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Loblaw Companies Limited

Third Quarter Report to Shareholders

40 weeks ended October 7, 2023

2023 Third Quarter Report to Shareholders

The following Management's Discussion and Analysis ("MD&A") for Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") should be read in conjunction with the Company's third quarter 2023 unaudited interim period condensed consolidated financial statements and the accompanying notes ("interim financial statements") included in this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2022 and the related MD&A included in the Company's 2022 Annual Report - Financial Review ("2022 Annual Report").

The Company's third quarter 2023 interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting"("IFRS" or "GAAP"), as issued by the International Accounting Standards Board. These interim financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except when otherwise noted.

Management uses non-GAAP 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 11 "Non-GAAP and Other Financial Measures" for more information on the Company's non-GAAP and other financial measures.

A glossary of terms used throughout this Quarterly Report can be found at the back of the Company's 2022 Annual Report.

Terms denoted with numerical references throughout the MD&A of this Quarterly Report are defined in the MD&A Endnotes section on page 32.

The information in this MD&A is current to November 14, 2023, unless otherwise noted.

1. Forward-Looking Statements

This Quarterly Report, including this MD&A, contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Quarterly Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes 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 Quarterly Report including, without limitation, Section 5 "Liquidity and Capital Resources", Section 10 "Outlook" and Section 11 "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 2022 Annual Report, and the Company's 2022 Annual Information Form ("AIF") for the year ended December 31, 2022. Such risks and uncertainties include:

- changes in economic conditions, including inflation, 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;
- failure to attract and retain colleagues may impact the Company's ability to effectively operate and achieve financial performance goals;
- 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;
- failure to maintain an effective supply chain and consequently an appropriate assortment of available product at the store and digital retail level;
- 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;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;
- 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 adapt to environmental and social risks, including failure to execute against the Company's climate change and social equity initiatives;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- adverse outcomes of legal and regulatory proceedings and related matters;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- failure to execute the Company's e-commerce initiatives or to adapt its business model to shifts in the retail landscape caused by digital advances;
- failure to realize 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 realize benefits from investments in the Company's new IT systems and related processes;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink; and
- 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.

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 2022 AIF (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 MD&A. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2. Key Financial Performance Indicators[1]

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

As at or for the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (16 weeks)**	2022 (16 weeks)
Consolidated:		
Revenue growth	**5.0 %**	8.3 %
Operating income	**$ 1,065**	$ 991
Adjusted EBITDA[2]	**1,926**	1,846
Adjusted EBITDA margin[2]	**10.5 %**	10.6 %
Net earnings	**$ 649**	$ 575
Net earnings attributable to shareholders of the Company	**624**	559
Net earnings available to common shareholders of the Company[i]	**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
Cash and cash equivalents and short term investments	**$ 1,823**	$ 1,708
Cash flows from operating activities	**2,045**	1,499
Capital investments[ii]	**695**	432
Free cash flow[2]	**756**	519
Financial Measures:		
Retail debt to rolling year retail adjusted EBITDA[2]	**2.3 x**	2.4 x
Rolling year adjusted return on equity[2]	**21.8 %**	20.1 %
Rolling year adjusted return on capital[2]	**11.2 %**	10.6 %
Retail Segment:		
Food retail same-store sales growth	**4.5 %**	6.9 %
Drug retail same-store sales growth	**4.6 %**	7.7 %
Operating income	**$ 1,006**	$ 949
Adjusted gross profit[2]	**5,502**	5,272
Adjusted gross profit %[2]	**30.6 %**	30.8 %
Adjusted EBITDA[2]	**$ 1,852**	$ 1,791
Adjusted EBITDA margin[2]	**10.3 %**	10.5 %
Financial Services Segment:		
Earnings before income taxes	**$ 22**	$ 19
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 %**	2.6 %

(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.

(ii) Capital investments is the sum of fixed asset additions and intangible asset additions as presented in the Company's condensed consolidated statements of cash flows.

3. Consolidated Results of Operations

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)	$ Change	% Change	**2023 (40 weeks)**	2022 (40 weeks)	$ Change	% Change
Revenue	**$ 18,265**	$ 17,388	$ 877	5.0 %	**$44,998**	$42,497	$ 2,501	5.9 %
Operating income	**1,065**	991	74	7.5 %	**2,761**	2,471	290	11.7 %
Adjusted EBITDA(2)	**1,926**	1,846	80	4.3 %	**5,014**	4,688	326	7.0 %
Adjusted EBITDA margin(2)	**10.5 %**	10.6 %			**11.1 %**	11.0 %		
Depreciation and amortization	**$ 880**	$ 864	$ 16	1.9 %	**$ 2,226**	$ 2,128	$ 98	4.6 %
Net interest expense and other financing charges	**234**	217	17	7.8 %	**608**	511	97	19.0 %
Adjusted net interest expense and other financing charges(2)	**234**	217	17	7.8 %	**608**	522	86	16.5 %
Income taxes	**182**	199	(17)	(8.5)%	**526**	484	42	8.7 %
Adjusted income taxes(2)	**219**	234	(15)	(6.4)%	**634**	636	(2)	(0.3)%
Effective tax rate	**21.9 %**	25.7 %			**24.4 %**	24.7 %		
Adjusted effective tax rate(2)	**22.7 %**	25.5 %			**24.7 %**	26.3 %		
Net earnings attributable to non-controlling interests	**$ 25**	$ 16	$ 9	56.3 %	**$ 71**	$ 87	$ (16)	(18.4)%
Net earnings attributable to shareholders of the Company	**$ 624**	$ 559	$ 65	11.6 %	**$ 1,556**	$ 1,389	$ 167	12.0 %
Net earnings available to common shareholders of the Company(i)	**621**	556	65	11.7 %	**1,547**	1,380	167	12.1 %
Adjusted net earnings available to common shareholders of the Company(2)	**719**	663	56	8.4 %	**1,850**	1,688	162	9.6 %
Diluted net earnings per common share ($)	**$ 1.95**	$ 1.69	$ 0.26	15.4 %	**$ 4.81**	$ 4.17	$ 0.64	15.3 %
Adjusted diluted net earnings per common share(2) ($)	**$ 2.26**	$ 2.01	$ 0.25	12.4 %	**$ 5.75**	$ 5.10	$ 0.65	12.7 %
Diluted weighted average common shares outstanding (in millions)	**318.4**	329.6			**321.6**	331.1		

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

Loblaw delivered 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.

Net Earnings Available to Common Shareholders of the Company and Diluted Net Earnings Per Common Share
Net earnings available to common shareholders of the Company in the third quarter of 2023 were $621 million ($1.95 per common share). When compared to the third quarter of 2022, this was an increase of $65 million ($0.26 per common share). The increase included an improvement in the underlying operating performance of $56 million, and a favourable change in adjusting items totaling $9 million as described below:

- the improvement in underlying operating performance of $56 million ($0.17 per common share) was primarily due to the following:
  - an improvement in the underlying operating performance in the Retail segment driven by an increase in adjusted gross profit[2], partially offset by an increase in selling, general and administrative expenses ("SG&A") and depreciation and amortization; and
  - the favourable impact from adjustments to certain tax provisions.
- the favourable change in adjusting items totaling $9 million ($0.01 per common share) was primarily due to the following:
  - the year-over-year favourable change in gain on sale of non-operating properties of $10 million ($0.03 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 $719 million, an increase of $56 million or 8.4% compared to the third quarter of 2022. Adjusted net earnings per common share[2] were $2.26, an increase of $0.25 or 12.4%. The increase includes the favourable impact from the repurchase of common shares.

Year-to-date net earnings available to common shareholders of the Company were $1,547 million ($4.81 per common share), an increase of $167 million ($0.64 per common share) or 12.1% compared to the same period in 2022. The increase included an improvement in the underlying operating performance of $162 million, and a favourable change in adjusting items totaling $5 million, as described below:

- the improvement in the underlying operating performance of $162 million ($0.48 per common share) was primarily due to the following:
  - an improvement in the underlying operating performance in the Retail segment driven by an increase in adjusted gross profit(2), partially offset by an increase in SG&A and depreciation and amortization;
  - the favourable impact from adjustments to certain tax provisions; and
  - the favourable impact from non-controlling interests;

  partially offset by,
  - an increase in net interest expense and other financing charges.
- the favourable change in adjusting items totaling $5 million (unfavourable change of $0.01 per common share) was primarily due to the following:
  - the year-over-year favourable impact of charges related to President's Choice Bank ("PC Bank") commodity tax matters of $57 million ($0.16 per common share);
  - the favourable impact of prior year Lifemark Health Group ("Lifemark") transaction costs of $12 million ($0.04 per common share); and
  - the year-over-year favourable change in gain on sale of non-operating properties of $6 million ($0.02 per common share);

  partially offset by,
  - the unfavourable impact of prior year recovery related to Glenhuron Bank Limited ("Glenhuron") of $42 million ($0.13 per common share);
  - the year-over-year unfavourable change in fair value adjustment on fuel and foreign currency contracts of $14 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).
- diluted net earnings per common share also included the favourable impact from the repurchase of common shares over the last 12 months ($0.17 per common share).

