receivable is discussed in note 29.

Note 11. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)		**As at December 30, 2023**		As at December 31, 2022
Gross credit card receivables	**$**	**4,388**	$	4,160
Allowance for credit card receivables		**(256)**		(206)
Credit card receivables	**$**	**4,132**	$	3,954
Securitized to independent securitization trusts:				
Securitized to *Eagle Credit Card Trust*® (note 20)	**$**	**1,350**	$	1,350
Securitized to Other Independent Securitization Trusts		**850**		700
Total securitized to independent securitization trusts	**$**	**2,200**	$	2,050

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 associated liability of *Eagle* is recorded in long term debt (see note 20). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt.

The securitization agreements between PC Bank and the Other Independent Securitization Trusts are renewed and extended on an annual basis. The existing agreements were renewed in 2023, with their respective maturity dates extended to 2025 and with all other terms and conditions remaining substantially the same.

As at December 30, 2023, PC Bank recorded a $150 million net increase of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts as a result of growth in the credit card portfolio.

The undrawn commitments on facilities available from the Other Independent Securitization Trusts as at December 30, 2023 were $100 million (December 31, 2022 – $250 million).

The Company has arranged letters of credit on behalf of PC Bank for the benefit of the independent securitization trusts (see note 31).

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 December 30, 2023 and throughout 2023.

The following table provides gross carrying amounts of credit card receivables by internal risk ratings for credit risk management purposes:

				As at December 30, 2023
	12-month ECL (Stage 1)	**Lifetime ECL-not credit impaired (Stage 2)**	**Lifetime ECL-credit impaired (Stage 3)**	**Total**
Low risk	**$ 2,194**	**$ 13**	**$ —**	**$ 2,207**
Moderate risk	**1,215**	**38**	**—**	**1,253**
High risk	**461**	**414**	**53**	**928**
Total gross carrying amount	**$ 3,870**	**$ 465**	**$ 53**	**$ 4,388**
ECL allowance	**(104)**	**(110)**	**(42)**	**(256)**
Net carrying amount	**$ 3,766**	**$ 355**	**$ 11**	**$ 4,132**

				As at December 31, 2022
	12-month ECL (Stage 1)	Lifetime ECL-not credit impaired (Stage 2)	Lifetime ECL-credit impaired (Stage 3)	Total
Low risk	$ 2,113	$ 13	$ —	$ 2,126
Moderate risk	1,163	35	—	1,198
High risk	424	370	42	836
Total gross carrying amount	$ 3,700	$ 418	$ 42	$ 4,160
ECL allowance	(79)	(92)	(35)	(206)
Net carrying amount	$ 3,621	$ 326	$ 7	$ 3,954

The following are continuities of the Company's allowance for credit card receivables for the years ended December 30, 2023 and December 31, 2022:

(millions of Canadian dollars)				**As at December 30, 2023**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance, beginning of year	**$ 79**	**$ 92**	**$ 35**	**$ 206**
Increase / (decrease) during the year:				
Transfers(i)				
To Stage 1	**27**	**(27)**	**—**	**—**
To Stage 2	**(7)**	**9**	**(2)**	**—**
To Stage 3	**(3)**	**(20)**	**23**	**—**
New loans originated(ii)	**15**	**8**	**4**	**27**
Net remeasurements(iii)	**(7)**	**48**	**140**	**181**
Write-offs	**—**	**—**	**(183)**	**(183)**
Recoveries	**—**	**—**	**25**	**25**
Balance, end of year	**$ 104**	**$ 110**	**$ 42**	**$ 256**

(i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.
(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.
(iii) Net remeasurements includes the impact from changes in loan balances, model enhancements and credit quality during the year.

(millions of Canadian dollars)				As at December 31, 2022
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	$ 75	$ 98	$ 32	$ 205
Increase / (decrease) during the year:				
Transfers(i)				
To Stage 1	22	(22)	—	—
To Stage 2	(5)	7	(2)	—
To Stage 3	(2)	(15)	17	—
New loans originated(ii)	13	8	5	26
Net remeasurements(iii)	(24)	16	81	73
Write-offs	—	—	(127)	(127)
Recoveries	—	—	29	29
Balance, end of year	$ 79	$ 92	$ 35	$ 206

(i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.
(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.
(iii) Net remeasurements includes the impact from changes in loan balances, model enhancements and credit quality during the year.

The allowances for credit card receivables recorded in the consolidated balance sheets are maintained at a level which is considered adequate to endure credit-related losses on credit card receivables.

Note 12. Inventories

For inventories recorded as at December 30, 2023, the Company has an inventory provision of $46 million (December 31, 2022 – $43 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of sales. There were no reversals of previously recorded write-downs of inventories during 2023 and 2022.

Note 13. Assets Held for Sale

The Company classifies certain assets, primarily land and buildings, that it expects to sell 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 2023, the Company disposed of nine properties (2022 – eleven) included in assets held for sale for proceeds of $38 million (2022 – $151 million) and recognized a net gain of $12 million (2022 – net gain of $76 million). A net fair value write-down of $14 million (2022 – nominal fair value gain) was recognized on assets held for sale in 2023.

Note 14. Fixed Assets

The following are continuities of the cost and the accumulated depreciation of fixed assets for the years ended December 30, 2023 and December 31, 2022:

	2023					
(millions of Canadian dollars)	**Land**	**Buildings and building improvements**	**Equipment and fixtures**	**Leasehold improvements**	**Assets under construction**	**Total**
Cost						
Balance, beginning of year	**$ 212**	**$ 1,872**	**$ 9,955**	**$ 4,435**	**$ 479**	**$16,953**
Additions[(i)]	**—**	**—**	**149**	**33**	**1,520**	**1,702**
Business acquisitions	**—**	**—**	**1**	**1**	**—**	**2**
Disposals	**(30)**	**(188)**	**(86)**	**(12)**	**—**	**(316)**
Net transfer to assets held for sale	**1**	**1**	**—**	**—**	**—**	**2**
Transfer from assets under construction	**6**	**15**	**721**	**271**	**(1,013)**	**—**
Balance, end of year	**$ 189**	**$ 1,700**	**$ 10,740**	**$ 4,728**	**$ 986**	**$18,343**
Accumulated depreciation						
Balance, beginning of year	**$ 4**	**$ 957**	**$ 7,495**	**$ 2,799**	**$ 2**	**$ 11,257**
Depreciation	**—**	**53**	**565**	**295**	**—**	**913**
Impairment losses	**—**	**5**	**33**	**4**	**—**	**42**
Reversal of impairment losses	**(1)**	**(1)**	**(6)**	**(6)**	**—**	**(14)**
Disposals	**—**	**(104)**	**(86)**	**(11)**	**—**	**(201)**
Balance, end of year	**$ 3**	**$ 910**	**$ 8,001**	**$ 3,081**	**$ 2**	**$ 11,997**
Carrying amount as at: December 30, 2023	**$ 186**	**$ 790**	**$ 2,739**	**$ 1,647**	**$ 984**	**$ 6,346**

(i) Additions to fixed assets include $37 million of prepayments that were transferred from other assets in 2023.

	2022					
(millions of Canadian dollars)	Land	Buildings and building improvements	Equipment and fixtures	Leasehold improvements	Assets under construction	Total
Cost						
Balance, beginning of year	$ 219	$ 1,834	$ 9,343	$ 4,204	$ 361	$ 15,961
Additions[(i)]	—	—	147	55	950	1,152
Business acquisitions (note 5)	—	—	6	10	—	16
Disposals	(1)	(27)	(104)	(38)	—	(170)
Net transfer to assets held for sale	(6)	—	—	—	—	(6)
Transfer from assets under construction	—	65	563	204	(832)	—
Balance, end of year	$ 212	$ 1,872	$ 9,955	$ 4,435	$ 479	$ 16,953
Accumulated depreciation						
Balance, beginning of year	$ 1	$ 926	$ 7,070	$ 2,515	$ 2	$ 10,514
Depreciation	—	54	522	308	—	884
Impairment losses	3	—	11	15	—	29
Reversal of impairment losses	—	(1)	(5)	(2)	—	(8)
Disposals	—	(22)	(103)	(37)	—	(162)
Balance, end of year	$ 4	$ 957	$ 7,495	$ 2,799	$ 2	$ 11,257
Carrying amount as at: December 31, 2022	$ 208	$ 915	$ 2,460	$ 1,636	$ 477	$ 5,696

(i) Includes $16 million related to the acquisition of Lifemark (see note 5).

Fixed Asset Commitments As at December 30, 2023, the Company had entered into commitments of $704 million (December 31, 2022 – $866 million) for the construction, expansion and renovation of buildings and the purchase of real property.

Impairment Losses and Reversals of Fixed Assets and Right-of-Use Assets Management identified indications of impairment for certain retail location CGUs and therefore an impairment test was performed for these CGUs. For the year ended December 30, 2023, the Company recorded $39 million (2022 – $22 million) of impairment losses on fixed assets and $11 million (2022 – $14 million) of impairment losses on right-of-use assets (see note 27) in respect of 17 CGUs (2022 – 18 CGUs) in the retail operating segment. The recoverable amount was based on the greater of the CGU's fair value less costs to sell and its value in use. No CGUs (2022 – nil) were impaired on the basis of their carrying values exceeding their fair value less costs to sell (2022 – nil).

For the year ended December 30, 2023, the Company recorded $14 million (2022 – $8 million) of impairment reversals on fixed assets and $22 million (2022 – $6 million) of impairment reversals on right-of-use assets (see note 27) in respect of 12 CGUs (2022 – 7 CGUs) in the retail operating segment. Impairment reversals are recorded where the recoverable amount of the retail location exceeds its carrying values. No CGUs (2022 – nil) with impairment reversals had fair value less costs to sell greater than their carrying values (2022 – nil).

When determining the value in use of a retail location, the Company develops a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant assets within the CGU for owned locations or the remaining lease term of the CGU for leased locations. Projected future sales and earnings for cash flows are based on actual operating results, operating budgets, and long term growth rates that are consistent with industry averages, all of which are consistent with strategic plans presented to the Company's Board. The estimate of the value in use of relevant CGUs was determined using a pre-tax discount rate of 8.3% to 9.6% at December 30, 2023 (December 31, 2022 – 8.4% to 9.1%).

Additional impairment losses on fixed assets of $3 million (2022 – $7 million) were incurred related to store closures, renovations and conversions of retail locations.

Note 15. Investment Properties

The following are continuities of investment properties for the years ended December 30, 2023 and December 31, 2022:

(millions of Canadian dollars)		**2023**		2022
Balance, beginning of year	**$**	**60**	$	111
Adjustment to fair value of investment properties		**5**		6
Net transfer to assets held for sale		**(12)**		(57)
Balance, end of year	**$**	**53**	$	60

The valuations of investment properties 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 for the purposes of determining the estimated net proceeds from the sale of the property. As at December 30, 2023, the pre-tax discount rates used in the valuations for investment properties ranged from 6.25% to 8.87% (December 31, 2022 – 6.5% to 8.75%) and the terminal capitalization rates ranged from 5.5% to 7.5% (December 31, 2022 – 5.0% to 7.0%).

