Loblaw Companies Limited

NEWS RELEASE

Loblaw Reports 2023 Third Quarter Results

BRAMPTON, ONTARIO November 15, 2023 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") announced today its unaudited financial results for the third quarter ended October 7, 2023[(1)].

Loblaw delivered another quarter of strong operational and financial results as it continued to execute on retail excellence. The Company's focus on providing value across its Food and Drug Retail businesses led to sales growth, increased market share, and higher unit sales. Drug Retail sales reflected ongoing strength in front store beauty products and increased prescription sales. In Food Retail, the Company's discount stores benefited from increased traffic from customers seeking quality and value from its private label brands and personalized PC Optimum™ offers. The Company continued to invest in opening new discount stores, including its 150th discount Maxi location in the community of Ville-des-Laurentides, which celebrated its first full-shop discount grocery store. Retail gross margin declined in both Food and Drug as a result of targeted promotional investments and increased shrink. Increased investments to lower food prices were reflected in the Company's internal food inflation, which was lower than Canada's food CPI. Higher sales and ongoing cost control initiatives drove adjusted net earnings growth in the quarter.

"Our stores are delivering more value, including deeper discounts on essentials, and customers are responding positively," said Galen G. Weston, Chairman, Loblaw Companies Limited. "We remain focused on doing what we can to fight inflation and deliver lower prices for Canadians, while continuing to invest for the future."

2023 THIRD QUARTER HIGHLIGHTS

- Revenue was $18,265 million, an increase of $877 million, or 5.0%.
- Retail segment sales were $17,982 million, an increase of $852 million, or 5.0%.
  - Food Retail (Loblaw) same-stores sales increased by 4.5%.
  - Drug Retail (Shoppers Drug Mart) same-store sales increased by 4.6%, with front store same-store sales growth of 1.8% and pharmacy same-store sales growth of 7.4%.
- E-commerce sales increased by 13.6%.
- Operating income was $1,065 million, an increase of $74 million, or 7.5%.
- Adjusted EBITDA[(2)] was $1,926 million, an increase of $80 million, or 4.3%.
- Retail segment adjusted gross profit percentage[(2)] was 30.6%, a decrease of 20 basis points.
- Net earnings available to common shareholders of the Company were $621 million, an increase of $65 million or 11.7%. Diluted net earnings per common share were $1.95, an increase of $0.26, or 15.4%.
- Adjusted net earnings available to common shareholders of the Company[(2)] were $719 million, an increase of $56 million, or 8.4%.
- Adjusted diluted net earnings per common share[(2)] were $2.26, an increase of $0.25 or 12.4%.
- Repurchased for cancellation 2.9 million common shares at a cost of $341 million and invested $676 million in capital expenditures, net of proceeds from property disposals. Free cash flow[(2)] used in the Retail segment was $663 million.

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

CONSOLIDATED AND SEGMENT RESULTS OF OPERATIONS

The following table provides key performance metrics for the Company by segment.

For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (16 weeks)** Retail	Financial Services	Eliminations	Total	2022 (16 weeks) Retail	Financial Services	Eliminations	Total
Revenue	**$17,982**	**$ 379**	**$ (96)**	**$18,265**	$17,130	$ 350	$ (92)	$17,388
Adjusted gross profit(2)	$5,502	$ 325	$ (96)	$ 5,731	$ 5,272	$ 294	$ (92)	$ 5,474
Adjusted gross profit %(2)	30.6 %	N/A	— %	31.4 %	30.8 %	N/A	— %	31.5 %
Operating income	**$1,006**	**$ 59**	**$ —**	**$ 1,065**	$ 949	$ 42	$ —	$ 991
Adjusted operating income(2)	1,141	59	—	1,200	1,091	42	—	1,133
Adjusted EBITDA(2)	$ 1,852	$ 74	$ —	$ 1,926	$ 1,791	$ 55	$ —	$ 1,846
Adjusted EBITDA margin(2)	10.3 %	N/A	— %	10.5 %	10.5 %	N/A	— %	10.6 %
Net interest expense and other financing charges	**$ 197**	**$ 37**	**$ —**	**$ 234**	$ 194	$ 23	$ —	$ 217
Adjusted net interest expense and other financing charges(2)	197	37	—	234	194	23	—	217
Earnings before income taxes	**$ 809**	**$ 22**	**$ —**	**$ 831**	$ 755	$ 19	$ —	$ 774
Income taxes				$ 182				$ 199
Adjusted income taxes(2)				219				234
Net earnings attributable to non-controlling interests				$ 25				$ 16
Prescribed dividends on preferred shares in share capital				3				3
Net earnings available to common shareholders of the Company				**$ 621**				$ 556
Adjusted net earnings available to common shareholders of the Company(2)				719				663
Diluted net earnings per common share ($)				**$ 1.95**				$ 1.69
Adjusted diluted net earnings per common share(2) ($)				$ 2.26				$ 2.01
Diluted weighted average common shares outstanding (in millions)				**318.4**				329.6