Year-to-date adjusted net earnings available to common shareholders of the Company(2) were $1,850 million, an increase of $162 million or 9.6% compared to the same period in 2022. Adjusted net earnings per common share(2) were $5.75 per common share, an increase of $0.65 or 12.7%. The increase includes the favourable impact from the repurchase of common shares.

Revenue

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)	$ Change	% Change	**2023 (40 weeks)**	2022 (40 weeks)	$ Change	% Change
Retail	**$ 17,982**	$ 17,130	$ 852	5.0 %	**$ 44,188**	$ 41,798	$ 2,390	5.7 %
Financial Services	**379**	350	29	8.3 %	**1,053**	921	132	14.3 %
Eliminations	**(96)**	(92)	(4)	(4.3)%	**(243)**	(222)	(21)	(9.5)%
Revenue	**$ 18,265**	$ 17,388	$ 877	5.0 %	**$44,998**	$ 42,497	$ 2,501	5.9 %

Revenue was $18,265 million in the third quarter of 2023. When compared to the third quarter of 2022, this was an increase of $877 million, or 5.0%. The increase was primarily driven by an increase in Retail segment sales of $852 million due to positive same-store sales growth. There was also an increase in Financial Services segment sales of $29 million.

Year-to-date revenue was $44,998 million, an increase of $2,501 million, or 5.9%, compared to the same period in 2022. The increase was primarily driven by an increase in Retail segment sales of $2,390 million, due to positive same-store sales growth. There was also an increase in Financial Services segment sales of $132 million.

Operating Income Operating income was $1,065 million in the third quarter of 2023. When compared to the third quarter of 2022, this was an increase of $74 million, or 7.5%. The increase was driven by an improvement in underlying operating performance of $67 million, and a favourable change in adjusting items totaling $7 million as described below:

- the improvement in underlying operating performance of $67 million was primarily due to the following:
  - an improvement in the underlying operating performance of the Retail Segment due to an increase in adjusted gross profit(2), partially offset by an increase in SG&A and depreciation and amortization.
- the favourable change in adjusting items totaling $7 million was primarily due to the following:
  - the favourable impact of year-over-year gain on sale of non-operating properties of $10 million.

Year-to-date operating income was $2,761 million, an increase of $290 million, or 11.7%, compared to the same period in 2022. The increase in operating income was driven by an improvement in the underlying operating performance of $230 million, and a favourable change in adjusting items totaling $60 million as described below:

- the improvement in the underlying operating performance of $230 million was primarily due to the following:
  - an improvement in the underlying operating performance of the Retail segment due to an increase in adjusted gross profit(2), partially offset by an increase in SG&A and depreciation and amortization;
- the favourable change in adjusting items totaling $60 million was primarily due to the following:
  - the year-over-year favourable impact of charges related to PC Bank commodity tax matters of $74 million;
  - the favourable impact of prior year Lifemark transaction costs of $16 million; and
  - the year-over-year favourable change from the gains on sale of non-operating properties of $5 million.

  partially offset by,
  - the year-over-year unfavourable impact of fair value adjustment on fuel and foreign currency contracts of $18 million; and
  - the unfavourable impact of prior year restructuring and other related recoveries of $15 million.

Adjusted EBITDA(2)

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)	$ Change	% Change	**2023 (40 weeks)**	2022 (40 weeks)	$ Change	% Change
Retail	**$ 1,852**	$ 1,791	$ 61	3.4 %	**$ 4,829**	$ 4,521	$ 308	6.8 %
Financial Services	**74**	55	19	34.5 %	**185**	167	18	10.8 %
Adjusted EBITDA(2)	**$ 1,926**	$ 1,846	$ 80	4.3 %	**$ 5,014**	$ 4,688	$ 326	7.0 %

Adjusted EBITDA(2) was $1,926 million in the third quarter of 2023. When compared to the third quarter of 2022, this was an increase of $80 million or 4.3%, driven by an increase in the Retail segment of $61 million, and an increase in the Financial Services segment of $19 million.

Year-to-date adjusted EBITDA(2) was $5,014 million, an increase of $326 million, or 7.0% compared to the same period in 2022, driven by an increase in the Retail segment of $308 million, and an increase in the Financial Services segment of $18 million.

Depreciation and Amortization Depreciation and amortization was $880 million, an increase of $16 million or 1.9% compared to the third quarter of 2022. The increase in depreciation and amortization in the third quarter of 2023 was primarily driven by an increase in depreciation of fixed assets related to conversions of retail locations, 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. Year-to-date depreciation and amortization was $2,226 million, an increase of $98 million or 4.6% compared to the same period in 2022. The year-to-date increase was primarily driven by an increase in depreciation of leased assets, IT assets, fixed assets related to conversions of retail locations, and accelerated depreciation of $17 million as a result of network optimization.

Depreciation and amortization in the third quarter of 2023 and year-to-date included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and Lifemark of $154 million (2022 – $151 million) and $384 million (2022 – $382 million), respectively.

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $234 million, an increase of $17 million or 7.8% compared to the third quarter of 2022. The increase was primarily driven by an increase in interest expense from lease liabilities and post-employment and other long term employee benefits. Year-to-date net interest expense and other financing charges were $608 million, a increase of $97 million or 19.0% compared to the same period in 2022. The year-to-date increase was primarily driven by an increase in interest expense from lease liabilities, borrowing related to credit card receivables, independent funding trusts, long term debt, post-employment and other long term employee benefits, and prior year interest income related to Glenhuron as discussed in Section 11. 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 the third quarter of 2023 was $182 million (2022 – $199 million) and the effective tax rate was 21.9% (2022 – 25.7%). The decrease in the effective tax rate was primarily attributable to adjustments to certain tax provisions. Year-to-date income tax expense was $526 million (2022 – $484 million) and the effective tax rate was 24.4% (2022 – 24.7%). The decrease to the year-to-date 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 the third quarter of 2023 was $219 million (2022 – $234 million) and the adjusted effective tax rate[(2)] was 22.7% (2022 – 25.5%). The decrease in the adjusted effective tax rate[(2)] was primarily attributable to adjustments to certain tax provisions. Year-to-date adjusted effective tax expense[(2)] was $634 million (2022 – $636 million) and the adjusted effective tax rate[(2)] was 24.7% (2022 – 26.3%). The decrease to the year-to-date 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 in the year.

Net Earnings Attributable To Non-Controlling Interests Net earnings attributable to non-controlling interests were $25 million, an increase of $9 million or 56.3% compared to the third quarter of 2022, primarily driven by an increase in franchisee earnings after profit sharing. Year-to-date net earnings attributable to non-controlling interests were $71 million, a decrease of $16 million or 18.4% compared to the same period in 2022, primarily driven by a decline 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.

4. Reportable Operating Segments Results of Operations

The Company has two reportable operating segments, with all material operations carried out in Canada:

- the Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, which includes in-store pharmacies, health care services and 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™ Program, insurance brokerage services, and telecommunication services.

4.1 Retail Segment

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)	$ Change	% Change	**2023 (40 weeks)**	2022 (40 weeks)	$ Change	% Change
Sales	**$17,982**	$17,130	$ 852	5.0 %	**$44,188**	$41,798	$ 2,390	5.7 %
Operating income	**1,006**	949	57	6.0 %	**2,657**	2,450	207	8.4 %
Adjusted gross profit(2)	**5,502**	5,272	230	4.4 %	**13,674**	12,977	697	5.4 %
Adjusted gross profit %(2)	**30.6 %**	30.8 %			**30.9 %**	31.0 %		
Adjusted EBITDA(2)	**$1,852**	$ 1,791	$ 61	3.4 %	**$4,829**	$ 4,521	$ 308	6.8 %
Adjusted EBITDA margin(2)	**10.3 %**	10.5 %			**10.9 %**	10.8 %		
Depreciation and amortization	**$ 865**	$ 851	$ 14	1.6 %	**$2,182**	$2,093	$ 89	4.3 %

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)**		2022 (16 weeks)		**2023 (40 weeks)**		2022 (40 weeks)	
	Sales	**Same-store sales**	Sales	Same-store sales	**Sales**	**Same-store sales**	Sales	Same-store sales
Food retail	**$12,843**	**4.5 %**	$12,221	6.9 %	**$ 31,414**	**4.5 %**	$29,884	3.6 %
Drug retail	**5,139**	**4.6 %**	4,909	7.7 %	**12,774**	**5.7 %**	11,914	6.4%
Pharmacy and healthcare services	**2,635**	**7.4 %**	2,466	4.7 %	**6,543**	**6.4 %**	6,003	5.7 %
Front store	**2,504**	**1.8 %**	2,443	10.7 %	**6,231**	**5.1 %**	5,911	6.9 %

Sales Retail segment sales were $17,982 million in the third quarter of 2023, an increase of $852 million, or 5.0% compared to the third quarter of 2022, primarily driven by the following factors:

- Food retail same-store sales growth was 4.5% (2022 – 6.9%) for the quarter.
  - Sales growth in food was strong;
  - Sales growth in pharmacy was flat;
  - The Consumer Price Index ("CPI") as measured by The Consumer Price Index for Food Purchased From Stores was 7.1% (2022 – 10.7%) which was higher than the Company's internal food inflation; and
  - Food Retail traffic increased and basket size decreased.
- Drug retail same-store sales growth was 4.6% (2022 – 7.7%) for the quarter.
  - Pharmacy and healthcare services same-store sales growth was 7.4% (2022 – 4.7%). Pharmacy and healthcare services same-store sales growth benefited from the change in prescription mix. The number of prescriptions dispensed increased by 0.8% (2022 – 0.8%). 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%);
  - Front store same-store sales growth was 1.8% (2022 – 10.7%). Front store same-store sales growth benefited from higher consumer spending.