Note 16. Intangible Assets

The following are continuities of the cost and the accumulated amortization of intangible assets for the years ended December 30, 2023 and December 31, 2022:

	2023			
(millions of Canadian dollars)	**Indefinite life intangible assets**	**Software**	**Other definite life intangible assets(i)**	**Total**
Cost				
Balance, beginning of year	**$ 3,756**	**$ 4,239**	**$ 6,204**	**$ 14,199**
Additions	**—**	**402**	**5**	**407**
Business acquisitions	**—**	**—**	**12**	**12**
Disposals	**—**	**(12)**	**—**	**(12)**
Balance, end of year	**$ 3,756**	**$ 4,629**	**$ 6,221**	**$ 14,606**
Accumulated amortization				
Balance, beginning of year	**$ —**	**$ 3,151**	**$ 4,543**	**$ 7,694**
Amortization	**—**	**413**	**517**	**930**
Disposal	**—**	**(12)**	**—**	**(12)**
Balance, end of year	**$ —**	**$ 3,552**	**$ 5,060**	**$ 8,612**
Carrying amount as at: December 30, 2023	**$ 3,756**	**$ 1,077**	**$ 1,161**	**$ 5,994**

(i) Other definite life intangible assets includes prescription files with a net book value of $557 million related to the acquisition of Shoppers Drug Mart in 2014 which will be fully amortized by 2025.

	2022			
(millions of Canadian dollars)	Indefinite life intangible assets	Software	Other definite life intangible assets(ii)	Total
Cost				
Balance, beginning of year	$ 3,491	$ 3,821	$ 5,892	$ 13,204
Additions	—	418	1	419
Business acquisitions(i)	265	—	311	576
Balance, end of year	$ 3,756	$ 4,239	$ 6,204	$ 14,199
Accumulated amortization				
Balance, beginning of year	$ —	$ 2,765	$ 4,037	$ 6,802
Amortization	—	381	506	887
Impairment losses	—	5	—	5
Balance, end of year	$ —	$ 3,151	$ 4,543	$ 7,694
Carrying amount as at: December 31, 2022	$ 3,756	$ 1,088	$ 1,661	$ 6,505

(i) Includes $564 million related to the acquisition of Lifemark (see note 5).

(ii) Other definite life intangible assets includes prescription files with a net book value of $1,009 million related to the acquisition of Shoppers Drug Mart in 2014 which will be fully amortized by 2025.

Indefinite Life Intangible Assets Indefinite life intangible assets are comprised of brand names, trademarks, import purchase quotas and certain liquor licenses. The brand names and trademarks are a result of the Company's acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart"), Lifemark and T&T Supermarket Inc. The Company expects to renew the registration of the brand names, trademarks, import purchase quotas and liquor licenses at each expiry date indefinitely, and expects these assets to generate economic benefit in perpetuity. As such, the Company has assigned these intangible assets indefinite useful lives.

Software Software is comprised of software purchases and development costs. There were no capitalized borrowing costs included in 2023 and 2022.

Other Definite Life Intangible Assets Other definite life intangible assets primarily consist of prescription files, the customer loyalty awards program and customer relationships.

Note 17. Goodwill

The following are continuities of the cost and the accumulated impairment of goodwill for the years ended December 30, 2023 and December 31, 2022:

(millions of Canadian dollars)	**2023**	2022
Cost		
Balance, beginning of year	**$ 5,317**	$ 4,943
Business acquisitions(i)	**26**	374
Balance, end of year	**$ 5,343**	$ 5,317
Accumulated impairment losses		
Balance, beginning of year	**$ 994**	$ 994
Impairment losses	**—**	—
Balance, end of year	**$ 994**	$ 994
Carrying amount as at the end of the year	**$ 4,349**	$ 4,323

(i) Includes $365 million related to the acquisition of Lifemark in 2022 (see note 5).

The carrying amount of goodwill attributed to each CGU grouping was as follows:

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Shoppers Drug Mart	**$ 2,996**	$ 2,981
Market	**238**	376
Discount(i)	**603**	461
Lifemark	**376**	369
T&T Supermarket Inc.	**129**	129
All other	**7**	7
Carrying amount as at the end of the year	**$ 4,349**	$ 4,323

(i) Includes goodwill reallocated from the Market division as a result of store conversions.

Impairment Testing of Goodwill and Indefinite Life Intangibles

The Company tests goodwill and indefinite-life intangible assets for impairment annually or more frequently if indicators of impairment are identified.

The key assumptions used to calculate the fair value less costs to sell are revenue and gross margin forecasts, growth/attrition rates, discount rate, and terminal rate. These assumptions are considered to be Level 3 in the fair value hierarchy.

The weighted average cost of capital was determined to be 7.1% to 10.1% (December 31, 2022 – 7.1% to 9.3%) and is based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on corporate bond yields and the capital structure of comparable publicly traded companies.

Cash flow projections have been discounted using a rate derived from an after-tax weighted average cost of capital. At December 30, 2023, the after-tax discount rate used in the recoverable amount calculations was 7.1% to 10.1% (December 31, 2022 – 7.1% to 9.3%).

The Company included a minimum of three years of cash flows in its discounted cash flow model. The cash flow forecasts were extrapolated beyond the three year period using an estimated long term growth rate of 2.0% to 2.5% (December 31, 2022 – 2.0%). The budgeted EBITDA growth was based on the Company's strategic plan approved by the Board of Directors.

The Company completed its annual impairment tests for goodwill and indefinite life intangible assets and concluded there was no impairment.

Note 18. Other Assets

The components of other assets were as follows:

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Sundry investments and other receivables	**$ 115**	$ 66
Accrued benefit plan asset	**297**	52
Finance lease receivable	**68**	77
Investments accounted for under the equity method(i)	**80**	87
Long term securities	**201**	246
Other(ii)	**111**	164
Total other assets	**$ 872**	$ 692

(i) During 2022, the Company agreed to invest a total of $42 million in Rapid Retail Canada Inc. ("Rapid") in exchange for a minority interest. Rapid will provide on-demand grocery and convenience items to customers in Canada. As at December 30, 2023, the Company had invested $18 million, with no additional investment made in 2023. (December 31, 2022 – $18 million).

(ii) As at December 30, 2023, other includes $33 million related to fixed asset prepayments (December 31, 2022 – $70 million).

Note 19. Provisions

The following are continuities of provisions for the years ended December 30, 2023 and December 31, 2022:

(millions of Canadian dollars)	**2023**	2022
Balance, beginning of year	**$ 219**	$ 225
Additions	**105**	191
Payments	**(77)**	(192)
Reversals	**(9)**	(5)
Balance, end of year	**$ 238**	$ 219

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Recorded on the consolidated balance sheets as follows:		
Current portion of provisions	**$ 115**	$ 110
Non-current portion of provisions	**123**	109
Total provisions	**$ 238**	$ 219

Provisions consist primarily of amounts recorded in respect of self-insurance, legal claims and charges related to PC Bank commodity tax matters.

Charges related to PC Bank commodity tax matters 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 of Canada 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 and in the first half of 2023 both PC Bank and the Crown submitted their respective facta for the appeal. Subsequent to December 30, 2023, the Federal Court of Appeal scheduled the hearing of the appeal for March 6, 2024. The Company has not reversed any portion of the charge of $111 million, inclusive of interest, recorded in the second quarter of 2022. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

In the second quarter of 2023, the Federal government enacted certain commodity tax legislation that applies to PC Bank on a retroactive basis. A charge of $37 million, inclusive of interest, was recorded for this matter. In the fourth quarter of 2023, the Company reversed $13 million of previously recorded charges. The reversal was a result of new guidance issued by the Canada Revenue Agency.

Competition Bureau Investigation In 2017, the Company and Weston announced actions taken to address their involvement in an industry wide price-fixing arrangement. In connection with the arrangement, the Company offered customers a $25 Loblaw Card, which can be used to purchase items sold in Loblaw grocery stores across Canada. As at December 30, 2023, the Loblaw Card Program liability was $15 million (December 31, 2022 – $15 million). The Company expects that Loblaw Cards issued to customers will be an offset against civil liability. The charge recorded for the Loblaw Card Program should not be viewed as an estimate of damages (see note 30).

Note 20. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	As at December 30, 2023	As at December 31, 2022
Debentures		
Loblaw Companies Limited Notes		
3.92%, due 2024	**$ 400**	$ 400
6.65%, due 2027	**100**	100
6.45%, due 2028	**200**	200
4.49%, due 2028	**400**	400
6.50%, due 2029	**175**	175
2.28%, due 2030	**350**	350
11.40%, due 2031		
Principal	**151**	151
Effect of coupon repurchase	**28**	30
5.01%, due 2032	**400**	400
6.85%, due 2032	**200**	200
6.54%, due 2033	**200**	200
8.75%, due 2033	**200**	200
6.05%, due 2034	**200**	200
6.15%, due 2035	**200**	200
5.90%, due 2036	**300**	300
6.45%, due 2039	**200**	200
7.00%, due 2040	**150**	150
5.86%, due 2043	**55**	55
5.34%, due 2052	**400**	400
Guaranteed Investment Certificates		
0.40% – 5.36%, due 2023 – 2027	**1,654**	1,567
Independent Securitization Trust		
3.10%, due 2023	**—**	250
2.28%, due 2024	**250**	250
1.34%, due 2025	**300**	300
1.61%, due 2026	**300**	300
4.78%, due 2027	**232**	232
5.63%, due 2027	**9**	9
6.83%, due 2027	**9**	9
5.13%, due 2028	**232**	—
6.11%, due 2028	**9**	—
7.36%, due 2028	**9**	—
Independent Funding Trusts	**558**	574
Transaction costs and other	**(19)**	(19)
Total long term debt	**$ 7,852**	$ 7,783
Less amount due within one year	**1,191**	727
Long Term Debt	**$ 6,661**	$ 7,056

Significant long term debt transactions are described below.

Debentures There were no debentures issued in 2023. The following table summarizes the debentures issued in 2022.

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date		Principal Amount 2022
Loblaw Companies Limited Notes[(i)]	5.01%	September 13, 2032	**$**	**400**
Loblaw Companies Limited Notes[(i)]	5.34%	September 13, 2052		**400**
Total debentures issued			**$**	**800**

(i) During 2022, the Company completed a dual-tranche issuance of $800 million aggregate principal amount of senior unsecured notes. In connection with this issuance, the Company used the net proceeds of the issuance to redeem $800 million outstanding principal amount of its Series 2023 unsecured notes.

There were no debentures repaid in 2023. The following table summarizes the debentures repaid in 2022.

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date		Principal Amount 2022
Loblaw Companies Limited Notes[(i)]	4.86%	September 12, 2023	**$**	**800**
Total debentures repaid			**$**	**800**

(i) The Company recorded an early repayment premium charge of $7 million in net interest expense and other financing charges when the Company redeemed 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.

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions, in 2023 and 2022:

(millions of Canadian dollars)		**2023**		2022
Balance, beginning of year	**$**	**1,567**	$	996
GICs issued		**583**		764
GICs matured		**(496)**		(193)
Balance, end of year	**$**	**1,654**	$	1,567

Independent Securitization Trust The notes issued by *Eagle* are debentures, which are collateralized by PC Bank's credit card receivables (see note 11).

During 2023, *Eagle* issued $250 million (2022 – $250 million) of senior and subordinated term notes with a maturity date of June 17, 2028 (2022 – July 17, 2027). These notes have a weighted average interest rate of 5.25% (2022 – 4.89%). In connection with this issuance, $125 million (2022 – $140 million) of bond forward agreements were settled, resulting in a realized fair value gain of $4 million (2022 – gain of $8 million) before income taxes, which was cumulatively recorded in other comprehensive income 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 4.95% (2022 – 4.24%) on the *Eagle* notes issued (see note 28).

During 2023, $250 million (2022 – $250 million) of senior and subordinated term notes at weighted average interest rate of 3.10% (2022 – 2.71%), previously issued by *Eagle,* matured and were repaid on July 17, 2023 (2022 – October 17, 2022). As a result, during 2023, there was no net change in the balances related to *Eagle* notes.

Independent Funding Trusts As at December 30, 2023, the independent funding trusts had drawn $558 million (December 31, 2022 – $574 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts.

The Company has a $700 million revolving committed credit facility that is the source of funding to the independent funding trusts that has a maturity date of April 14, 2025.