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

For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (16 weeks)** Sales	Same-store sales	2022 (16 weeks) Sales	Same-store sales
Food retail	**$ 12,843**	**4.5 %**	$ 12,221	6.9 %
Drug retail	**5,139**	**4.6 %**	4,909	7.7 %
Pharmacy and healthcare services	**2,635**	**7.4 %**	2,466	4.7 %
Front store	**2,504**	**1.8 %**	2,443	10.7 %

RETAIL SEGMENT

- Retail segment sales were $17,982 million, an increase of $852 million, or 5.0%.
    - Food Retail (Loblaw) sales were $12,843 million and Food Retail same-store sales grew by 4.5% (2022 – 6.9%).
        - The Consumer Price Index ("CPI") as measured by The Consumer Price Index for Food Purchased From Stores was 7.1% (2022 – 10.7%) which was higher than the Company's internal food inflation; and
        - Food Retail traffic increased and basket size decreased.
    - Drug Retail (Shoppers Drug Mart) sales were $5,139 million, and Drug Retail same-store sales grew by 4.6% (2022 – 7.7%), with pharmacy and healthcare services same-store sales growth of 7.4% (2022 – 4.7%) and front store same-store sales growth of 1.8% (2022 – 10.7%).
        - On a same-store basis, the number of prescriptions dispensed increased by 0.9% (2022 – 0.9%) and the average prescription value increased by 5.1% (2022 – 3.3%).
- Operating income was $1,006 million, an increase of $57 million, or 6.0%.
- Adjusted gross profit(2) was $5,502 million, an increase of $230 million, or 4.4%. The adjusted gross profit percentage(2) of 30.6% decreased by 20 basis points (2022 – 10 basis points). Retail margins declined slightly, primarily driven by higher shrink.
- Adjusted EBITDA(2) was $1,852 million, an increase of $61 million, or 3.4%. The increase was driven by an increase in adjusted gross profit(2), partially offset by an increase in selling, general and administrative expenses ("SG&A"). SG&A as a percentage of sales was 20.3%, which remained constant when compared to 2022 as operating leverage from higher sales was partially offset by higher in-quarter investments in network optimization and process and efficiency initiatives totaling approximately $50 million.
- Depreciation and amortization was $865 million, an increase of $14 million or 1.6%, primarily driven by an increase in depreciation of fixed assets related to conversions of retail locations, information technology ("IT") assets and leased assets, and accelerated depreciation of $2 million as a result of network optimization, 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 Health Group ("Lifemark") of $154 million (2022 – $151 million).
- The Company recorded charges of $13 million associated with network optimization, which include accelerated depreciation of $2 million as described above, and other charges. The Company now expects to record total charges related to network optimization of approximately $60 million to $70 million during 2023, an increase from $50 million to $60 million, as a result of incremental network optimization activity.
- Seven food and drug stores were opened, and one store was closed, resulting in a net increase in Retail square footage of 0.3 million square feet, or 0.4%.

FINANCIAL SERVICES SEGMENT

- Revenue was $379 million, an increase of $29 million or 8.3%. The increase 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, partially offset by lower sales attributable to The Mobile Shop™.
- Earnings before income taxes were $22 million, an increase of $3 million or 15.8%. The improvement was mainly driven by higher revenue as described above, partially offset by higher funding costs from an increase in interest rates and growth in the credit card portfolio, higher contractual charge-offs, and the year-over-year impact of the expected credit loss provision.

OUTLOOK[3]

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

For the full-year 2023, the Company continues to expect:

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

In the third quarter, the Company made meaningful progress relative to its two ESG pillars:

- *Fighting Climate Change*: The Company has a goal to convert all control brand and in-store plastic packaging to recyclable or reusable materials by 2025. In the quarter, the business passed a milestone of 50% of this sustainability goal, with a plan to reach full compliance by the 2025 stated deadline. The Company also made meaningful progress in reducing its scope 1 and 2 emissions in the quarter, through the successful implementation of LED lighting and refrigerant conversions in over 120 stores. Collectively, these initiatives contributed to an estimated annual reduction in carbon emissions equivalent to taking 4,200 cars off the road; and
- *Advancing Social Equity*: The Company demonstrated its support for President's Choice Children's Charity, and their mission to feed one million kids annually by 2025, with the launch of the inaugural Get to Give Day. On September 7, 2023, Loblaw pledged to donate $1 for each purchase made in store and online, up to $2 million, bringing the Company's total donation for 2023 to $4 million. Joe Fresh, Loblaw's fashion brand, showcased diversity and inclusion in its spring activewear campaign, earning the 2023 Canadian Grocer Impact Award for DEI. Finally, the Shoppers Foundation for Women's Health™ launched its Giving Shelter campaign with a $1 million donation, allocating $500,000 to both Women's Shelters Canada and the Canadian Women's Foundation for gender-based violence initiatives.