In the last 12 months, 20 food and drug stores were opened, and 11 food and drug stores were closed, resulting in a net increase in Retail square footage of 0.3 million square feet, or 0.4%.

On a year-to-date basis, Retail segment sales were $44,188 million, an increase of $2,390 million, or 5.7% when compared to the same period in 2022. Food retail sales of $31,414 million, increased by $1,530 million, or 5.1%. Food retail same-store sales grew by 4.5% (2022 – 3.6%). Drug retail sales of $12,774 million increased by $860 million, or 7.2%. Drug retail same-store sales growth was 5.7% (2022 – 6.4%), with pharmacy and healthcare services same-store sales growth of 6.4% (2022 – 5.7%) and front store sales growth of 5.1% (2022 – 6.9%).

Operating Income Operating income was $1,006 million in the third quarter of 2023, an increase of $57 million, or 6.0% compared to the third quarter of 2022. The increase was driven by an improvement in underlying operating performance of $50 million, and a favourable change in adjusting items totaling $7 million, as described below:

- the improvement in underlying operating performance of $50 million was due to an increase in adjusted gross profit[(2)], partially offset by an increase in SG&A and depreciation and amortization; and
- the favourable change in adjusting items totaling $7 million was primarily due to the following:
  - the favourable impact of year-over-year gain on sale of non-operating properties of $10 million.

Year-to-date operating income was $2,657 million, an increase of $207 million, or 8.4% compared to the same period in 2022. The increase was driven by an improvement in underlying operating performance of $221 million, partially offset by the unfavourable change in adjusting items totaling $14 million, as described below:

- the improvement in underlying operating performance of $221 million was due to an increase in adjusted gross profit[(2)], partially offset by an increase in SG&A and depreciation and amortization; and
- the unfavourable change in adjusting items totaling $14 million was primarily due to the following:
  - the year-over-year unfavourable change in fair value adjustments on fuel and foreign currency contracts of $18 million; and
  - the unfavourable impact of prior year restructuring and other related recoveries of $15 million;

  partially offset by,
  - the favourable impact of prior year Lifemark transaction costs of $16 million; and
  - the year-over-year favourable change from the gains on sale of non-operating properties of $5 million.

Adjusted Gross Profit[(2)] Adjusted gross profit[(2)] was $5,502 million in the third quarter of 2023, an increase of $230 million, or 4.4% compared to 2022. Adjusted gross profit percentage[(2)] of 30.6% decreased by 20 basis points when compared to the third quarter of 2022. Retail margins declined slightly, primarily driven by higher shrink.

Year-to-date adjusted gross profit[(2)] was $13,674 million in 2023, an increase of $697 million, or 5.4% compared to the same period in 2022. Adjusted gross profit percentage[(2)] of 30.9% decreased by 10 basis points when compared to 2022, primarily driven by higher shrink.

Adjusted EBITDA[(2)] Adjusted EBITDA[(2)] was $1,852 million in the third quarter of 2023, an increase of $61 million, or 3.4% compared to the third quarter of 2022. The increase was driven by an increase in adjusted gross profit[(2)] of $230 million, partially offset by an increase in SG&A of $169 million. 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.

Year-to-date adjusted EBITDA[(2)] was $4,829 million in 2023, an increase of $308 million, or 6.8% compared to 2022. The increase was driven by an increase in adjusted gross profit[(2)] of $697 million, partially offset by an increase in SG&A of $389 million. SG&A as a percentage of sales was 20.0%, a favourable decrease of 20 basis points when compared to 2022. The favourable decrease of 20 basis points was primarily due to operating leverage from higher sales.

Depreciation and Amortization Depreciation and amortization was $865 million in the third quarter of 2023, an increase of $14 million when compared to the third quarter of 2022. The increase in depreciation and amortization in the third quarter of 2023 was primarily driven by an increase in depreciation of fixed assets related to conversions of retail locations, 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. Year-to-date depreciation and amortization was $2,182 million, an increase of $89 million compared to the same period in 2022. The year-to-date increase was primarily driven by an increase in depreciation of leased assets, IT assets, fixed assets related to conversions of retail locations, and accelerated depreciation of $17 million as a result of network optimization.

Depreciation and amortization in the third quarter of 2023 and year-to-date included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of $154 million (2022 – $151 million) and $384 million (2022 – $382 million), respectively.

Network Optimization During the third quarter of 2023 and year-to-date, the Company recorded charges of $13 million and $45 million associated with network optimization, respectively. Included in the charges was accelerated depreciation of $2 million and $17 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.

4.2 Financial Services Segment

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)	$ Change	% Change	**2023 (40 weeks)**	2022 (40 weeks)	$ Change	% Change
Revenue	**$ 379**	$ 350	$ 29	8.3 %	**$ 1,053**	$ 921	$ 132	14.3 %
Earnings (Losses) before income taxes	**22**	19	3	15.8 %	**—**	(35)	35	100.0 %

(millions of Canadian dollars except where otherwise indicated)	**As at October 7, 2023**	As at October 8, 2022	$ Change	% Change
Average quarterly net credit card receivables	**$ 3,905**	$ 3,520	$ 385	10.9 %
Credit card receivables	**3,946**	3,679	267	7.3 %
Allowance for credit card receivables	**231**	202	29	14.4 %
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 %**	2.6 %		

Revenue Revenue was $379 million in the third quarter of 2023, an increase of $29 million compared to the third quarter of 2022. The increase in the third quarter was primarily driven by:

- 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;

partially offset by,

- lower sales attributable to The Mobile Shop™.

Year-to-date revenue was $1,053 million, an increase of $132 million compared to the same period in 2022. The increase in the year-to-date revenue was primarily driven by:

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

Earnings (Losses) before income taxes Earnings before income taxes were $22 million in the third quarter of 2023, an increase of $3 million compared to the third quarter of 2022. The increase in the third quarter was primarily 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 from growth in the credit card portfolio; and
- the year-over-year unfavourable impact of the expected credit loss provision.

Year-to-date earnings before income taxes were nil in 2023, as compared to losses of $35 million in 2022. The improvement was primarily driven by:

- the year-over-year impact from the prior year charge of $111 million versus the current year charge of $37 million related to commodity tax matters; and
- higher revenue as described above;

partially offset by,

- higher contractual charge-offs, operating costs 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 the credit card portfolio; and
- the year-over-year impact of the expected credit loss provision from the prior year release of $3 million versus the current year increase of $25 million.

In the second quarter of 2023, the Federal government enacted certain commodity tax legislation that may apply to PC Bank on a retroactive basis. A charge of $37 million, inclusive of interest, was recorded for this matter.

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. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

Credit Card Receivables As at October 7, 2023, credit card receivables were $3,946 million, an increase of $267 million compared to October 8, 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 $231 million, an increase of $29 million compared to October 8, 2022.

5. Liquidity and Capital Resources

5.1 Cash Flows

Major Cash Flow Components

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)	$ Change	% Change	**2023 (40 weeks)**	2022 (40 weeks)	$ Change	% Change
Cash and cash equivalents, beginning of period	**$ 1,209**	$ 1,477	$ (268)	(18.1)%	**$ 1,608**	$ 1,976	$ (368)	(18.6)%
Cash flows from (used in):								
Operating activities	**$ 2,045**	$ 1,499	$ 546	36.4 %	**$ 4,249**	$ 3,607	$ 642	17.8 %
Investing activities	**(431)**	(921)	490	53.2 %	**(1,515)**	(1,952)	437	22.4 %
Financing activities	**(1,592)**	(636)	(956)	(150.3)%	**(3,113)**	(2,212)	(901)	(40.7)%
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(3)**	(5)	2	40.0 %	**(1)**	(5)	4	(80.0)%
Increase (decrease) in cash and cash equivalents	**$ 19**	$ (63)	$ 82	130.2 %	**$ (380)**	$ (562)	$ 182	32.4 %
Cash and cash equivalents, end of period	**$ 1,228**	$ 1,414	$ (186)	(13.2)%	**$ 1,228**	$ 1,414	$ (186)	(13.2)%

Cash Flows from Operating Activities Cash flows from operating activities were $2,045 million in the third quarter of 2023, an increase of $546 million compared to the third quarter of 2022. The increase in cash flows from operating activities was primarily driven by a favourable change in non-cash working capital, higher cash earnings, a change in credit card receivables from lapping of prior year increase in customer spending and a cash payment made in the third quarter of 2022 in relation to the PC Bank commodity tax matter, partially offset by net lower income taxes paid in 2022 due to the recovery of cash taxes related to Glenhuron.