Committed Credit Facility The Company has a committed credit facility with a maturity date of July 15, 2027, provided by a syndicate of lenders. On December 14, 2023, the Company increased the committed credit facility from $1.0 billion to $1.5 billion with all other terms and conditions remaining substantially the same. This committed credit facility contains certain financial covenants (see note 23). As at December 30, 2023 and December 31, 2022, there were no amounts drawn under this facility.

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

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Loblaw Companies Limited notes	**$ 400**	$ —
Guaranteed investment certificates	**541**	477
Independent securitization trust	**250**	250
Long term debt due within one year	**$ 1,191**	$ 727

Schedule of Repayments The schedule of repayments of long term debt, based on maturity, is as follows:

(millions of Canadian dollars)	**As at December 30, 2023**
2024	**$ 1,191**
2025	**1,191**
2026	**559**
2027	**616**
2028	**1,105**
Thereafter	**3,209**
Total long term debt (excludes transaction costs)	**$ 7,871**

See note 28 for the fair value of long term debt.

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

(millions of Canadian dollars)	**2023**	2022
Long term debt, beginning of year	**$ 7,783**	$ 7,213
Long term debt issuances[(i)]	**$ 833**	$ 1,818
Long term debt repayments	**(762)**	(1,243)
Total cash flow from long term debt financing activities	**$ 71**	$ 575
Other non-cash changes	**$ (2)**	$ (5)
Long term debt, end of year	**$ 7,852**	$ 7,783

(i) Includes net movements from the Independent Funding Trust, which are revolving debt instruments.

Note 21. Other Liabilities

The components of other liabilities were as follows:

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Net defined benefit plan obligation (note 24)	**$ 242**	$ 237
Other long term employee benefit obligation	**128**	106
Financial liabilities (note 27)	**179**	69
Equity-based compensation liabilities (note 25)	**3**	3
Other	**42**	20
Total other liabilities	**$ 594**	$ 435

Note 22. Share Capital

First Preferred Shares (authorized - 1.0 million shares) There were no First Preferred Shares outstanding as at December 30, 2023 and December 31, 2022.

Second Preferred Shares (authorized - unlimited) The Company has outstanding 9.0 million 5.30% non-voting Second Preferred Shares, Series B, with a face value of $225 million, which were issued for net proceeds of $221 million. These preferred shares are presented as a component of equity on the consolidated balance sheets.

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:

	December 30, 2023 (52 weeks)		December 31, 2022 (52 weeks)	
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	**324,062,608**	**$6,489**	333,527,369	$ 6,643
Issued for settlement of stock options (note 25)	**984,923**	**69**	1,487,377	100
Purchased and cancelled	**(14,521,152)**	**(277)**	(10,952,138)	(254)
Issued and outstanding, end of period	**310,526,379**	**$ 6,281**	324,062,608	$ 6,489
Shares held in trust, beginning of period	**(1,222,278)**	**$ (24)**	(595,495)	$ (12)
Purchased for future settlement of RSUs and PSUs	**(625,000)**	**(13)**	(1,172,000)	(23)
Released for settlement of RSUs and PSUs (note 25)	**578,039**	**12**	545,217	11
Shares held in trust, end of period	**(1,269,239)**	**$ (25)**	(1,222,278)	$ (24)
Issued and outstanding, net of shares held in trust, end of period	**309,257,140**	**$6,256**	322,840,330	$ 6,465
Weighted average outstanding, net of shares held in trust (note 8)	**316,732,641**		328,068,749	

Dividends The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Board, which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over the long term, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to finance future growth. In the second quarter of 2023 and in the second quarter of 2022, the Board raised the quarterly dividend by $0.041 to $0.446 and $0.04 to $0.405 per common share, respectively.

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

	2023[(i)]	2022
Dividends declared per share ($)		
Common Share	**$ 1.743**	$ 1.580
Second Preferred Share, Series B	**$ 1.325**	$ 1.325

(i) The Common Share dividends declared in the fourth quarter of 2023 of $0.446 per share had a payment date of December 30, 2023. The Second Preferred Shares, Series B dividends declared in the fourth quarter of 2023 of $0.33125 per share had a payment date of December 31, 2023.

(millions of Canadian dollars)	2023	2022
Dividends declared		
Common Share	**$ 550**	$ 517
Second Preferred Share, Series B (note 5)	**12**	12
Total dividends declared	**$ 562**	$ 529

Subsequent to December 30, 2023, the Board declared a quarterly dividend of $0.446 per common share, payable on April 1, 2024 to shareholders of record on March 15, 2024 and a quarterly dividend of $0.33125 per share on the Second Preferred Shares, Series B payable on March 31, 2024 to shareholders of record on March 15, 2024.

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)	2023	2022
Common shares repurchased under the NCIB for cancellation (number of shares)[(i)]	**14,521,152**	10,952,138
Cash consideration paid	**$ 1,729**	$ 1,258
Premium charged to retained earnings[(ii)]	**1,352**	1,204
Reduction in common share capital[(iii)]	**277**	254
Common shares repurchased under the NCIB and held in trust (number of shares)	**625,000**	1,172,000
Cash consideration paid	**$ 72**	$ 138
Premium charged to retained earnings	**59**	115
Reduction in common share capital	**13**	23

(i) Common shares repurchased and cancelled as at December 30, 2023 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) Includes $84 million related to the automatic share purchase plan, as described below.

(iii) Includes $16 million related to the automatic share purchase plan, as described below.

In the second quarter of 2023, the Company renewed its NCIB to purchase on the Toronto Stock Exchange or through alternative trading systems up to 16,055,686 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. As at December 30, 2023, the Company had purchased 10,992,986 common shares for cancellation under its current NCIB. The Company is still permitted 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 2023, 14,521,152 common shares (2022 – 10,952,138) were purchased under the NCIB for cancellation, for aggregate consideration of $1,729 million (2022 – $1,258 million), including 7,132,579 common shares (2022 – 4,868,949) purchased from Weston, for aggregate consideration of $847 million (2022 – $558 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. As at December 30, 2023, an obligation to repurchase shares of $100 million was recognized under the ASPP in trade payables and other liabilities.

Note 23. Capital Management

In order to manage its capital structure, the Company may, among other activities, adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to its NCIB, issue new shares or issue or repay long term debt with the objective of:

- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;
- maintaining financial capacity and flexibility through access to capital to support future development of the business;
- minimizing the after-tax cost of its capital while taking into consideration current and future industry, market and economic risks and conditions;
- utilizing short term funding sources to manage its working capital requirements and long term funding sources to manage the long term capital investments of the business;
- returning an appropriate amount of capital to shareholders; and
- targeting an appropriate leverage and capital structure for the Company and each of its reportable operating segments.

The Company has policies in place which govern debt financing plans and risk management strategies for liquidity, interest rates and foreign exchange. These policies outline measures and targets for managing capital, including a range for leverage consistent with the desired credit rating. Management and the Audit Committee regularly review the Company's compliance with, and performance against, these policies. In addition, management regularly reviews these policies to ensure they remain consistent with the risk tolerance acceptable to the Company.

The following table summarizes the Company's total capital under management:

(millions of Canadian dollars)	As at December 30, 2023	As at December 31, 2022
Bank indebtedness	**$ 13**	$ 8
Demand deposits from customers	**166**	125
Short term debt(i)	**850**	700
Long term debt due within one year	**1,191**	727
Long term debt	**6,661**	7,056
Certain other liabilities(ii)	**280**	153
Total debt excluding lease liabilities	**$ 9,161**	$ 8,769
Lease liabilities due within one year	**1,455**	1,401
Lease liabilities	**8,003**	7,714
Total debt including lease liabilities	**$ 18,619**	$ 17,884
Equity attributable to shareholders of the Company	**11,464**	11,299
Total capital under management	**$ 30,083**	$ 29,183

(i) During 2023, PC Bank recorded a $150 million net increase of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

(ii) As at December 30, 2023, certain other liabilities include financial liabilities of $190 million related to the sale and leaseback of retail properties (December 31, 2022 – $73 million) (see note 27).

Covenants and Regulatory Requirements The Company is subject to certain key financial and non-financial covenants under its existing committed credit facility, certain debentures and letters of credit. These covenants, which include interest coverage and leverage ratios, as defined in the respective agreements, are measured by the Company on a quarterly basis to ensure compliance with these agreements. As at December 30, 2023 and throughout the year, the Company was in compliance with each of the covenants under these agreements.

The Company is subject to externally imposed capital requirements from the Office of the Superintendent of Financial Institutions ("OSFI"), the primary regulator of PC 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 capital requirements as defined by OSFI. PC Bank uses Basel III as its regulatory capital management framework, which includes a target common equity Tier 1 capital ratio of 7.0%, a Tier 1 capital ratio of 8.5% and a total capital ratio of 10.5%. In addition to the regulatory capital ratios requirement, PC Bank is subject to the Basel III Leverage ratio. PC Bank is also subject to the OSFI's Guideline on Liquidity Adequacy Requirements ("LARs"). The LARs guideline establishes standards based on the Basel III framework, including a Liquidity Coverage Ratio standard. As at December 30, 2023 and throughout the year, PC Bank has met all applicable regulatory requirements.

Note 24. Post-Employment and Other Long Term Employee Benefits

The Company sponsors a number of pension plans, including registered defined benefit pension plans, registered defined contribution pension plans and supplemental unfunded arrangements providing pension benefits in excess of statutory limits. Certain obligations of the Company under these supplemental pension arrangements are secured by a standby letter of credit issued by a major Canadian chartered bank.

The Company's Pension Committee oversees the Company's pension plans. The Pension Committee is responsible for assisting the Board in fulfilling its general oversight responsibilities for the plans. The Pension Committee assists the Board with oversight of management's administration of the plans, pension investment and monitoring responsibilities, and compliance with legal and regulatory requirements.

The Company's defined benefit pension plans are primarily funded by the Company, predominantly non-contributory and the benefits are, in general, based on career average earnings subject to limits. The funding is based on regulatory going concern and solvency valuations for which the assumptions may differ from the assumptions used for accounting purposes as detailed in this note.

The Company also offers certain other defined benefit plans other than pension plans. These other defined benefit plans are generally not funded, are mainly non-contributory and include health care, life insurance and dental benefits. Employees eligible for these other defined benefits are those who retire at certain ages having met certain service requirements. The majority of other defined benefit plans for current and future retirees include a limit on the total benefits payable by the Company.

The Company's defined benefit pension plans and other defined benefit plans expose it to a number of actuarial risks, such as longevity risk, interest rate risk and market risk.

In Canada, the Company also has a national defined contribution plan for salaried employees. All newly hired salaried employees are only eligible to participate in this defined contribution plan.

The Company also contributes to various MEPPs, which are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements.

The Company expects to make contributions in 2024 to its defined benefit and defined contribution plans and the MEPPs in which it participates as well as benefit payments to the beneficiaries of the supplemental unfunded defined benefit pension plans, other defined benefit plans and other long term employee benefit plans.

Other Long Term Employee Benefits The Company offers other long term employee benefit plans that include long term disability benefits and continuation of health care and dental benefits while on disability.