NORMAL COURSE ISSUER BID PROGRAM ("NCIB")

On a year-to-date basis, the Company repurchased 10.4 million common shares for cancellation at a cost of $1,235 million.

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

DECLARATION OF DIVIDENDS

Subsequent to the end of the third quarter of 2023, the Board of Directors declared a quarterly dividend on Common Shares and Second Preferred Shares, Series B.

Common Shares	$0.446 per common share, payable on December 30, 2023 to shareholders of record on December 15, 2023.
Second Preferred Shares, Series B	$0.33125 per share, payable on December 31, 2023 to shareholders of record on December 15, 2023.

EXCERPT OF NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

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

For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars except where otherwise indicated)			**2023 (16 weeks)**			2022 (16 weeks)
	GAAP	**Adjusting Items**	**Non-GAAP(2)**	GAAP	Adjusting Items	Non-GAAP(2)
EBITDA	**$ 1,945**	**$ (19)**	**$ 1,926**	$ 1,855	$ (9)	$ 1,846
Operating income	**$ 1,065**	**$ 135**	**$ 1,200**	$ 991	$ 142	$ 1,133
Net interest expense and other financing charges	**234**	**—**	**234**	217	—	217
Earnings before income taxes	**$ 831**	**$ 135**	**$ 966**	$ 774	$ 142	$ 916
Deduct the following:						
Income taxes	**182**	**37**	**219**	199	35	234
Non-controlling interests	**25**	**—**	**25**	16	—	16
Prescribed dividends on preferred shares	**3**	**—**	**3**	3	—	3
Net earnings available to common shareholders of the Company(i)	**$ 621**	**$ 98**	**$ 719**	$ 556	$ 107	$ 663
Diluted net earnings per common share ($)	**$ 1.95**	**$ 0.31**	**$ 2.26**	$ 1.69	$ 0.32	$ 2.01
Diluted weighted average common shares (millions)	**318.4**	**—**	**318.4**	329.6	—	329.6

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

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

For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars)	**2023 (16 weeks)**	2022 (16 weeks)
Operating income	**$ 1,065**	$ 991
Add (deduct) impact of the following:		
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 154**	$ 151
Fair value adjustment on fuel and foreign currency contracts	**(6)**	(6)
Gain on sale of non-operating properties	**(13)**	(3)
Adjusting items	**$ 135**	$ 142
Adjusted operating income(2)	**$ 1,200**	$ 1,133
Net interest expense and other financing charges	**$ 234**	$ 217
Adjusted net interest expense and other financing charge(2)	**$ 234**	$ 217
Income taxes	**$ 182**	$ 199
Add the impact of the following:		
Tax impact of items included in adjusted earnings before taxes	**$ 37**	$ 35
Adjusting items	**$ 37**	$ 35
Adjusted income taxes(2)	**$ 219**	$ 234

CORPORATE PROFILE

2022 Annual Report and 2023 Third Quarter Report to Shareholders

The Company's 2022 Annual Report and 2023 Third Quarter Report to Shareholders are available in the "Investors" section of the Company's website at loblaw.ca and on sedarplus.ca.

Investor Relations

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

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on November 15, 2023 at 10:00 a.m. (ET).

To access via tele-conference, please dial (416) 764-8688 or (888) 390-0546. The playback will be made available approximately two hours after the event at (416) 764-8677 or (888) 390-0541, access code: 688050#. To access via audio webcast, please go to the "Investor" section of loblaw.ca. Pre-registration will be available.

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

News Release Endnotes

(1) This News Release contains forward-looking information. See "Forward-Looking Statements" section of this News Release and the Company's 2023 Third Quarter Report to Shareholders for a discussion of material factors that could cause actual results to differ materially from the forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This News Release should be read in conjunction with Loblaw Companies Limited's filings with securities regulators made from time to time, all of which can be found at sedarplus.ca and at loblaw.ca.

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

(3) To be read in conjunction with the "Forward-Looking Statements" section of this News Release and the Company's 2023 Third Quarter Report to Shareholders.