Year-to-date cash flows from operating activities were $4,249 million, an increase of $642 million compared to the same period in 2022. The increase in cash flows from operating activities was primarily driven by a favourable change in non-cash working capital, higher cash earnings, a change in credit card receivables from lapping of prior year increase in customer spending, partially offset by net lower income taxes paid in 2022 due to the recovery of cash taxes related to Glenhuron.

Cash Flows used in Investing Activities Cash flows used in investing activities were $431 million in the third quarter of 2023, a decrease of $490 million compared to the third quarter of 2022. The decrease in cash flows used in investing activities was primarily driven by a favourable change in security deposits due to the maturity of *Eagle Credit Card Trust*® ("*Eagle*") notes in the third quarter of 2023 and accumulation of funds in the prior year due to the maturity of *Eagle* in the fourth quarter of 2022, a favourable change in long-term and short term investment portfolio, partially offset by an increase in investments in fixed and intangible assets.

Year-to-date cash flows used in investing activities were $1,515 million, a decrease of $437 million compared to the same period in 2022. The decrease in cash flows used in investing activities was primarily driven by the acquisition of Lifemark in 2022, a favourable change in security deposits due to the accumulation of funds in the prior year due to the maturity of *Eagle* in the fourth quarter of 2022, a decrease in long-term securities, partially offset by an increase in investments in fixed and intangible assets and an increase in short term investments.

Capital Investments and Store Activity

As at October 7, 2023 and October 8, 2022	**2023 (40 weeks)**	2022 (40 weeks)	% Change
Corporate square footage (in millions)	**35.2**	34.8	1.1 %
Franchise square footage (in millions)	**17.0**	17.2	(1.2)%
Associate-owned drug store square footage (in millions)	**19.0**	18.9	0.5 %
Total retail square footage (in millions)	**71.2**	70.9	0.4 %
Number of corporate stores(i)	**568**	545	4.2 %
Number of franchise stores	**536**	550	(2.5)%
Number of Associate-owned drug stores	**1,344**	1,344	— %
Total number of stores	**2,448**	2,439	0.4 %
Average store size (square feet)			
Corporate(i)	**62,000**	63,900	(3.0)%
Franchise	**31,700**	31,300	1.3 %
Associate-owned drug store	**14,100**	14,100	— %

(i) Comparative figures for the number of corporate stores has been restated to conform with current year presentation, which separately counts in-store health clinics.

Capital Investments Capital investments in the third quarter of 2023 were $695 million, an increase of $263 million or 60.9%, compared to the third quarter of 2022. Year-to-date capital investments were $1,433 million, an increase of $513 million or 55.8%, compared to the same period in 2022.

Cash Flows used in Financing Activities Cash flows used in financing activities were $1,592 million in the third quarter of 2023, an increase of $956 million compared to the third quarter of 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 and higher issuance of short-term debt in the prior year.

Year-to-date cash flows used in financing activities were $3,113 million, an increase of $901 million compared to the same period in 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 issuance of short-term debt in the prior year and higher repurchases of common shares in the current year.

Free Cash Flow(2)

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

For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars)	**2023 (40 weeks)** Retail	Financial Services	Eliminations(i)	Total	2022 (40 weeks) Retail	Financial Services	Eliminations(i)	Total
Cash flows from (used in) operating activities	**$ 3,985**	**$ 177**	**$ 87**	**$ 4,249**	$ 3,786	$ (226)	$ 47	$ 3,607
Less:								
Capital investments(ii)	**1,403**	**30**	**—**	**1,433**	898	22	—	920
Interest paid	**233**	**—**	**87**	**320**	212	—	47	259
Lease payments, net	**1,167**	**—**	**—**	**1,167**	1,079	—	—	1,079
Free cash flow(2)	**$ 1,182**	**$ 147**	**$ —**	**$ 1,329**	$ 1,597	$ (248)	$ —	$ 1,349

(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.

Free cash flow(2) from the Retail segment in the third quarter of 2023 was $663 million, an increase of $120 million from the third quarter of 2022. The increase was primarily driven by favourable change in non-cash working capital, higher cash earnings, partially offset by net lower income taxes paid in 2022 due to the recovery of cash taxes related to Glenhuron. Year-to-date free cash flow(2) from the Retail segment was $1,182 million, a decrease of $415 million from the same period in 2022. The decrease was primarily driven by net lower income taxes paid in 2022 due to the recovery of cash taxes related to Glenhuron, partially offset by a favourable change in non-cash working capital, higher cash earnings. Higher capital investments also reduced the Retail segment free cash flow compared to the same periods in 2022.

Free cash flow(2) from the Financial Services segment in the third quarter of 2023 was $93 million, an increase of $117 million compared to the third quarter of 2022. The increase was primarily driven by a change in credit card receivables from lapping of prior year increase in customer spending, a cash payment made in the third quarter of 2022 in relation to the PC Bank commodity tax matter and higher cash earnings. Year-to-date free cash flow(2) from the Financial Services segment was $147 million, an increase of $395 million compared to the same period in 2022. The increase was primarily driven by a change in credit card receivables from lapping of prior year increase in customer spending and higher cash earnings.

5.2 Liquidity and Capital Structure

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

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

The following table presents total debt by reportable operating segment:

	As at October 7, 2023			As at October 8, 2022			As at December 31, 2022		
(millions of Canadian dollars)	**Retail**	**Financial Services**	**Total**	Retail	Financial Services	Total	Retail	Financial Services	Total
Bank indebtedness	**$ 22**	**$ —**	**$ 22**	$ 16	$ —	$ 16	$ 8	$ —	$ 8
Demand deposits from customers	**—**	**147**	**147**	—	109	109	—	125	125
Short term debt(i)	**—**	**650**	**650**	—	600	600	—	700	700
Long term debt due within one year	**400**	**874**	**1,274**	—	798	798	—	727	727
Long term debt	**4,394**	**2,192**	**6,586**	4,865	2,113	6,978	4,866	2,190	7,056
Certain other liabilities(ii)	**270**	**—**	**270**	152	—	152	153	—	153
Total debt excluding lease liabilities	**$ 5,086**	**$3,863**	**$ 8,949**	$ 5,033	$3,620	$ 8,653	$ 5,027	$ 3,742	$ 8,769
Lease liabilities due within one year	**1,442**	**—**	**1,442**	1,391	—	1,391	1,401	—	1,401
Lease liabilities	**7,718**	**—**	**7,718**	7,678	—	7,678	7,714	—	7,714
Total debt including total lease liabilities	**$14,246**	**$3,863**	**$18,109**	$14,102	$3,620	$17,722	$14,142	$ 3,742	$17,884

(i) On a year-to-date basis, PC Bank recorded a $50 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

(ii) As at October 7, 2023, certain other liabilities include financial liabilities of $189 million related to the sale and leaseback of retail properties (October 8, 2022 — $72 million, December 31, 2022 — $73 million) (see note 8: Real Estate Dispositions of the Company's interim 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 October 7, 2023	As at October 8, 2022	As at December 31, 2022
Retail debt to rolling year retail adjusted EBITDA(2)	**2.3 x**	2.4 x	2.4 x

The Retail debt to rolling year retail adjusted EBITDA(2) ratio as at October 7, 2023 decreased compared to October 8, 2022 and December 31, 2022, primarily due to an improvement in rolling year adjusted EBITDA(2).

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

Covenants and Regulatory Requirements The Company is required to comply with certain financial covenants for various debt instruments. As at October 7, 2023 and throughout the third quarter, the Company was in compliance with such covenants. As at October 7, 2023 and throughout the third quarter, PC Bank has met all applicable regulatory requirements.

5.3 Financial Condition

Rolling year adjusted return on equity[(2)] and Rolling year adjusted return on capital[(2)]

	As at October 7, 2023	As at October 8, 2022	As at December 31, 2022
Rolling year adjusted return on equity[(2)]	**21.8 %**	20.1 %	20.2 %
Rolling year adjusted return on capital[(2)]	**11.2 %**	10.6 %	10.8 %

Rolling year adjusted return on equity[(2)] as at October 7, 2023 increased compared to October 8, 2022 and December 31, 2022, primarily due to an improvement in the underlying operating performance of the Retail segment on a rolling four quarter basis.

Rolling year adjusted return on capital[(2)] as at October 7, 2023 increased compared to October 8, 2022 and December 31, 2022, primarily due to an improvement in adjusted operating income[(2)] on a rolling four quarter basis.

5.4 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

In the second quarter of 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.

5.5 Dividends and Share Repurchases

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

	October 7, 2023[(i)] (16 weeks)	October 8, 2022 (16 weeks)	**October 7, 2023 (40 weeks)**	October 8, 2022 (40 weeks)
Dividends declared per share ($)				
Common Share	**$ 0.446**	$ 0.405	**$ 1.297**	$ 1.175
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125	**$ 0.99375**	$ 0.99375

(i) The Common Share dividends declared in the third quarter of 2023 of $0.446 per share had a payment date of October 1, 2023. The Second Preferred Shares, Series B dividends declared in the third quarter of 2023 of $0.33125 per share had a payment date of September 30, 2023.