Defined Benefit Pension Plans and Other Defined Benefit Plans Information on the Company's defined benefit pension plans and other defined benefit plans, in aggregate, is summarized as follows:

	2023		2022	
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	Defined Benefit Pension Plans	Other Defined Benefit Plans
Present value of funded obligations	**$ (1,429)**	**$ —**	$ (1,249)	$ —
Present value of unfunded obligations	**(119)**	**(114)**	(110)	(116)
Total present value of defined benefit obligation	**$ (1,548)**	**$ (114)**	$ (1,359)	$ (116)
Fair value of plan assets	**1,729**	**—**	1,552	—
Total funded status of surpluses (obligations)	**$ 181**	**$ (114)**	$ 193	$ (116)
Assets not recognized due to asset ceiling	**(12)**	**—**	(262)	—
Total net defined benefit plan surpluses (obligations)	**$ 169**	**$ (114)**	$ (69)	$ (116)
Recorded on the consolidated balance sheets as follows:				
Other assets (note 18)	**$ 297**	**$ —**	$ 52	$ —
Other liabilities (note 21)	**$ (128)**	**$ (114)**	$ (121)	$ (116)

The following are the continuities of the fair value of plan assets and the present value of the defined benefit plan obligations:

(millions of Canadian dollars)	**2023** Defined Benefit Pension Plans	**2023** Other Defined Benefit Plans	**2023** Total	2022 Defined Benefit Pension Plans	2022 Other Defined Benefit Plans	2022 Total
Changes in the fair value of plan assets						
Fair value, beginning of year	**$1,552**	**$ —**	**$1,552**	$ 2,130	$ —	$ 2,130
Employer contributions	**21**	**—**	**21**	1	—	1
Employee contributions	**2**	**—**	**2**	3	—	3
Benefits paid	**(46)**	**—**	**(46)**	(54)	—	(54)
Interest income	**82**	**—**	**82**	69	—	69
Actuarial gains (losses) in other comprehensive income	**121**	**—**	**121**	(593)	—	(593)
Other	**(3)**	**—**	**(3)**	(4)	—	(4)
Fair value, end of year	**$1,729**	**$ —**	**$1,729**	$ 1,552	$ —	$ 1,552
Changes in the present value of the defined benefit plan obligations						
Balance, beginning of year	**$1,359**	**$ 116**	**$1,475**	$ 1,810	$ 145	$ 1,955
Current service cost	**44**	**4**	**48**	62	3	65
Interest cost	**69**	**6**	**75**	57	5	62
Benefits paid	**(52)**	**(2)**	**(54)**	(60)	(5)	(65)
Employee contributions	**2**	**—**	**2**	3	—	3
Actuarial losses (gains) in other comprehensive income	**126**	**(10)**	**116**	(513)	(32)	(545)
Balance, end of year	**$1,548**	**$ 114**	**$1,662**	$ 1,359	$ 116	$ 1,475
Total funded status of surpluses (obligations)	**$ 181**	**$ (114)**	**$ 67**	$ 193	$ (116)	$ 77
Changes in the assets not recognized due to asset ceiling						
Balance, beginning of year	**$ 262**	**$ —**	**$ 262**	$ —	$ —	$ —
Change in liability arising from change in asset ceiling	**(265)**	**—**	**(265)**	262	—	262
Interest expense on assets not recognized due to asset ceiling	**15**	**—**	**15**	—	—	—
Balance, end of year	**$ 12**	**$ —**	**$ 12**	$ 262	$ —	$ 262
Total net defined benefit plan surpluses (obligations)	**$ 169**	**$ (114)**	**$ 55**	$ (69)	$ (116)	$ (185)

For 2023, the actual gain on plan assets was $203 million (2022 – loss of $524 million).

The net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants 51% (2022 – 58%);
- Deferred plan participants 13% (2022 – 12%); and
- Retirees 36% (2022 – 30%).

During 2024, the Company expects to contribute approximately $20 million (2023 – contributed $21 million) to its registered defined benefit pension plans. The actual amount of contributions may vary from the estimate depending on the funded positions of the plans, filing of any actuarial valuations, any new regulatory requirements or other factors.

The net cost recognized in earnings before income taxes for the Company's defined benefit pension plans and other defined benefit plans was as follows:

	2023			2022		
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Current service cost	**$ 44**	**$ 4**	**$ 48**	$ 62	$ 3	$ 65
Net interest cost (income) on net defined benefit plan assets (obligations)	**2**	**6**	**8**	(12)	5	(7)
Other	**3**	**—**	**3**	4	—	4
Net post-employment defined benefit cost	**$ 49**	**$ 10**	**$ 59**	$ 54	$ 8	$ 62

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

	2023			2022		
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Return (loss) on plan assets, excluding amounts included in net interest expense and other financing charges	**$ 121**	**$ —**	**$ 121**	$ (593)	$ —	$ (593)
Experience adjustments	**(20)**	**12**	**(8)**	—	3	3
Actuarial gains (losses) from change in demographic assumptions	**35**	**8**	**43**	—	(6)	(6)
Actuarial (losses) gains from change in financial assumptions(i)	**(141)**	**(10)**	**(151)**	513	35	548
Change in liability arising from change in asset ceiling(i)	**265**	**—**	**265**	(262)	—	(262)
Total net actuarial gains (losses) recognized in other comprehensive income (loss) before income taxes	**$ 260**	**$ 10**	**$ 270**	$ (342)	$ 32	$ (310)
Income tax (expenses) recoveries on actuarial gains (losses) (note 7)	**(69)**	**(2)**	**(71)**	91	(8)	83
Actuarial gains (losses) net of income tax recoveries (expenses)	**$ 191**	**$ 8**	**$ 199**	$ (251)	$ 24	$ (227)

(i) The actuarial losses and the change in liability arising from change in asset ceiling were primarily driven by a decrease in discount rates.

The cumulative actuarial gains (losses) before income taxes recognized in equity for the Company's defined benefit plans were as follows:

	2023			2022		
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Cumulative amount, beginning of year	**$ 66**	**$ 132**	**$ 198**	$ 408	$ 100	$ 508
Net actuarial gains (losses) recognized in the year before income taxes	**260**	**10**	**270**	(342)	32	(310)
Cumulative amount, end of year	**$ 326**	**$ 142**	**$ 468**	$ 66	$ 132	$ 198

Composition of Plan Assets The defined benefit pension plan assets are held in trust and consist of the following asset categories:

(millions of Canadian dollars, except where otherwise indicated)	2023		2022	
Equity securities				
Canadian - pooled funds	**$ 22**	**1 %**	$ 24	2 %
Foreign - pooled funds	**783**	**45 %**	832	53 %
Total equity securities	**$ 805**	**46 %**	$ 856	55 %
Debt securities				
Fixed income securities:				
- government	**$ 515**	**30 %**	$ 382	25 %
- corporate	**149**	**9 %**	78	5 %
Total debt securities	**$ 664**	**39 %**	$ 460	30 %
Other investments	**220**	**13 %**	202	13 %
Cash and cash equivalents	**40**	**2 %**	34	2 %
Total	**$ 1,729**	**100 %**	$ 1,552	100 %

As at December 30, 2023 and December 31, 2022, the defined benefit pension plans did not directly include any of the Company's securities.

All equity and debt securities and other investments are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly as prices or indirectly, either derived from prices or as per agreements for contractual returns.

The Company's asset allocation reflects a balance of interest-rate sensitive investments, such as fixed income investments, and equities, which are expected to provide higher returns over the long term. The Company's targeted asset allocations are actively monitored and adjusted on a plan by plan basis to align the asset mix with the liability profiles of the plans.

Principal Actuarial Assumptions The principal actuarial assumptions used in calculating the Company's defined benefit plan obligations and net defined benefit plan cost for the year were as follows (expressed as weighted averages):

	2023		2022	
	Defined Benefit Pension Plans	**Other Defined Benefit Plans**	Defined Benefit Pension Plans	Other Defined Benefit Plans
Defined Benefit Plan Obligations				
Discount rate	**4.60 %**	**4.60 %**	5.30 %	5.30 %
Rate of compensation increase	**4% for 2023 and 3% thereafter**	**n/a**	4% for 2022 and 2023 and 3% thereafter	n/a
Mortality table(i)	**CPM-RPP2014 Pub/Priv Generational**	**CPM-RPP2014 Pub/Priv Generational**	CPM-RPP2014 Pub/Priv Generational	CPM-RPP2014 Pub/Priv Generational
Net Defined Benefit Plan Cost				
Discount rate	**5.30 %**	**5.30 %**	3.30 %	3.20 %
Rate of compensation increase	**4.00 %**	**n/a**	3.00 %	n/a
Mortality table(i)	**CPM-RPP2014 Pub/Priv Generational**	**CPM-RPP2014 Pub/Priv Generational**	CPM-RPP2014 Pub/Priv Generational	CPM-RPP2014 Pub/Priv Generational

n/a – not applicable

(i) An adjusted public or private sector mortality table is used depending on the prominent demographics and actual experience for each plan.

The weighted average duration of the defined benefit obligation as at December 30, 2023 is 14.2 years (December 31, 2022 – 14.3 years).

The growth rate of health care costs, primarily drug and other medical costs, for the other defined benefit plan obligations as at the end of the year was estimated at 4.90% and is expected to increase to 5.10% as at year end 2024.

Sensitivity of Key Actuarial Assumptions The following table outlines the key assumptions for 2023 (expressed as weighted averages) and the sensitivity of each of these assumptions on the defined benefit plan obligations.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	Defined Benefit Pension Plans	Other Defined Benefit Plans
Increase (Decrease) (millions of Canadian dollars except where otherwise indicated)	Benefit Plan Obligations	Benefit Plan Obligations
Discount rate	**4.60 %**	**4.60 %**
Impact of:		
1% increase	**$ (190)**	**$ (13)**
1% decrease	**$ 236**	**$ 16**
Expected growth rate of health care costs		**4.90 %**
Impact of:		
1% increase	**n/a**	**$ 11**
1% decrease	**n/a**	**$ (9)**
Mortality rates		
Impact of:		
One year increase in life expectancy	**$ 26**	**$ 2**
One year decrease in life expectancy	**$ (25)**	**$ (1)**

n/a – not applicable

Multi-Employer Pension Plans During 2023, the Company recognized an expense of $69 million (2022 – $70 million) in operating income, which represents the contributions made in connection with MEPPs. During 2024, the Company expects to continue to make contributions into these MEPPs.

The Company, together with its franchises, is the largest participating employer in the Canadian Commercial Workers Industry Pension Plan ("CCWIPP"), with approximately 54,000 (2022 – 57,000) employees as members. Included in the 2023 expense described above are contributions of $69 million (2022 – $69 million) to CCWIPP.

Post-Employment and Other Long Term Employee Benefit Costs The net cost recognized in earnings before income taxes for the Company's post-employment and other long term employee benefit plans was as follows:

(millions of Canadian dollars)	**2023**	2022
Net post-employment defined benefit cost	**$ 59**	$ 62
Defined contribution costs(i)	**32**	31
Multi-employer pension plan costs(ii)	**69**	70
Total net post-employment benefit costs	**$ 160**	$ 163
Other long term employee benefit costs(iii)	**58**	24
Net post-employment and other long term employee benefit costs	**$ 218**	$ 187
Recorded on the consolidated statement of earnings as follows:		
Selling, general and administrative expenses (note 26)	**$ 204**	$ 191
Net interest expense (income) and other financing charges (note 6)	**14**	(4)
Net post-employment and other long term employee benefit costs	**$ 218**	$ 187

(i) Amounts represent the Company's contributions made in connection with defined contribution plans.
(ii) Amounts represent the Company's contributions made in connection with MEPPs.
(iii) Other long term employee benefit costs include $6 million (2022 – $3 million) of net interest expense and other financing charges.

Note 25. Equity-Based Compensation

The Company's equity-based compensation expense, which includes Stock Option, RSU, PSU, DSU and EDSU plans, was $72 million during 2023 (2022 – $69 million). The expense was recognized in operating income.

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

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Other liabilities (note 21)	**$ 3**	$ 3
Contributed surplus	**136**	122

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

Stock Option Plan The Company maintains a stock option plan for certain employees. Under this plan, the Company may grant options up to 28,137,162 common shares.