APPENDIX 1: 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, 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 (16 weeks)				2022 (16 weeks)
For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Elimi-nations**	**Total**	Retail	Financial Services	Elimi-nations	Total
Revenue	**$ 17,982**	**$ 379**	**$ (96)**	**$ 18,265**	$ 17,130	$ 350	$ (92)	$ 17,388
Cost of sales	**12,480**	**54**	**—**	**12,534**	11,858	56	—	11,914
Gross profit	**$ 5,502**	**$ 325**	**$ (96)**	**$ 5,731**	$ 5,272	$ 294	$ (92)	$ 5,474
Adjusted gross profit	**$ 5,502**	**$ 325**	**$ (96)**	**$ 5,731**	$ 5,272	$ 294	$ (92)	$ 5,474

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 (16 weeks)			2022 (16 weeks)
For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Total**	Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			**$ 624**			$ 559
Add impact of the following:						
Non-controlling interests			**25**			16
Net interest expense and other financing charges			**234**			217
Income taxes			**182**			199
Operating income	**$1,006**	**$ 59**	**$ 1,065**	$ 949	$ 42	$ 991
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 154**	**$ —**	**$ 154**	$ 151	$ —	$ 151
Fair value adjustment on fuel and foreign currency contracts	**(6)**	**—**	**(6)**	(6)	—	(6)
Gain on sale of non-operating properties	**(13)**	**—**	**(13)**	(3)	—	(3)
Adjusting items	**$ 135**	**$ —**	**$ 135**	$ 142	$ —	$ 142
Adjusted operating income	**$ 1,141**	**$ 59**	**$ 1,200**	$ 1,091	$ 42	$ 1,133
Depreciation and amortization	**865**	**15**	**880**	851	13	864
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(154)**	**—**	**(154)**	(151)	—	(151)
Adjusted EBITDA	**$1,852**	**$ 74**	**$ 1,926**	$ 1,791	$ 55	$ 1,846

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.

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

Gain on sale of non-operating properties In the third quarter of 2023, the Company recorded a gain related to the sale of non-operating properties of $13 million (2022 – $3 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 October 7, 2023 and October 8, 2022 (millions of Canadian dollars)	**2023 (16 weeks)**	2022 (16 weeks)
Net interest expense and other financing charges	**$ 234**	$ 217
Adjusted net interest expense and other financing charges	**$ 234**	$ 217

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

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

For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (16 weeks)**	2022 (16 weeks)
Adjusted operating income(i)	**$ 1,200**	$ 1,133
Adjusted net interest expense and other financing charges(i)	**234**	217
Adjusted earnings before taxes	**$ 966**	$ 916
Income taxes	**$ 182**	$ 199
Add: Tax impact of items included in adjusted earnings before taxes(ii)	**37**	35
Adjusted income taxes	**$ 219**	$ 234
Effective tax rate	**21.9 %**	25.7 %
Adjusted effective tax rate	**22.7 %**	25.5 %

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

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

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

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

For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (16 weeks)**	2022 (16 weeks)
Net earnings attributable to shareholders of the Company	**$ 624**	$ 559
Prescribed dividends on preferred shares in share capital	**(3)**	(3)
Net earnings available to common shareholders of the Company	**$ 621**	$ 556
Net earnings attributable to shareholders of the Company	**$ 624**	$ 559
Adjusting items (refer to the following table)	**98**	107
Adjusted net earnings attributable to shareholders of the Company	**$ 722**	$ 666
Prescribed dividends on preferred shares in share capital	**(3)**	(3)
Adjusted net earnings available to common shareholders of the Company	**$ 719**	$ 663
Diluted weighted average common shares outstanding (millions)	**318.4**	329.6

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 (16 weeks)		2022 (16 weeks)	
For the periods ended October 7, 2023 and October 8, 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
As reported	**$ 621**	**$ 1.95**	$ 556	$ 1.69
Add (deduct) impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 113**	**$ 0.35**	$ 112	$ 0.34
Fair value adjustment on fuel and foreign currency contracts	**(4)**	**(0.01)**	(4)	(0.02)
Gain on sale of non-operating properties	**(11)**	**(0.03)**	(1)	—
Adjusting items	**$ 98**	**$ 0.31**	$ 107	$ 0.32
Adjusted	**$ 719**	**$ 2.26**	$ 663	$ 2.01

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

For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars)	**2023 (16 weeks) Retail**	**Financial Services**	**Eliminations(i)**	**Total**	2022 (16 weeks) Retail	Financial Services	Eliminations(i)	Total
Cash flows from (used in) operating activities	**$ 1,898**	**$ 107**	**$ 40**	**$ 2,045**	$ 1,496	$ (15)	$ 18	$ 1,499
Less:								
Capital investments(ii)	**681**	**14**	**—**	**695**	423	9	—	432
Interest paid	**82**	**—**	**40**	**122**	76	—	18	94
Lease payments, net	**472**	**—**	**—**	**472**	454	—	—	454
Free cash flow(2)	**$ 663**	**$ 93**	**$ —**	**$ 756**	$ 543	$ (24)	$ —	$ 519

(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 additions and intangible asset additions as presented in the Company's condensed consolidated statements of cash flows.

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.