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

In the second quarter of 2023, the Company renewed its Normal Course Issuer Bid ("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 October 7, 2023, the Company had purchased 6,882,394 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 the third quarter of 2023, 2,926,260 common shares (2022 – 3,429,543) were purchased under the NCIB program for cancellation, for aggregate consideration of $341 million (2022 – $403 million), including 1,473,813 common shares (2022 – 1,632,756) purchased from Weston, for aggregate consideration of $171 million (2022 – $191 million). On a year-to-date basis, 10,410,560 common shares (2022 – 10,138,169) were purchased under the NCIB for cancellation, for aggregate consideration of $1,235 million (2022 – $1,158 million), including 5,148,067 common shares (2022 – 4,584,521) purchased from Weston, for aggregate consideration of $609 million (2022 – $523 million).

For additional information please refer to Note 10 “Share Capital” of the Company’s interim financial statements.

5.6 Off-Balance Sheet Arrangements

The Company uses off-balance sheet arrangements including letters of credit, guarantees and cash collateralization in connection with certain obligations. There were no significant changes to these off-balance sheet arrangements during the third quarter of 2023. For a discussion of the Company’s significant off-balance sheet arrangements see Section 7.7 “Off-Balance Sheet Arrangements” of the Company’s 2022 Annual Report.

6. Financial Derivative Instruments

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

In the third quarter of 2023, PC Bank settled a bond forward agreement with notional value of $15 million. Year-to-date PC Bank entered into bond forward agreements with a total notional value of $160 million. The purpose of the forwards are to hedge the interest rate risk. Year-to-date PC bank settled a bond forward agreement of $155 million, primarily relating to the $250 million *Eagle* Series 2023-1 notes issued in the second quarter of 2023.

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 $9 million in the third quarter of 2023 and a $5 million fair value loss year-to-date, 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 the third quarter of 2023 see Section 11 “Non-GAAP and Other Financial Measures” of the MD&A.

7. 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 below were all 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 consolidated quarterly financial information for each of the eight most recently completed quarters:

Summary of Consolidated Quarterly Results

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2023 (16 weeks)**	**2022 (16 weeks)**	2023 (12 weeks)	2022 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)	2022 (12 weeks)	2021 (12 weeks)
Revenue	**$18,265**	**$17,388**	$ 13,738	$ 12,847	$12,995	$12,262	$ 14,007	$ 12,757
Adjusted EBITDA(2)	**1,926**	**1,846**	1,640	1,499	1,448	1,343	1,493	1,324
Net earnings available to common shareholders of the Company	**621**	**556**	508	387	418	437	529	744
Adjusted net earnings available to common shareholders of the Company(2)	**719**	**663**	626	566	505	459	575	515
Net earnings per common share:								
Basic ($)	**$ 1.97**	**$ 1.71**	$ 1.59	$ 1.17	$ 1.30	$ 1.31	$ 1.63	$ 2.23
Diluted ($)	**$ 1.95**	**$ 1.69**	$ 1.58	$ 1.16	$ 1.29	$ 1.30	$ 1.62	$ 2.20
Adjusted diluted net earnings per common share(2) ($)	**$ 2.26**	**$ 2.01**	$ 1.94	$ 1.69	$ 1.55	$ 1.36	$ 1.76	$ 1.52
Food retail same-store sales growth	**4.5 %**	**6.9 %**	6.1 %	0.9 %	3.1 %	2.1 %	8.4 %	1.1 %
Drug retail same-store sales growth	**4.6 %**	**7.7 %**	5.7 %	5.6 %	7.4 %	5.2 %	8.7 %	7.9 %

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

- COVID-19 pandemic related impacts;
- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays; and
- macro-economic conditions impacting food and drug retail prices.

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

- COVID-19 pandemic related impacts;
- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- cost savings from operating efficiencies and benefits from strategic initiatives;
- the 2021 reversal of certain commodity taxes accrued;
- the favourable impact of the repurchase of common shares for cancellation; and
- the impact of adjusting items, as set out in Section 11 "Non-GAAP and Other Financial Measures", including:
    - charges related to PC Bank commodity tax matters;
    - Lifemark transaction costs;
    - restructuring and other related recoveries and costs;
    - the recovery relating to Glenhuron;
    - fair value adjustment on non-operating properties;
    - fair value adjustment on fuel and foreign currency; and
    - the gain and loss on sale of non-operating properties.

8. Internal Control over Financial Reporting

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

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

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

Changes in Internal Control over Financial Reporting There were no changes in the Company's internal control over financial reporting in the third quarter of 2023 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

9. Enterprise Risks and Risk Management

A detailed full set of risks inherent in the Company's business are included in the Company's AIF for the year ended December 31, 2022 and the Company's MD&A in the Company's 2022 Annual Report, which are hereby incorporated by reference. The Company's 2022 Annual Report and AIF are available online on www.sedarplus.ca. Those risks and risk management strategies remain unchanged.

10. 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.

11. 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 (16 weeks)				2022 (16 weeks)
For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	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

				2023 (40 weeks)				2022 (40 weeks)
For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$ 44,188**	**$ 1,053**	**$ (243)**	**$44,998**	$ 41,798	$ 921	$ (222)	$42,497
Cost of sales	**30,514**	**120**	**—**	**30,634**	28,821	120	—	28,941
Gross profit	**$ 13,674**	**$ 933**	**$ (243)**	**$ 14,364**	$ 12,977	$ 801	$ (222)	$13,556
Adjusted gross profit	**$ 13,674**	**$ 933**	**$ (243)**	**$ 14,364**	$ 12,977	$ 801	$ (222)	$13,556

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

For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars)	**2023 (40 weeks)** Retail	Financial Services	Total	2022 (40 weeks) Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			**$ 1,556**			$ 1,389
Add impact of the following:						
Non-controlling interests			**71**			87
Net interest expense and other financing charges			**608**			511
Income taxes			**526**			484
Operating income	**$ 2,657**	**$ 104**	**$ 2,761**	$ 2,450	$ 21	$ 2,471
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 384**	**$ —**	**$ 384**	$ 382	$ —	$ 382
Charges related to PC Bank commodity tax matters	**—**	**37**	**37**	—	111	111
Fair value adjustment on fuel and foreign currency contracts	**2**	**—**	**2**	(16)	—	(16)
Lifemark transaction costs	**—**	**—**	**—**	16	—	16
Restructuring and other related recoveries	**—**	**—**	**—**	(15)	—	(15)
Gain on sale of non-operating properties	**(12)**	**—**	**(12)**	(7)	—	(7)
Adjusting items	**$ 374**	**$ 37**	**$ 411**	$ 360	$ 111	$ 471
Adjusted operating income	**$ 3,031**	**$ 141**	**$ 3,172**	$ 2,810	$ 132	$ 2,942
Depreciation and amortization	**2,182**	**44**	**2,226**	2,093	35	2,128
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(384)**	**—**	**(384)**	(382)	—	(382)
Adjusted EBITDA	**$ 4,829**	**$ 185**	**$ 5,014**	$ 4,521	$ 167	$ 4,688

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 related to PC Bank commodity tax matters In the second quarter of 2023, the Federal government enacted certain commodity tax legislation that may apply to PC Bank on a retroactive basis. A charge of $37 million, inclusive of interest, was recorded for this matter.

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 the Appeal.

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.

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 third quarter of 2023 and year-to-date, 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 third quarter of 2023, the Company recorded a gain related to the sale of non-operating properties of $13 million (2022 – $3 million). Year-to-date, the Company recorded a gain related to the sale of non-operating properties of $12 million (2022 – $7 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)	**2023 (40 weeks)**	2022 (40 weeks)
Net interest expense and other financing charges	**$ 234**	$ 217	**$ 608**	$ 511
Add: Recovery related to Glenhuron	**—**	—	**—**	11
Adjusted net interest expense and other financing charges	**$ 234**	$ 217	**$ 608**	$ 522

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 October 7, 2023 and October 8, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (16 weeks)**	2022 (16 weeks)	**2023 (40 weeks)**	2022 (40 weeks)
Adjusted operating income(i)	**$ 1,200**	$ 1,133	**$ 3,172**	$ 2,942
Adjusted net interest expense and other financing charges(i)	**234**	217	**608**	522
Adjusted earnings before taxes	**$ 966**	$ 916	**$ 2,564**	$ 2,420
Income taxes	**$ 182**	$ 199	**$ 526**	$ 484
Add impact of the following:				
Tax impact of items included in adjusted earnings before taxes(ii)	**37**	35	**108**	119
Recovery related to Glenhuron	**—**	—	**—**	33
Adjusted income taxes	**$ 219**	$ 234	**$ 634**	$ 636
Effective tax rate	**21.9 %**	25.7 %	**24.4 %**	24.7 %
Adjusted effective tax rate	**22.7 %**	25.5 %	**24.7 %**	26.3 %

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

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

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

For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (16 weeks)**	2022 (16 weeks)	**2023 (40 weeks)**	2022 (40 weeks)
Net earnings attributable to shareholders of the Company	**$ 624**	$ 559	**$ 1,556**	$ 1,389
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(9)**	(9)
Net earnings available to common shareholders of the Company	**$ 621**	$ 556	**$ 1,547**	$ 1,380
Net earnings attributable to shareholders of the Company	**$ 624**	$ 559	**$ 1,556**	$ 1,389
Adjusting items (refer to the following table)	**98**	107	**303**	308
Adjusted net earnings attributable to shareholders of the Company	**$ 722**	$ 666	**$ 1,859**	$ 1,697
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(9)**	(9)
Adjusted net earnings available to common shareholders of the Company	**$ 719**	$ 663	**$ 1,850**	$ 1,688
Diluted weighted average common shares outstanding (millions)	**318.4**	329.6	**321.6**	331.1