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

	2023		2022	
	Options (number of shares)	**Weighted Average Exercise Price / Share**	Options (number of shares)	Weighted Average Exercise Price / Share
Outstanding options, beginning of year	**5,782,615**	**$ 71.07**	6,431,449	$ 63.15
Granted	**857,666**	**$ 118.94**	1,162,625	$ 100.05
Exercised (note 22)	**(984,923)**	**$ 61.48**	(1,487,377)	$ 59.47
Forfeited/cancelled	**(159,134)**	**$ 83.80**	(324,082)	$ 71.04
Outstanding options, end of year	**5,496,224**	**$ 79.89**	5,782,615	$ 71.07
Options exercisable, end of year	**2,321,812**	**$ 67.05**	2,100,204	$ 62.26

The following is the weighted average remaining contractual life and exercise price of outstanding and exercisable stock options as at December 30, 2023:

	2023 Outstanding Options			**2023 Exercisable Options**	
Range of Exercise Prices	**Number of Options Outstanding**	**Weighted Average Remaining Contractual Life (years)**	**Weighted Average Exercise Price/Share**	**Number of Exercisable Options**	**Weighted Average Exercise Price/Share**
$55.18-$65.51	**1,641,844**	**2.9**	**$ 60.33**	**976,131**	**$ 58.74**
$65.52-$78.81	**1,936,377**	**2.9**	**$ 68.56**	**1,135,056**	**$ 68.19**
$78.82-$124.14	**1,918,003**	**5.6**	**$ 108.08**	**210,625**	**$ 99.47**
	5,496,224		**$ 79.89**	**2,321,812**	**$ 67.05**

During 2023, the Company issued common shares on the exercise of stock options with a weighted average market share price of $120.31 (2022 – $114.22). The Company received cash consideration of $61 million (2022 – $88 million) related to the exercise of these options.

The fair value of stock options granted during 2023 was $21 million (2022 – $21 million). The assumptions used to measure the fair value of options granted during 2023 and 2022 under the Black-Scholes valuation model at date of grant were as follows:

	2023	2022
Expected dividend yield	**1.5 %**	1.4 %
Expected share price volatility	**19.4% – 22.5%**	18.4% – 22.2%
Risk-free interest rate	**3.0% – 4.2%**	1.6% – 3.5%
Expected life of options	**3.8 – 6.2 years**	3.7 – 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at December 30, 2023 was 11.0% (December 31, 2022 – 11.0%).

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

(number of awards)	**2023**	2022
Restricted share units, beginning of year	**716,827**	799,345
Granted	**252,588**	244,686
Reinvested	**10,481**	10,105
Settled	**(204,779)**	(294,115)
Forfeited	**(22,269)**	(43,194)
Restricted share units, end of year	**752,848**	716,827

The fair value of RSUs granted during 2023 was $30 million (2022 – $26 million).

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

(number of awards)	**2023**	2022
Performance share units, beginning of year	**648,199**	616,417
Granted	**319,671**	310,100
Reinvested	**8,707**	8,570
Settled	**(376,108)**	(258,411)
Forfeited	**(24,394)**	(28,477)
Performance share units, end of year	**576,075**	648,199

The fair value of PSUs granted during 2023 was $20 million (2022 – $26 million).

Settlement of Awards from Shares Held in Trust During 2023, the Company settled RSUs and PSUs totaling 580,887 (2022 – 552,526), of which 578,039 (2022 – 545,218) were settled through the trusts established for settlement of each of the RSU and PSU plans (see note 22). The settlements resulted in a $12 million (2022 – $11 million) increase to share capital and a net increase of $29 million (2022 – $24 million) to retained earnings.

Director Deferred Share Unit Plan The following is a summary of the Company's DSU plan activity:

(number of awards)	**2023**	2022
Director deferred share units, beginning of year	**325,231**	361,316
Granted	**21,458**	21,744
Reinvested	**4,947**	4,532
Settled	**—**	(62,361)
Director deferred share units, end of year	**351,636**	325,231

The fair value of DSUs granted during 2023 was $3 million (2022 – $2 million).

Executive Deferred Share Unit Plan The following is a summary of the Company's EDSU plan activity:

(number of awards)	**2023**	2022
Executive deferred share units, beginning of year	**65,498**	62,473
Granted	**3,303**	7,719
Reinvested	**888**	914
Settled	**(31,339)**	(5,608)
Forfeited	**(10)**	—
Executive deferred share units, end of year	**38,340**	65,498

The fair value of EDSUs granted during 2023 was nominal (2022 – $1 million).

Note 26. Employee Costs

Included in operating income are the following employee costs:

(millions of Canadian dollars)	**2023**	2022
Wages, salaries and other short term employment benefits	**$ 7,595**	$ 7,233
Post-employment benefits (note 24)	**152**	170
Other long term employee benefits (note 24)	**52**	21
Equity-based compensation	**69**	65
Capitalized to fixed assets and intangible assets	**(133)**	(129)
Total employee costs	**$ 7,735**	$ 7,360

Note 27. Leases

The Company leases certain of its retail stores, distribution centres, corporate offices, passenger vehicles, trailers and IT equipment. Leases of retail stores are a substantial portion of the Company's lease portfolio. Retail store leases typically have an initial contractual period of 10 to 15 years with additional renewal options available thereafter.

Right-of-Use Assets The following are continuities of the cost and accumulated depreciation of right-of-use assets for the years ended December 30, 2023 and December 31, 2022:

	2023			2022		
(millions of Canadian dollars)	Property	Other	Total	Property	Other	Total
Cost						
Balance, beginning of year	**$ 11,278**	**$ 127**	**$ 11,405**	$ 10,041	$ 98	$ 10,139
Lease additions, net of lease terminations	**284**	**29**	**313**	316	20	336
Lease extensions and other items	**961**	**25**	**986**	921	9	930
Retired leases	**(85)**	**—**	**(85)**	—	—	—
Balance, end of year	**$ 12,438**	**$ 181**	**$ 12,619**	$ 11,278	$ 127	$ 11,405
Accumulated depreciation						
Balance, beginning of year	**$ 3,913**	**$ 83**	**$ 3,996**	$ 2,900	$ 64	$ 2,964
Depreciation	**1,035**	**22**	**1,057**	1005	19	1024
Impairment losses, net of reversals (note 14)	**(11)**	**—**	**(11)**	8	0	8
Retired leases	**(85)**	**—**	**(85)**	—	—	—
Balance, end of year	**$ 4,852**	**$ 105**	**$ 4,957**	$ 3,913	$ 83	$ 3,996
Carrying amount, end of year	**$ 7,586**	**$ 76**	**$ 7,662**	$ 7,365	$ 44	$ 7,409

Lease Liabilities The following are continuities of lease liabilities for the years ended December 30, 2023 and December 31, 2022:

(millions of Canadian dollars)	2023	2022
Balance, beginning of year	**$ 9,115**	$ 8,839
Lease additions, net of lease terminations	**434**	320
Lease extensions and other items	**980**	950
Lease payments	**(1,441)**	(1,327)
Interest expense on lease liabilities (note 6)	**370**	333
Balance, end of year	**$ 9,458**	$ 9,115
Lease liabilities due within one year	**$ 1,455**	$ 1,401
Lease liabilities	**8,003**	7,714
Total lease liabilities	**$ 9,458**	$ 9,115

Liquidity The future undiscounted contractual lease obligations are as follows:

	Due by year						**As at December 30, 2023**	As at December 31, 2022
(millions of Canadian dollars)	2024	2025	2026	2027	2028	Thereafter	**Total**	Total
Lease obligations	$ 1,484	$ 1,509	$ 1,242	$ 1,092	$ 852	$ 3,040	**$ 9,219**	$ 9,238

As at December 30, 2023, the Company also had commitments of $741 million (December 31, 2022 – $579 million) related to leases not yet commenced.

Short-Term Leases The Company has short-term leases that are primarily related to trailer rentals and certain properties. During 2023, $45 million (2022 – $27 million) was recognized in cost of sales and SG&A.

Variable Lease Payments The Company makes variable lease payments for property tax and insurance charges on leased properties. The Company also has certain retail store leases where portions of the lease payments are contingent on a percentage of retail sales. During 2023, $390 million (2022 – $385 million) of variable lease payments were recognized in SG&A.

Extension Options Substantially all of the retail store leases have extension options for additional lease terms. As at December 30, 2023, approximately 20% (December 31, 2022 – 16%) of the lease liabilities are related to extension options that were deemed reasonably certain to be exercised.

As at December 30, 2023, approximately $16 billion (December 31, 2022 – $16 billion) of discounted future lease payments are related to extension options that were not deemed to be reasonably certain to be exercised and were not included in lease liabilities. These future lease payments are discounted at the incremental borrowing rates associated with the current lease liability profile.

Sale and Leaseback Transactions During 2023, the Company disposed of and leased back twenty-one retail properties and three distribution centres (2022 – one retail property) for proceeds of $276 million (2022 – $13 million), and recognized a gain of $38 million (2022 – loss of $1 million) in SG&A. The dispositions include three retail properties and one distribution centre disposed to Choice Properties Real Estate Investment Trust ("Choice Properties") (see note 32).

Financial Liabilities During 2023, there were a total of three additional retail properties (2022 – two) disposed of which were leased back by the Company and did not meet the criteria for sale in accordance with IFRS 15, "Revenue from Contracts with Customers". The Company received proceeds of $115 million (2022 – $15 million) in 2023 which have been recognized as financial liabilities and are presented in other liabilities. The dispositions include two retail properties disposed to Choice Properties. (see note 21 and 32).

As at December 30, 2023, $11 million (December 31, 2022 – $4 million) was recorded in trade payables and other liabilities and $179 million (December 31, 2022 – $69 million) was recorded in other liabilities for all properties sold to date that did not meet the criteria for sale. During 2023, $12 million (2022 – $5 million) of interest expense was recognized in net interest expense and other financing charges (see note 6) and repayments of $10 million (2022 – $4 million) were made on the financial liabilities.

Note 28. 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 December 30, 2023				As at December 31, 2022
(millions of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets								
Fair value through other comprehensive income:								
Long term securities	**$ 201**	**$ —**	**$ —**	**$ 201**	$ 246	$ —	$ —	$ 246
Derivatives included in prepaid expenses and other assets	**—**	**8**	**—**	**8**	—	6	—	6
Fair value through profit and loss:								
Certain other assets(i)	**—**	**—**	**56**	**56**	—	—	60	60
Derivatives included in prepaid expenses and other assets	**—**	**—**	**2**	**2**	1	13	—	14
Financial liabilities								
Amortized cost:								
Long term debt	**$ —**	**$ 8,151**	**$ —**	**$ 8,151**	$ —	$ 7,865	$ —	$ 7,865
Associate Interest	**—**	**—**	**370**	**370**	—	—	434	434
Certain other liabilities(ii)	**—**	**—**	**287**	**287**	—	—	78	78
Fair value through other comprehensive income:								
Derivatives included in trade payables and other liabilities	**—**	**—**	**4**	**4**	—	—	—	—
Fair value through profit and loss:								
Derivatives included in trade payables and other liabilities	**4**	**3**	**—**	**7**	—	—	3	3

(i) Certain other assets relate primarily to Venture Fund I (see note 32).

(ii) Certain other liabilities relate primarily to financial liabilities associated with properties that did not meet the criteria for sale (see note 14).

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

During 2023, the Company recognized a loss of $3 million (2022 – gain of $4 million) in operating income on financial instruments designated as amortized cost. In addition, during 2023, a net loss of $17 million (2022 – net gain of $67 million) was recorded in earnings before income taxes related to financial instruments required to be classified as fair value through profit and loss.