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

For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars/Canadian dollars)	**2023 (16 weeks) Net Earnings Available to Common Shareholders of the Company**	**2023 (16 weeks) Diluted Net Earnings Per Common Share**	2022 (16 weeks) Net Earnings Available to Common Shareholders of the Company	2022 (16 weeks) Diluted Net Earnings Per Common Share	**2023 (40 weeks) Net Earnings Available to Common Shareholders of the Company**	**2023 (40 weeks) Diluted Net Earnings Per Common Share**	2022 (40 weeks) Net Earnings Available to Common Shareholders of the Company	2022 (40 weeks) Diluted Net Earnings Per Common Share
As reported	**$ 621**	**$ 1.95**	$ 556	$ 1.69	**$ 1,547**	**$ 4.81**	$ 1,380	$ 4.17
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 113**	**$ 0.35**	$ 112	$ 0.34	**$ 282**	**$ 0.87**	$ 282	$ 0.86
Charges related to PC Bank commodity tax matters	**—**	**—**	—	—	**29**	**0.09**	86	0.25
Lifemark transaction costs	**—**	**—**	—	—	**—**	**—**	12	0.04
Restructuring and other related recoveries	**—**	**—**	—	—	**—**	**—**	(14)	(0.04)
Recovery related to Glenhuron	**—**	**—**	—	—	**—**	**—**	(42)	(0.13)
Fair value adjustment on fuel and foreign currency contracts	**(4)**	**(0.01)**	(4)	(0.02)	**2**	**0.01**	(12)	(0.04)
Gain on sale of non-operating properties	**(11)**	**(0.03)**	(1)	—	**(10)**	**(0.03)**	(4)	(0.01)
Adjusting items	**$ 98**	**$ 0.31**	$ 107	$ 0.32	**$ 303**	**$ 0.94**	$ 308	$ 0.93
Adjusted	**$ 719**	**$ 2.26**	$ 663	$ 2.01	**$ 1,850**	**$ 5.75**	$ 1,688	$ 5.10

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 (16 weeks)				2022 (16 weeks)
For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations(i)**	**Total**	Retail	Financial Services	Eliminations(i)	Total
Cash flows from (used in) operating activities	**$ 1,898**	**$ 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.

				2023 (40 weeks)				2022 (40 weeks)
For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations(i)**	**Total**	Retail	Financial Services	Eliminations(i)	Total
Cash flows from (used in) operating activities	**$3,985**	**$ 177**	**$ 87**	**$ 4,249**	$ 3,786	$ (226)	$ 47	$ 3,607
Less:								
Capital investments	**1,403**	**30**	**—**	**1,433**	898	22	—	920
Interest paid	**233**	**—**	**87**	**320**	212	—	47	259
Lease payments, net	**1,167**	**—**	**—**	**1,167**	1,079	—	—	1,079
Free cash flow(2)	**$ 1,182**	**$ 147**	**$ —**	**$ 1,329**	$ 1,597	$ (248)	$ —	$ 1,349

(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.

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

- ***Retail Debt to Rolling Year Retail Adjusted EBITDA*** Retail segment total debt divided by Retail segment adjusted EBITDA for the last four quarters. Please refer to section "5.2 Liquidity and Capital Structure" of this MD&A.
- ***Rolling Year Adjusted Return on Equity*** Adjusted net earnings available to common shareholders of the Company for the last four quarters divided by average total equity attributable to common shareholders of the Company. Please refer to section "5.3 Financial Condition" of this MD&A.
- ***Rolling Year Adjusted Return on Capital*** Tax-effected adjusted operating income for the last four quarters divided by average capital where capital is defined as total debt, plus equity attributable to shareholders of the Company, less cash and cash equivalents, and short term investments. Please refer to section "5.3 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 Comparative Reconciliations to GAAP Measures

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

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2023 (16 weeks)**	**2022 (16 weeks)**	2023 (12 weeks)	2022 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)	2022 (12 weeks)	2021 (12 weeks)
Net earnings attributable to shareholders of the Company	**$ 624**	**$ 559**	$ 511	$ 390	$ 421	$ 440	$ 532	$ 747
Add (deduct) impact of the following:								
Non-controlling interests	**25**	**16**	30	38	16	33	(14)	(28)
Net interest (recovery) expense and other financing charges	**234**	**217**	193	152	181	142	172	(29)
Income taxes	**182**	**199**	193	162	151	123	181	15
Operating income	**$ 1,065**	**$ 991**	$ 927	$ 742	$ 769	$ 738	$ 871	$ 705
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 154**	**$ 151**	$ 116	$ 114	$ 114	$ 117	$ 115	$ 117
Charges related to PC Bank commodity tax matters	**—**	**—**	37	111	—	—	—	—
Lifemark transaction costs	**—**	**—**	—	13	—	3	—	—
Restructuring and other related recoveries	**—**	**—**	—	—	—	(15)	—	(8)
Fair value adjustment on non-operating properties	**—**	**—**	—	—	—	—	(6)	(2)
Fair value adjustment on fuel and foreign currency contracts	**(6)**	**(6)**	5	4	3	(14)	11	6
(Gain) Loss on sale of non-operating properties	**(13)**	**(3)**	—	(4)	1	—	(50)	—
Adjusting items	**$ 135**	**$ 142**	$ 158	$ 238	$ 118	$ 91	$ 70	$ 113
Adjusted operating income	**$ 1,200**	**$ 1,133**	$ 1,085	$ 980	$ 887	$ 829	$ 941	$ 818
Depreciation and amortization	**880**	**864**	671	633	675	631	667	623
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(154)**	**(151)**	(116)	(114)	(114)	(117)	(115)	(117)
Adjusted EBITDA(i)	**$ 1,926**	**$ 1,846**	$ 1,640	$ 1,499	$ 1,448	$ 1,343	$ 1,493	$ 1,324

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

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

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2023 (16 weeks)**	**2022 (16 weeks)**	2023 (12 weeks)	2022 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)	2022 (12 weeks)	2021 (12 weeks)
As reported	**$ 621**	**$ 556**	$ 508	$ 387	$ 418	$ 437	$ 529	$ 744
Add (deduct) impact of the following[(i)]:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 113**	**$ 112**	$ 85	$ 83	$ 84	$ 87	$ 83	$ 87
Charges related to PC Bank commodity tax matters	**—**	**—**	29	86	—	—	—	—
Lifemark transaction costs	**—**	**—**	—	10	—	2	—	—
Restructuring and other related (recoveries) costs	**—**	**—**	—	—	—	(14)	—	(6)
Recovery related to Glenhuron	**—**	**—**	—	—	—	(42)	—	(313)
Fair value adjustment on non-operating properties	**—**	**—**	—	—	—	—	(4)	(1)
Fair value adjustment on fuel and foreign currency contracts	**(4)**	**(4)**	4	3	2	(11)	8	4
(Gain) Loss on sale of non-operating properties	**(11)**	**(1)**	—	(3)	1	—	(41)	—
Adjusting items	**$ 98**	**$ 107**	$ 118	$ 179	$ 87	$ 22	$ 46	$ (229)
Adjusted[(i)]	**$ 719**	**$ 663**	$ 626	$ 566	$ 505	$ 459	$ 575	$ 515

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

(millions of Canadian dollars except where otherwise indicated)	**Third Quarter** **2023** **(16 weeks)**	**2022** **(16 weeks)**	Second Quarter 2023 (12 weeks)	2022 (12 weeks)	First Quarter 2023 (12 weeks)	2022 (12 weeks)	Fourth Quarter 2022 (12 weeks)	2021 (12 weeks)
As reported	**$ 1.95**	**$ 1.69**	$ 1.58	$ 1.16	$ 1.29	$ 1.30	$ 1.62	$ 2.20
Add (deduct) impact of the following[i]:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 0.35**	**$ 0.34**	$ 0.26	$ 0.25	$ 0.26	$ 0.25	$ 0.25	$ 0.25
Charges related to PC Bank commodity tax matters	**—**	**—**	0.09	0.25	—	—	—	—
Lifemark transaction costs	**—**	**—**	—	0.03	—	0.01	—	—
Restructuring and other related recoveries	**—**	**—**	—	—	—	(0.04)	—	(0.02)
Recovery related to Glenhuron	**—**	**—**	—	—	—	(0.13)	—	(0.92)
Fair value adjustment on non-operating properties	**—**	**—**	—	—	—	—	(0.01)	—
Fair value adjustment on fuel and foreign currency contracts	**(0.01)**	**(0.02)**	0.01	0.01	—	(0.03)	0.03	0.01
Gain on sale of non-operating properties	**(0.03)**	**—**	—	(0.01)	—	—	(0.13)	—
Adjusting items	**$ 0.31**	**$ 0.32**	$ 0.36	$ 0.53	$ 0.26	$ 0.06	$ 0.14	$ (0.68)
Adjusted[i]	**$ 2.26**	**$ 2.01**	$ 1.94	$ 1.69	$ 1.55	$ 1.36	$ 1.76	$ 1.52
Diluted weighted average common shares outstanding (millions)	**318.4**	**329.6**	322.5	334.4	324.8	336.7	327.4	338.1

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

12. Additional Information

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

November 14, 2023
Toronto, Canada

MD&A Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 144 of the Company's 2022 Annual Report.

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

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

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**October 7, 2023 (16 weeks)**	October 8, 2022 (16 weeks)	**October 7, 2023 (40 weeks)**	October 8, 2022 (40 weeks)
Revenue	**$ 18,265**	$ 17,388	**$ 44,998**	$ 42,497
Cost of sales	**12,534**	11,914	**30,634**	28,941
Selling, general and administrative expenses	**4,666**	4,483	**11,603**	11,085
Operating income	**$ 1,065**	$ 991	**$ 2,761**	$ 2,471
Net interest expense and other financing charges (note 3)	**234**	217	**608**	511
Earnings before income taxes	**$ 831**	$ 774	**$ 2,153**	$ 1,960
Income taxes (note 4)	**182**	199	**526**	484
Net earnings	**$ 649**	$ 575	**$ 1,627**	$ 1,476
Attributable to:				
Shareholders of the Company (note 5)	**$ 624**	$ 559	**$ 1,556**	$ 1,389
Non-controlling interests	**25**	16	**71**	87
Net earnings	**$ 649**	$ 575	**$ 1,627**	$ 1,476
Net earnings per common share ($) (note 5)				
Basic	**$ 1.97**	$ 1.71	**$ 4.86**	$ 4.22
Diluted	**$ 1.95**	$ 1.69	**$ 4.81**	$ 4.17
Weighted average common shares outstanding (millions) (note 5)				
Basic	**315.2**	325.7	**318.2**	327.3
Diluted	**318.4**	329.6	**321.6**	331.1

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

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	**October 7, 2023 (16 weeks)**	October 8, 2022 (16 weeks)	**October 7, 2023 (40 weeks)**	October 8, 2022 (40 weeks)
Net earnings	**$ 649**	$ 575	**$ 1,627**	$ 1,476
Other comprehensive income, net of taxes				
Items that are or may be subsequently reclassified to profit or loss:				
Foreign currency translation gains (losses)	**$ 4**	$ (1)	**$ 4**	$ 1
(Losses) gains on cash flow hedges (note 12)	**(3)**	(3)	**3**	2
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial (losses) gains (note 11)	**(38)**	8	**57**	(160)
Other comprehensive income, net of taxes	**$ (37)**	$ 4	**$ 64**	$ (157)
Total comprehensive income	**$ 612**	$ 579	**$ 1,691**	$ 1,319
Attributable to:				
Shareholders of the Company	**$ 587**	$ 563	**$ 1,620**	$ 1,232
Non-controlling interests	**25**	16	**71**	87
Total comprehensive income	**$ 612**	$ 579	**$ 1,691**	$ 1,319

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

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	**Total Share Capital**	**Retained Earnings**	**Contributed Surplus**	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total Equity**
Balance as at December 31, 2022	$ 6,465	$ 221	**$ 6,686**	**$ 4,461**	**$ 122**	$ 41	$ (15)	$ 4	**$ 30**	**$ 157**	**$ 11,456**
Net earnings	$ —	$ —	**$ —**	**$ 1,556**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 71**	**$ 1,627**
Other comprehensive income	—	—	**—**	**57**	**—**	4	3	—	**7**	**—**	**64**
Total comprehensive income	$ —	$ —	**$ —**	**$ 1,613**	**$ —**	$ 4	$ 3	$ —	**$ 7**	**$ 71**	**$ 1,691**
Common shares purchased and cancelled (note 10)	(186)	—	**(186)**	**(899)**	**—**	—	—	—	**—**	**—**	**(1,085)**
Effect of equity-based compensation (note 10)	44	—	**44**	**—**	**5**	—	—	—	**—**	**—**	**49**
Shares purchased and held in trust (note 10)	(13)	—	**(13)**	**(59)**	**—**	—	—	—	**—**	**—**	**(72)**
Shares released from trust (note 10)	11	—	**11**	**29**	**—**	—	—	—	**—**	**—**	**40**
Dividends declared per common share – $1.297 (note 10)	—	—	**—**	**(411)**	**—**	—	—	—	**—**	**—**	**(411)**
Dividends declared per preferred share – $0.99375 (note 10)	—	—	**—**	**(9)**	**—**	—	—	—	**—**	**—**	**(9)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	—	**—**	**(76)**	**(76)**
	$ (144)	$ —	**$ (144)**	**$ 264**	**$ 5**	$ 4	$ 3	$ —	**$ 7**	**$ (5)**	**$ 127**
Balance as at October 7, 2023	$ 6,321	$ 221	**$ 6,542**	**$ 4,725**	**$ 127**	$ 45	$ (12)	$ 4	**$ 37**	**$ 152**	**$ 11,583**

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

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

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	**As at October 7, 2023**	As at October 8, 2022	As at December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	**$ 1,228**	$ 1,414	$ 1,608
Short term investments	**595**	294	326
Security deposits	**—**	250	—
Accounts receivable	**1,266**	1,164	1,199
Credit card receivables (note 7)	**3,946**	3,679	3,954
Inventories	**5,870**	5,763	5,855
Prepaid expenses and other assets	**372**	349	353
Assets held for sale (note 8)	**80**	101	81
Total current assets	**$ 13,357**	$ 13,014	$ 13,376
Fixed assets (note 8)	**6,116**	5,388	5,696
Right-of-use assets	**7,507**	7,455	7,409
Investment properties	**48**	53	60
Intangible assets	**6,121**	6,605	6,505
Goodwill	**4,353**	4,318	4,323
Deferred income tax assets	**120**	87	86
Other assets (note 11)	**630**	775	692
Total assets	**$ 38,252**	$ 37,695	$ 38,147
Liabilities			
Current liabilities			
Bank indebtedness	**$ 22**	$ 16	$ 8
Trade payables and other liabilities	**6,187**	5,785	6,218
Loyalty liability	**195**	236	180
Provisions	**121**	145	110
Income taxes payable	**181**	191	195
Demand deposits from customers	**147**	109	125
Short term debt (note 7)	**650**	600	700
Long term debt due within one year (note 9)	**1,274**	798	727
Lease liabilities due within one year	**1,442**	1,391	1,401
Associate interest	**408**	438	434
Total current liabilities	**$ 10,627**	$ 9,709	$ 10,098
Provisions	**110**	108	109
Long term debt (note 9)	**6,586**	6,978	7,056
Lease liabilities	**7,718**	7,678	7,714
Deferred income tax liabilities	**1,091**	1,286	1,279
Other liabilities (notes 8 and 11)	**537**	453	435
Total liabilities	**$ 26,669**	$ 26,212	$ 26,691
Equity			
Share capital (note 10)	**$ 6,542**	$ 6,728	$ 6,686
Retained earnings	**4,725**	4,443	4,461
Contributed surplus	**127**	116	122
Accumulated other comprehensive income	**37**	17	30
Total equity attributable to shareholders of the Company	**$ 11,431**	$ 11,304	$ 11,299
Non-controlling interests	**152**	179	157
Total equity	**$ 11,583**	$ 11,483	$ 11,456
Total liabilities and equity	**$ 38,252**	$ 37,695	$ 38,147