Securities Investments PC Bank holds investments which are considered part of the liquid securities required to be held to meet its Liquidity Coverage Ratio. These securities are classified as fair value through other comprehensive income and were included in long term securities and other assets on the consolidated balance sheets. During 2023, PC Bank recorded an unrealized fair value gain of $1 million (2022 – unrealized fair value loss of $2 million) 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 swaps, 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 in the consolidated balance sheets and the net realized and unrealized gains (losses) before income taxes related to the Company's other derivatives:

			December 30, 2023
(millions of Canadian dollars)	**Net asset/ (liability) fair value**	**Gain/(loss) recorded in OCI**	**Gain/(loss) recorded in operating income**
Derivatives designated as cash flow hedges			
Foreign Exchange Forwards(i)	**$ 7**	**$ (2)**	**$ 2**
Bond Forwards(ii)	**—**	**11**	**(4)**
Interest Rate Swaps and Other(iii)	**(3)**	**(4)**	**2**
Total derivatives designated as cash flow hedges	**$ 4**	**$ 5**	**$ —**
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	**$ (3)**	**$ —**	**$ (4)**
Other Non-Financial Derivatives	**(4)**	**—**	**(7)**
Total derivatives not designated in a formal hedging relationship	**$ (7)**	**$ —**	**$ (11)**
Total derivatives	**$ (3)**	**$ 5**	**$ (11)**

(i) PC Bank uses foreign exchange forwards, with a notional value of $9 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid expenses and other assets.

(ii) PC Bank uses bond forwards to manage its interest risk related to future debt issuances. During 2023, PC Bank settled all of its outstanding bond forwards.

(iii) PC Bank uses interest rate swaps, with a notional value of $180 million, to mitigate the impact of increases in interest rate. In the second quarter of 2023, the Company entered into a 20 year arrangement to hedge energy pricing on its purchases in Alberta beginning on January 1, 2025. The hedge has a notional value of $223 million and resulted in a fair value loss of $4 million in 2023, which has been recorded in other comprehensive income. The fair values of the derivatives are included in both prepaid expenses and other assets and trade payables and other liabilities.

			December 31, 2022
(millions of Canadian dollars)	Net asset/ (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Foreign Exchange Forwards(i)	$ 4	$ 4	$ 2
Bond Forwards(ii)	1	18	(5)
Interest Rate Swaps(iii)	1	(1)	4
Total derivatives designated as cash flow hedges	$ 6	$ 21	$ 1
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	$ 13	$ —	$ 32
Other Non-Financial Derivatives	1	—	24
Total derivatives not designated in a formal hedging relationship	$ 14	$ —	$ 56
Total derivatives	$ 20	$ 21	$ 57

(i) PC Bank uses foreign exchange forwards, with a notional value of $37 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 notional value of $25 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. During 2022, PC Bank settled $140 million of bond forwards (see note 20).

(iii) PC Bank uses interest rate swaps, with notional value of $180 million to mitigate the impact of increases in interest rate. The fair value of the derivatives is included in prepaid expenses and other assets.

Note 29. Financial Risk Management

As a result of holding and issuing financial instruments, the Company is exposed to liquidity, credit and market risk. The following is a description of those risks and how the exposures are managed:

Liquidity Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost effective manner to fund its obligations as they come due. The Company is exposed to liquidity risk through, among other areas, PC Bank, which requires a reliable source of funding for its credit card business. PC Bank relies on its securitization programs, demand deposits from customers and the acceptance of guaranteed investment certificate deposits to fund the receivables of its credit cards. The Company would experience liquidity risks if it fails to maintain appropriate levels of cash and short-term investments, is unable to access sources of funding or fails to appropriately diversify sources of funding. If any of these events were to occur, they could adversely affect the financial performance of the Company.

Liquidity risk is mitigated by maintaining appropriate levels of cash and cash equivalents and short term investments, actively monitoring market conditions, and by diversifying sources of funding, including the Company's committed credit facilities, and maintaining a well diversified maturity profile of debt and capital obligations.

The following are the undiscounted contractual maturities of significant financial liabilities (excluding lease liabilities - see note 27) as at December 30, 2023:

	2024	2025	2026	2027	2028	Thereafter	Total
Derivative financial liabilities							
Foreign exchange forward contracts	$ 498	$ —	$ —	$ —	$ —	$ —	$ 498
Non-derivative financial liabilities							
Bank indebtedness	13	—	—	—	—	—	13
Trade Payables and other liabilities	6,324						6,324
Demand deposits from customers	166	—	—	—	—	—	166
Short term debt[(i)]	850	—	—	—	—	—	850
Associate Interest	370	—	—	—	—	—	370
Financial liabilities[(ii)]	12	13	12	12	12	154	215
Long term debt including interest payments[(iii)]	1,526	1,496	855	906	1,360	4,859	11,002
Other liabilities	3	—	—	—	—	—	3
Total	$9,762	$1,509	$ 867	$ 918	$1,372	$ 5,013	$ 19,441

(i) These are obligations owed to Other Independent Securitization Trusts which are collateralized by the Company's credit card receivables (see note 31).

(ii) These are the contractual payments that the Company is committed to related to the sale of retail properties to Choice Properties Real Estate Investment Trust and third parties (see note 27).

(iii) Fixed interest payments are based on the maturing face values and annual interest for each instrument, including GICs, long term independent securitization trusts and an independent funding trust, as well as annual payment obligations for structured entities. Variable interest payments are based on the forward rates as at December 30, 2023.

Credit The Company is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to the Company, including derivative instruments, cash and cash equivalents, short term investments, security deposits, PC Bank's credit card receivables, finance lease receivable, pension assets held in the Company's defined benefit plans and accounts receivable, including amounts due from government and third-party drug plans arising from prescription drug sales, independent accounts and amounts owed from vendors. Failure to manage credit risk could adversely affect the financial performance of the Company.

The risk related to derivative instruments, cash and cash equivalents and short term investments is reduced by policies and guidelines that require that the Company enters into transactions only with counterparties or issuers that have a minimum long term "A-" credit rating from a recognized credit rating agency and place minimum and maximum limits for exposures to specific counterparties and instruments.

PC Bank manages its credit card receivable risk by employing stringent credit scoring techniques, actively monitoring the credit card portfolio and reviewing techniques and technology that can improve the effectiveness of the collection process. In addition, these receivables are dispersed among a large, diversified group of credit card customers.

Finance lease receivable and accounts receivable, including amounts due from governments and third-party drug plans arising from prescription drug sales, independent accounts and amounts owed from vendors and tenants, are actively monitored on an ongoing basis and settled on a frequent basis in accordance with the terms specified in the applicable agreements.

Interest Rates The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt, and from the refinancing of existing financial instruments. An increase in interest rates could adversely affect the operations or financial performance of the Company. The Company manages interest rate risk by monitoring the respective mix of fixed and floating rate debt and by taking action as necessary to maintain an appropriate balance considering current market conditions, with the objective of maintaining the majority of its debt at fixed interest rates. The Company estimates that a 1% increase (decrease) in short term interest rates, with all other variables held constant, would result in an increase (decrease) of $6 million to net interest expense and other financing charges.

Currency Exchange Rates The Company is exposed to foreign currency exchange rate variability, primarily on its USD denominated purchases in trade payables and other liabilities. A depreciating Canadian dollar relative to the USD will have a negative impact on year-over-year changes in reported operating income and net earnings, while an appreciating Canadian dollar relative to the USD will have the opposite impact. To manage a portion of this exposure, the Company uses derivative instruments in the form of futures contracts and forward contracts to minimize cost volatility related to foreign exchange.

Commodity Prices The Company is exposed to increases in the prices of commodities in operating its stores and distribution networks, as well as to the indirect effect of changing commodity prices on the price of consumer products. Rising commodity prices could adversely affect the financial performance of the Company. To manage a portion of this exposure, the Company uses purchase commitments and derivative instruments in the form of exchange traded futures contracts and forward contracts to minimize cost volatility related to commodities. The Company estimates that based on the outstanding derivative contracts held by the Company as at December 30, 2023, a 10% decrease in relevant commodity prices, with all other variables held constant, would result in a loss of $4 million on earnings before income taxes.

Note 30. 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 (see note 7).

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 was previously 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 licensed Associates ("Associates"), claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who were 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. A summary judgment trial of the matter was held in December 2022 and on February 17, 2023, the Superior Court released its decision in relation to those summary judgment motions (the "Decision"). The Superior Court dismissed the plaintiffs' claims on the majority of the issues including a request for damages at this stage of proceedings. The Court also held that Shoppers Drug Mart breached the 2002 form of Associate Agreement when it did not remit certain amounts that it received from generic drug manufacturers to Associates. On March 20, 2023, the plaintiffs filed a Notice of Appeal and on April 4, 2023, the Company filed a Notice of Cross-Appeal. A hearing for the appeals was held on February 14, 2024 and on February 15, 2024, and a decision is pending. Accordingly, the Company has not recorded any amounts related to the potential liability associated with this lawsuit. The Company does not believe that the ultimate resolution of this matter will have a material adverse impact on its financial condition or prospects.

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 2023 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 response to such class action lawsuits, certain major grocery retailers have cross claimed against the Company and Weston, and the Company and Weston believe such crossclaims are without merit.

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. In January 2024, Shoppers Drug Mart Inc. was served with a second class action in Saskatchewan started by Lac La Ronge Indian Band. The case is brought on behalf of Band members and is claiming damages relating to abatement costs, the diversion of financial and other resources, the reduction in the value of the reserve lands and interests, and lost tax revenues. Shoppers Drug Mart Inc. is being sued as a representative of an international defendant subclass of opioid “dealers” and Sanis Health Inc. is a proposed supplier class member. 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 consolidated financial statements.

In July 2022, the Tax Court of Canada released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court of Canada 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 and in the first half of 2023 both PC Bank and the Crown submitted their respective facta for the appeal. Subsequent to December 30, 2023, the Federal Court of Appeal scheduled the hearing of the appeal for March 6, 2024. The Company has not reversed any portion of the charge of $111 million, inclusive of interest, recorded 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 31. Financial Guarantees

The Company established letters of credit used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and guarantees with a gross potential liability of approximately $301 million as at December 30, 2023 (December 31, 2022 – $296 million). In addition, the Company has provided to third parties the following significant guarantees:

Associate Guarantees The Company has arranged for its Associates to obtain financing to facilitate their inventory purchases and fund their working capital requirements by providing guarantees to various Canadian chartered banks that support Associate loans. As at December 30, 2023, the Company's maximum obligation in respect of such guarantees was $580 million (December 31, 2022 – $580 million) with an aggregate amount of $476 million (December 31, 2022 – $473 million) in available lines of credit allocated to the Associates by the various banks. As at December 30, 2023, Associates had drawn an aggregate amount of $13 million (December 31, 2022 – $8 million) against these available lines of credit. Any amounts drawn by the Associates are included in bank indebtedness on the Company's consolidated balance sheets. As recourse, in the event that any payments are made under the guarantees, the Company holds a first-ranking security interest on all assets of Associates, subject to certain prior-ranking statutory claims.

Independent Funding Trusts The full balance relating to the debt of the independent funding trusts has been consolidated on the balance sheets of the Company (see note 20). As at December 30, 2023 the Company has agreed to provide a credit enhancement of $64 million (December 31, 2022 – $64 million) in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% (December 31, 2022 – not less than 10%) of the principal amount of loans outstanding. This credit enhancement allows the independent funding trusts to provide financing to the Company's franchisees. As well, each franchisee provides security to the independent funding trusts for its obligations by way of a general security agreement. In the event that a franchisee defaults on its loan and the Company has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trusts would assign the loan to the Company and draw upon this standby letter of credit. This standby letter of credit has never been drawn upon. The Company has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

Lease Obligations In connection with historical dispositions of certain of its assets, the Company has assigned leases to third parties. The Company remains contingently liable for these lease obligations in the event any of the assignees are in default of their lease obligations. The Company has guaranteed lease obligations of a third party distributor in the amount of $3 million (December 31, 2022 – $4 million).

Cash Collateralization As at December 30, 2023, the Company had agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of $93 million (December 31, 2022 – $93 million), of which a nominal amount (December 31, 2022 – nominal) was deposited with major financial institutions and classified as security deposits, which is included in other assets.

Financial Services The Company has provided a guarantee on behalf of PC Bank to Mastercard International Incorporated ("Mastercard") for accepting PC Bank as a card member and licensee of Mastercard. As at December 30, 2023, the guarantee on behalf of PC Bank to Mastercard was USD $190 million (December 31, 2022 – USD $190 million).

Letters of credit for the benefit of independent securitization trusts with respect to the securitization programs of PC Bank have been issued by major financial institutions. These standby letters of credit can be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. The Company has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit. The aggregate gross potential liability under these arrangements for the Other Independent Securitization Trusts was $77 million (December 31, 2022 – $63 million), which represented approximately 9% (December 31, 2022 – 9%) of the securitized credit card receivables amount (see note 11).

Note 32. Related Party Transactions

The Company's controlling shareholder is Weston, which owns, directly and indirectly, 163,473,491 of the Company's common shares, representing approximately 52.6% of the Company's outstanding common shares. Galen G. Weston beneficially owns or controls, directly and indirectly, including through Wittington, a total of 78,018,416 of Weston's common shares, representing approximately 58.0% of Weston's outstanding common shares. Galen G. Weston also beneficially owns 473,636 of the Company's common shares, representing approximately 0.2% of the Company's outstanding common shares.

Weston is the controlling shareholder of Choice Properties. Therefore, Choice Properties is a related party by virtue of common control. As at December 30, 2023, Weston's ownership interest in Choice Properties was approximately 61.7% (December 31, 2022 – 61.7%). The Company is Choice Properties' largest tenant, representing approximately 57.1% (December 31, 2022 – 57.5%) of Choice Properties' rental revenue as at December 30, 2023. The Company also executes various agreements and transactions with Choice Properties.

In the ordinary course of business, the Company enters into various transactions with related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties.

Transactions with Related Parties

	Transaction Value			
(millions of Canadian dollars)		**2023**		2022
Included in cost of sales				
Inventory purchases from a related party[(i)]	**$**	**41**	$	39
Operating income				
Transactions with Weston and Wittington				
Cost sharing agreements with Weston[(ii)]	**$**	**58**	$	71
Net administrative services provided by Weston[(iii)]		**19**		16
Dividends paid to Weston		**290**		272
Lease Payments to Wittington		**1**		1
Transactions with Choice Properties				
Lease payments to Choice Properties[(iv)]	**$**	**763**	$	753
Lease surrender payments received from Choice Properties		**(8)**		—
Site intensification payments received from Choice Properties[(v)]		**(17)**		(3)

(i) Associated British Foods plc is a related party by virtue of a common director of such entity's parent company and Wittington. Total balance outstanding owing to Associated British Foods plc as at December 30, 2023 was $4 million (December 31, 2022 – $6 million).

(ii) The Company and Weston have each entered into certain contracts with third parties for administrative and corporate services, including telecommunication services and IT related matters on behalf of itself and the related party. Through cost sharing agreements that have been established between the Company and Weston concerning these costs, the Company has agreed to be responsible to Weston for the Company's proportionate share of the total costs incurred.

(iii) The Company and Weston have entered into an agreement whereby certain administrative services are provided by one party to the other. The services to be provided under this agreement include those related to commodity management, pension and benefits, information systems, risk management, treasury, certain accounting functions and legal. Payments are made quarterly based on the actual costs of providing these services. Where services are provided on a joint basis for the benefit of the Company and Weston together, each party pays the appropriate proportion of the costs.

(iv) During 2023, lease payments paid to Choice Properties included base rent of $534 million (2022 – $528 million) and operating expenses of $229 million (2022 – $225 million).

(v) During 2023, the Company received site intensification payments from Choice Properties. Included in certain investment properties sold to Choice Properties is excess land with development potential. Choice Properties will compensate the Company, over time, with site intensification payments, as Choice Properties pursues development, intensification or redevelopment of such excess lands. The payments the Company receives are calculated in accordance with a payment grid, set out in the Strategic Alliance Agreement, that takes into account the region, market ranking and type of use for the property.

The net balances due to (from) related parties are comprised as follows:

(millions of Canadian dollars)	As at December 30, 2023	As at December 31, 2022
Weston	**$ 8**	$ 116
Choice Properties	**(31)**	(18)

Other Transactions and Agreements with Choice Properties

Strategic Alliance Agreement The Strategic Alliance Agreement established on the initial public offering ("IPO") of Choice Properties creates a series of rights and obligations between Choice Properties and the Company, intended to establish a preferential and mutually beneficial business and operating relationship. The Strategic Alliance Agreement will expire on the earlier of July 5, 2033 or the date on which Weston and its affiliates own less than 50% effective interest in Choice Properties (on a fully diluted basis).

Commitments The following is a summary of the Company's future undiscounted contractual lease payments to Choice Properties:

	Payments due by year						As at December 30, 2023	As at December 31, 2022
(millions of Canadian dollars)	2024	2025	2026	2027	2028	Thereafter	**Total**	Total
Lease payments	$ 546	$ 591	$ 509	$ 461	$ 370	$ 1,403	**$ 3,880**	$ 4,151

Financial Liabilities with Choice Properties During 2023, the Company disposed of two retail properties (2022 – two retail properties) to Choice Properties for total proceeds of $86 million (2022 – $15 million). The properties were leased back by the Company. The transactions did not meet the criteria for sale of asset in accordance with IFRS 15 as the Company did not relinquish control of the properties under the terms of the leases. (see note 27).

Disposition of Properties to Choice Properties During 2023, the Company sold four properties (2022 – one property) to Choice Properties for proceeds of $92 million (2022 – $26 million) and recognized a gain of $11 million (2022 – $19 million). All (2022 – none) of these properties were leased back by the Company.

Other Transactions

Venture Fund 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 the Venture Fund, which hired an external fund manager to oversee it. The purpose of the 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 33% interest in the Venture Fund I. The Company has a total capital commitment of $33 million over a 10-year period (see note 18).

During 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 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 (see note 18).

Post-Employment Benefit Plans The Company sponsors a number of post-employment plans, which are related parties. Contributions made by the Company to these plans are disclosed in note 22 to the consolidated financial statements. Effective November 21, 2022, Loblaw became the sponsor of a group plan which was previously sponsored by the parent company, Weston. As a participant of the group plan, the Company will continue to make contributions for its share of defined benefit costs, including interest, service and administrative costs. In 2023 and 2022, the Company did not make any contributions to the group plan.

Income Tax Matters From time to time, the Company, Weston and its affiliates may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations.

Key Management Personnel The Company's key management personnel are comprised of the Board and certain members of the executive team of the Company, as well as both the Board and certain members of the executive team of Weston and Wittington to the extent that they have the authority and responsibility for planning, directing and controlling the day-to-day activities of the Company.

Compensation of Key Management Personnel Annual compensation of key management personnel that is directly attributable to the Company was as follows:

(millions of Canadian dollars)		**2023**		2022
Salaries, director fees and other short term employee benefits	**$**	**10**	$	8
Equity-based compensation		**1**		2
Total compensation	**$**	**11**	$	10

Other transactions with related parties, as defined by IFRS Accounting Standards, were not significant during the year.

Note 33. 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, and includes in-store pharmacies, health care services, other health and beauty products, apparel and other general merchandise. 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* loyalty program, insurance brokerage services, and telecommunication services.

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

Information for each reportable operating segment is included below:

(millions of Canadian dollars)	**Retail**	**Financial Services**	**Total Segment Measure**	**Elimi-nations(i)**	**Total**	Retail	Financial Services	Total Segment Measure	Elimi-nations(i)	Total
					2023					2022
Revenue(ii)	**$58,345**	**$1,540**	**$59,885**	**$ (356)**	**$59,529**	$55,492	$1,338	$56,830	$ (326)	$56,504
Operating income	$ 3,500	$ 204	$ 3,704	$ —	$ 3,704	$ 3,260	$ 82	$ 3,342	$ —	$ 3,342
Net interest expense and other financing charges	660	143	803	—	803	599	84	683	—	683
Earnings before income taxes	**$ 2,840**	**$ 61**	**$ 2,901**	**$ —**	**$ 2,901**	$ 2,661	$ (2)	$ 2,659	$ —	$ 2,659
Operating income	**$ 3,500**	**$ 204**	**$ 3,704**	**$ —**	**$ 3,704**	$ 3,260	$ 82	$ 3,342	$ —	$ 3,342
Depreciation and amortization	**2,848**	**58**	**2,906**			2,746	49	2,795		
Adjusting items(iii)	**13**	**24**	**37**			(67)	111	44		
Adjusted EBITDA(iii)	**$ 6,361**	**$ 286**	**$ 6,647**			$ 5,939	$ 242	$ 6,181		

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

(ii) Included in Financial Services revenue is $634 million (2022 – $513 million) of interest income.

(iii) Certain items are excluded from operating income to derive adjusted EBITDA.

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Total Segment Measure**	Retail	Financial Services	Total Segment Measure
			2023 (52 weeks)			2022 (52 weeks)
Charges related to PC Bank commodity tax matters	**$ —**	**$ 24**	**$ 24**	$ —	$ 111	$ 111
Fair value adjustment on fuel and foreign currency contracts	**16**	**—**	**16**	(5)	—	(5)
Lifemark transaction costs	**—**	**—**	**—**	16	—	16
Restructuring and other related recoveries	**—**	**—**	**—**	(15)	—	(15)
Fair value adjustment on non-operating properties(1)	**9**	**—**	**9**	(6)	—	(6)
Gain on sale of non-operating properties(1)	**(12)**	**—**	**(12)**	(57)	—	(57)
Adjusting items	**$ 13**	**$ 24**	**$ 37**	$ (67)	$ 111	$ 44

(1) The fair value adjustment and gain on sale of non-operating properties relates to the Company's investment properties.

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

(millions of Canadian dollars)	**2023**	2022
Food retail	**$ 41,188**	$ 39,398
Drug retail	**17,157**	16,094
Retail total	**$ 58,345**	$ 55,492
Financial Services	**1,540**	1,338
Eliminations[(i)]	**(356)**	(326)
Total	**$ 59,529**	$ 56,504

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

(millions of Canadian dollars)	**As at December 30, 2023**	As at December 31, 2022
Total assets		
Retail	**$ 32,870**	$ 32,505
Financial Services	**6,109**	5,642
	$ 38,979	$ 38,147

(millions of Canadian dollars)	**2023**	2022
Additions to fixed assets and intangible assets		
Retail[(i)]	**$ 2,069**	$ 1,538
Financial Services	**40**	33
	$ 2,109	$ 1,571

(i) In 2023, additions to fixed assets in the retail segment include $37 million of prepayments that were transferred from other assets in 2023.

Three Year Summary[1]

As at or for the years ended December 30, 2023 and December 31, 2022 and January 1, 2022 (millions of Canadian dollars except where otherwise indicated)	2023	2022	2021
Consolidated Results of Operations			
Revenue	**$59,529**	$56,504	$ 53,170
Revenue growth	**5.4 %**	6.3 %	0.9 %
Operating income	**$ 3,704**	$ 3,342	$ 2,937
Adjusted EBITDA[2]	**6,647**	6,181	5,587
Adjusted EBITDA margin[2]	**11.2 %**	10.9 %	10.5 %
Net interest expense and other financing charges	**$ 803**	$ 683	$ 495
Adjusted net interest expense and other financing charges[2]	**803**	694	684
Net earnings	**2,187**	1,994	1,967
Net earnings attributable to shareholders of the Company	**2,100**	1,921	1,875
Net earnings available to common shareholders of the Company	**2,088**	1,909	1,863
Adjusted net earnings available to common shareholders of the Company[2]	**2,480**	2,263	1,911
Consolidated Per Common Share ($)			
Diluted net earnings	**$ 6.52**	$ 5.75	$ 5.45
Adjusted diluted net earnings[2]	**$ 7.75**	$ 6.82	$ 5.59
Consolidated Financial Position and Cash Flows			
Cash and cash equivalents and short term investments	**$ 1,952**	$ 1,934	$ 2,440
Cash flows from operating activities	**5,654**	4,755	4,827
Capital investments	**2,109**	1,571	1,183
Free cash flow[2]	**1,700**	1,528	1,959
Financial Measures			
Retail debt to retail adjusted EBITDA[2]	**2.3 x**	2.4 x	2.6 x
Adjusted return on equity[2]	**22.2 %**	20.2 %	17.3 %
Adjusted return on capital[2]	**11.5 %**	10.8 %	9.8 %

Three Year Summary[1]

As at or for the years ended December 30, 2023 and December 31, 2022 and January 1, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023**	2022	2021
Retail Results of Operations			
Sales	**$58,345**	$55,492	$52,269
Operating income	**3,500**	3,260	2,713
Gross profit[2]	**18,083**	17,165	16,041
Gross profit %[2]	**31.0 %**	30.9 %	30.7 %
Adjusted EBITDA[2]	**$ 6,361**	$ 5,939	$ 5,322
Adjusted EBITDA margin[2]	**10.9 %**	10.7 %	10.2 %
Depreciation and amortization	**$ 2,848**	$ 2,746	$ 2,623
Retail Operating Statistics			
Food retail same-store sales growth	**3.9 %**	4.7 %	0.3 %
Drug retail same-store sales growth	**5.4 %**	6.9 %	5.0 %
Drug retail same-store pharmacy and healthcare services sales growth	**6.8 %**	5.7 %	8.4 %
Drug retail same-store front store sales growth	**4.2 %**	8.2 %	2.1 %
Total retail square footage (in millions)	**71.2**	71.2	71.2
Number of corporate stores	**569**	547	548
Number of franchise stores	**535**	551	551
Number of Associate-owned drug stores	**1,351**	1,346	1,342
Financial Services Results of Operations			
Revenue	**$ 1,540**	$ 1,338	$ 1,182
Earnings (Losses) before income taxes	**61**	(2)	160
Financial Services Operating Measures and Statistics			
Average quarterly net credit card receivables	**$ 3,950**	$ 3,607	$ 3,128
Credit card receivables	**4,132**	3,954	3,443
Allowance for credit card receivables	**256**	206	205
Annualized yield on average quarterly gross credit card receivables	**13.9 %**	13.0 %	12.7 %
Annualized credit loss rate on average quarterly gross credit card receivables	**3.8 %**	2.7 %	2.5 %

Three Year Summary Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms section included within the Company's 2023 Annual Report.

(2) See Section 17 Non-GAAP and Other Financial Measures of the Company's Management's Discussion and Analysis for the reconciliation of such non-GAAP and other financial measures to the most directly comparable GAAP measures.

Glossary of Terms

Term	Definition
Adjusted diluted net earnings per common share	Adjusted net earnings available to common shareholders including the effects of all dilutive instruments divided by the diluted weighted average number of common shares outstanding during the period (see Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted EBITDA	Adjusted operating income before depreciation and amortization (see Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted EBITDA margin	Adjusted EBITDA divided by revenue (see Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted income tax	Income taxes adjusted for the tax impact of items included in adjusted operating income less adjusted net interest and other financing charges (see Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted effective tax rate	Adjusted income taxes divided by adjusted operating income less adjusted net interest and other financing charges (see Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted net earnings attributable to shareholders of the Company	Net earnings attributable to shareholders of the Company adjusted for items that are not necessarily reflective of the Company's underlying operating performance (see Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted net earnings available to common shareholders of the Company	Adjusted net earnings attributable to shareholders of the Company less preferred dividends (see Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted net interest expense and other financing charges	Net interest expense and other financing charges adjusted for items that are not necessarily reflective of the Company's ongoing net financing costs (see Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted operating income	Operating income adjusted for items that are not necessarily reflective of the Company's underlying operating performance (see Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted return on capital	Tax-effected adjusted operating income divided by average capital (see Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted return on equity	Adjusted net earnings available to common shareholders of the Company divided by average total equity attributable to common shareholders of the Company (see Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Annualized credit loss rate on average quarterly gross credit card receivables	Total credit card losses year-to-date divided by the number of days year-to-date times 365 divided by average quarterly gross credit card receivables.
Annualized yield on average quarterly gross credit card receivables	Interest earned on credit card receivables year-to-date divided by the number of days year-to-date times 365 divided by average quarterly gross credit card receivables.
Average prescription value	Total prescription sales divided by total script count.
Basic net earnings per common share	Net earnings available to common shareholders divided by the weighted average number of common shares of the Company outstanding during the period.
Capital under management	Total debt plus total equity attributable to shareholders of the Company.
Capital investments	Sum of fixed asset purchases, intangible asset additions, and prepayments transferred to fixed assets in the current year (see notes 14 and 16 of the Company's Consolidated Financial Statements).
Control brand	A brand and associated trademark that is owned by the Company for use in connection with its own products and services.
Conversion	A store that changes from one Company banner to another Company banner.
Diluted net earnings per common share	Net earnings available to common shareholders of the Company adjusted for the impact of dilutive items divided by the weighted average number of common shares outstanding during the period adjusted for the impact of dilutive items.
Diluted weighted average common shares outstanding	Weighted average number of common shares outstanding including the effects of all dilutive instruments.
E-commerce sales	Retail segment revenue earned through online sales.
Free cash flow	Cash flows from operating activities less capital investments, interest paid and net lease payments (see Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Food Retail basket size	The dollar value of products sold in a single retail transaction.
Food Retail traffic	The number of customers entering stores across all banners.
Net earnings attributable to shareholders of the Company	Net earnings less non-controlling interests.
Net earnings available to common shareholders of the Company	Net earnings attributable to shareholders of the Company less preferred dividends.
Operating income	Net earnings before net interest expense and other financing charges and income taxes.
Retail debt to retail adjusted EBITDA	Retail segment total debt (see Section 7.2 "Liquidity and Capital Structure" of the Company's Management Discussion and Analysis) divided by Retail segment adjusted EBITDA.
Retail segment adjusted gross profit	Retail segment gross profit, adjusted for items that are not necessarily reflective of the Company's underlying operating performance (see Section 17 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Retail segment adjusted gross profit percentage	Retail segment adjusted gross profit divided by Retail segment revenue.
Retail segment gross profit	Retail segment revenue less cost of sales.
Rightsizing	A capital investment in a store resulting in a decrease to the store square footage.
Same-store sales	Same-store sales are retail segment sales for stores in operation in both comparable periods, including relocated, converted, expanded, contracted or renovated stores.
Total equity attributable to common shareholders of the Company	Total equity less preferred shares outstanding and non-controlling interests.
Total equity attributable to shareholders of the Company	Total equity less non-controlling interests.
Total retail square footage	Total retail square footage includes corporate, franchised stores and associate-owned drug stores.
Weighted average common shares outstanding	The number of common shares outstanding determined by relating the portion of time within the period the common shares were outstanding to the total time in that period.

Corporate Profile

National Head Office and Store Support Centre
Loblaw Companies Limited
1 President's Choice Circle
Brampton, Canada L6Y 5S5
Tel: (905) 459-2500
Fax: (905) 861-2206
Website: loblaw.ca

Stock Exchange Listing and Symbol
The Company's common shares and second preferred shares are listed on the Toronto Stock Exchange and trade under the symbols "L" and "L.PR.B.", respectively.

Common Shares
At year-end 2023, Galen G. Weston, directly and indirectly, including through his controlling interest in Weston, owns approximately 52.6% of the Company's common shares.

At year-end 2023, there were 310,526,379 common shares issued and outstanding.

The average daily trading volume of the Company's common shares for 2023 was 427,160.

Preferred Shares
At year-end 2023, there were 9,000,000 second preferred shares, Series B issued and outstanding.

The average daily trading volume of the Company's second preferred shares, Series B for 2023 was 4,401.

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, its subsidiaries or the licensor and where used in this report, are marked with ™ or ® symbols, or written in italics.

Normal Course Issuer Bid
The Company has a Normal Course Issuer Bid on the Toronto Stock Exchange.

Value of Common Shares
For capital gains purposes, the valuation day (December 22, 1971) cost base for the Company is $0.958 per common share. The value on February 22, 1994 was $7.67 per common share.

Investor Relations
Shareholders, security analysts and investment professionals should direct their requests to Investor Relations at the Company's National Head Office or by e-mail at investor@loblaw.ca.

Registrar and Transfer Agent
Computershare Investor Services Inc.
100 University Avenue
Toronto, Canada M5J 2Y1

Toll free: 1-800-564-6253 (Canada and U.S.)
Fax (416) 263-9394
Toll free fax: 1-888-453-0330
International direct dial: (514) 982-7555

To change your address, eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

Additional financial information has been filed electronically with various securities regulators in Canada through the System for 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.

Company Dividend Policy
The Company's dividend policy states: the declaration and payment of dividends and the amount thereof on the Company's common shares are at the discretion of the Board of Directors which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time.

Common Dividend Dates
The declaration and payment of quarterly dividends are made subject to approval by the Board of Directors. The anticipated record and payments dates for 2024 are:

Record Date	Payment Date
March 15	April 1
June 15	July 1
September 15	October 1
December 15	December 30

Annual General Meeting
The 2023 Annual Meeting of Shareholders of Loblaw Companies Limited will be held virtually via a live webcast on Thursday, May 2, 2024 at 11:00 a.m. (EDT).

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 (loblaw.ca).

Preferred Shares, Series B Dividend Dates
The declaration and payment of quarterly dividends are made subject to approval by the Board of Directors. The anticipated payment dates for 2024 are:

Record Date	Payment Date
March 15	March 31
June 15	June 30
September 15	September 30
December 15	December 31

Ce rapport est disponible en français.

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PC Express™

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T&T®

Loblaw Companies Limited

Dipak is passionate about President’s Choice Children’s Charity

Dipak Pandya, Category Director for Natural Food in Market Merchandising, has been volunteering with President’s Choice Children’s Charity for over ten years. Initially, Dipak didn’t know much about the charity’s cause and impact, but his involvement eventually became a passion that changed his perspective on the world. Dipak grew up with access to quality education and food, but as he learned about the number of children in his community who lack nutritious food, he felt compelled to make a difference. President’s Choice Children’s Charity’s mission – to feed 1 million kids annually by 2025 – touched Dipak’s heart. He recalls interacting with school children during one of the charity’s events and witnessing the immediate impact they were able to have on the community. Through his contributions to the charity, Dipak found a new purpose in volunteerism, and he encourages his colleagues to participate as well, believing even a small contribution can lead to significant change.

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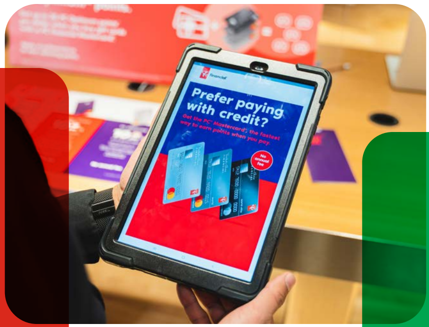

Loblaw Companies Limited