Contingent Liabilities (note 13).
See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	**October 7, 2023 (16 weeks)**	October 8, 2022 (16 weeks)	**October 7, 2023 (40 weeks)**	October 8, 2022 (40 weeks)
Operating activities				
Net earnings	**$ 649**	$ 575	**$ 1,627**	$ 1,476
Add (deduct):				
Income taxes (note 4)	**182**	199	**526**	484
Net interest expense and other financing charges (note 3)	**234**	217	**608**	511
Depreciation and amortization	**880**	864	**2,226**	2,128
Asset impairments, net of recoveries	**1**	6	**1**	8
Change in allowance for credit card receivables (note 7)	**11**	6	**25**	(3)
Change in provisions	**(19)**	(55)	**12**	28
Change in non-cash working capital (note 6)	**317**	(51)	**(37)**	(534)
Change in gross credit card receivables (note 7)	**15**	(59)	**(17)**	(233)
Income taxes paid	**(263)**	(227)	**(774)**	(284)
Interest received	**6**	2	**16**	28
Interest received from finance leases	**1**	1	**2**	3
Other	**31**	21	**34**	(5)
Cash flows from operating activities	**$ 2,045**	$ 1,499	**$ 4,249**	$ 3,607
Investing activities				
Fixed asset purchases	**$ (563)**	$ (303)	**$ (1,117)**	$ (612)
Intangible asset additions	**(132)**	(129)	**(316)**	(308)
(Purchase) disposal of short term investments	**(64)**	(110)	**(269)**	170
Acquisition of Lifemark Health Group, net of cash acquired	**—**	—	**—**	(813)
Decrease (Increase) in security deposits (note 7)	**250**	(250)	**—**	(250)
Proceeds from disposal of assets (note 8)	**19**	30	**139**	112
Lease payments received from finance leases	**6**	6	**15**	13
Disposal (purchases) of long term securities	**76**	(73)	**76**	(110)
Other	**(23)**	(92)	**(43)**	(154)
Cash flows used in investing activities	**$ (431)**	$ (921)	**$ (1,515)**	$ (1,952)
Financing activities				
Increase (decrease) in bank indebtedness	**$ 4**	$ (7)	**$ 14**	$ (36)
(Decrease) increase in short term debt (note 7)	**—**	100	**(50)**	150
Increase in demand deposits from customers	**10**	10	**22**	34
Long term debt (note 9)				
Issued	**87**	1,323	**678**	1,514
Repayments	**(385)**	(846)	**(601)**	(946)
Interest paid	**(122)**	(94)	**(320)**	(259)
Cash rent paid on lease liabilities - Interest	**(114)**	(103)	**(281)**	(252)
Cash rent paid on lease liabilities - Principal	**(364)**	(357)	**(901)**	(840)
Dividends paid on common and preferred shares	**(287)**	(270)	**(420)**	(395)
Common share capital				
Issued	**9**	20	**39**	72
Purchased and held in trust (note 10)	**(72)**	—	**(72)**	(63)
Purchased and cancelled (note 10)	**(341)**	(402)	**(1,235)**	(1,130)
Proceeds from financial liabilities (note 8)	**—**	—	**115**	15
Other	**(17)**	(10)	**(101)**	(76)
Cash flows used in financing activities	**$ (1,592)**	$ (636)	**$ (3,113)**	$ (2,212)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ (3)**	$ (5)	**$ (1)**	$ (5)
Increase (decrease) in cash and cash equivalents	**$ 19**	$ (63)	**$ (380)**	$ (562)
Cash and cash equivalents, beginning of period	**1,209**	1,477	**1,608**	1,976
Cash and cash equivalents, end of period	**$ 1,228**	$ 1,414	**$ 1,228**	$ 1,414

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

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 unaudited interim period condensed consolidated financial statements, as the “Company” or “Loblaw”.

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

The Company has two reportable operating segments: Retail and Financial Services (see note 15).

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

Note 2. Significant Accounting Policies

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company’s 2022 audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements. These unaudited interim period condensed consolidated financial statements are presented in Canadian dollars.

Statement of Compliance These unaudited interim period condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board. These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company’s 2022 audited annual consolidated financial statements and accompanying notes.

These unaudited interim period condensed consolidated financial statements were approved for issuance by the Company’s Board of Directors (“Board”) on November 14, 2023.

Note 3. Net Interest Expense and Other Financing Charges

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

(millions of Canadian dollars)	**October 7, 2023 (16 weeks)**	October 8, 2022 (16 weeks)	**October 7, 2023 (40 weeks)**	October 8, 2022 (40 weeks)
Interest expense and other financing charges				
Lease liabilities	**$ 114**	$ 103	**$ 281**	$ 252
Long term debt(i)	**95**	93	**242**	228
Borrowings related to credit card receivables	**16**	19	**60**	36
Post-employment and other long term employee benefits (note 11)	**4**	—	**11**	—
Independent funding trusts	**11**	8	**30**	15
Financial liabilities (note 8)	**4**	2	**9**	4
Bank indebtedness	**1**	—	**1**	1
	$ 245	$ 225	**$ 634**	$ 536
Interest income				
Accretion income	**$ (1)**	$ (1)	**$ (2)**	$ (3)
Short term interest income	**(10)**	(6)	**(24)**	(9)
Post-employment and other long term employee benefits (note 11)	**—**	(1)	**—**	(2)
	$ (11)	$ (8)	**$ (26)**	$ (14)
Recovery related to Glenhuron Bank Limited	**$ —**	$ —	**$ —**	$ (11)
Net interest expense and other financing charges	**$ 234**	$ 217	**$ 608**	$ 511

(i) The third quarter of 2022 includes 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 4. Income Taxes

Income tax expense in the third quarter of 2023 was $182 million (2022 – $199 million) and the effective tax rate was 21.9% (2022 – 25.7%). The decrease in the effective tax rate from the comparative period was primarily attributable to the adjustments to certain tax provisions. Year-to-date income tax expense was $526 million (2022 – $484 million) and the effective tax rate was 24.4% (2022 – 24.7%). The decrease to the year-to-date effective tax rate from the comparative period was primarily attributable to adjustments to certain tax provisions and the non-taxable portion of the gain from real estate dispositions during the year (see note 8), partially offset by the recovery of income taxes related to Glenhuron Bank Limited in 2022.

Note 5. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**October 7, 2023 (16 weeks)**	October 8, 2022 (16 weeks)	**October 7, 2023 (40 weeks)**	October 8, 2022 (40 weeks)
Net earnings attributable to shareholders of the Company	**$ 624**	$ 559	**$ 1,556**	$ 1,389
Dividends on preferred shares in equity	**(3)**	(3)	**(9)**	(9)
Net earnings available to common shareholders	**$ 621**	$ 556	**$ 1,547**	$ 1,380
Weighted average common shares outstanding (in millions) (note 10)	**315.2**	325.7	**318.2**	327.3
Dilutive effect of equity-based compensation (in millions)	**2.5**	3.2	**2.7**	3.1
Dilutive effect of certain other liabilities (in millions)	**0.7**	0.7	**0.7**	0.7
Diluted weighted average common shares outstanding (in millions)	**318.4**	329.6	**321.6**	331.1
Basic net earnings per common share ($)	**$ 1.97**	$ 1.71	**$ 4.86**	$ 4.22
Diluted net earnings per common share ($)	**$ 1.95**	$ 1.69	**$ 4.81**	$ 4.17

In the third quarter of 2023 and year-to-date, 859,636 (October 8, 2022 – 39,495) and 49,863 (October 8, 2022 – 1,129,776), respectively, potentially dilutive instruments were excluded from the computation of diluted net earnings per common share as they were anti-dilutive.

Note 6. Change in Non-cash Working Capital

(millions of Canadian dollars)	**October 7, 2023 (16 weeks)**	October 8, 2022 (16 weeks)	**October 7, 2023 (40 weeks)**	October 8, 2022 (40 weeks)
Change in:				
Accounts receivable	**$ (42)**	$ (16)	**$ (105)**	$ (163)
Prepaid expenses and other assets	**(15)**	17	**(68)**	4
Inventories	**(314)**	(404)	**(15)**	(597)
Trade payables and other liabilities	**647**	387	**117**	291
Other	**41**	(35)	**34**	(69)
Change in non-cash working capital	**$ 317**	$ (51)	**$ (37)**	$ (534)

Note 7. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	**As at October 7, 2023**	As at October 8, 2022	As at December 31, 2022
Gross credit card receivables	**$ 4,177**	$ 3,881	$ 4,160
Allowance for credit card receivables	**(231)**	(202)	(206)
Credit card receivables	**$ 3,946**	$ 3,679	$ 3,954
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust®* (note 9)	**$ 1,350**	$ 1,600	$ 1,350
Securitized to Other Independent Securitization Trusts	**650**	600	700
Total securitized to independent securitization trusts	**$ 2,000**	$ 2,200	$ 2,050

The Company, through President's Choice Bank ("PC Bank"), participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors a co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle Credit Card Trust®* ("*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 9). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt.

On July 17, 2023, $250 million of senior and subordinated term notes at a weighted average interest rate of 3.10%, previously issued by *Eagle,* matured and were repaid.

As at October 7, 2023, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was $59 million (October 8, 2022 – $54 million; December 31, 2022 – $63 million), which represented 9% (October 8, 2022 – 9%; December 31, 2022 – 9%) of the securitized credit card receivables amount.

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at October 7, 2023 and throughout the first three quarters of 2023.

Note 8. Real Estate Dispositions

In the third quarter of 2023, the Company disposed of one property (2022 - four) included in assets held for sale for proceeds of $18 million (2022 – $30 million) and recognized a net gain of $13 million (2022 – net gain of $4 million). On a year-to-date basis, the Company disposed of four properties (2022 – ten) included in assets held for sale for proceeds of $26 million (2022 – $83 million) and recognized a net gain of $12 million (2022 – net gain of $27 million).

Year-to-date, the Company disposed of nineteen (2022 – one) real estate properties included in fixed assets for proceeds of $112 million (2022 – $13 million), all of which were subsequently leased back.

Financial Liabilities Year-to-date, there were a total of three 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) year-to-date which have been recognized as financial liabilities and are presented in other liabilities (see note 14).

As at October 7, 2023, $11 million (October 8, 2022 – $4 million; December 31, 2022 – $4 million) was recorded in trade payables and other liabilities and $178 million (October 8, 2022 – $68 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.

Note 9. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	**As at October 7, 2023**	As at October 8, 2022	As at December 31, 2022
Debentures	**$ 4,310**	$ 4,311	$ 4,311
Guaranteed investment certificates	**1,725**	1,311	1,567
Independent securitization trusts (note 7)	**1,350**	1,600	1,350
Independent funding trusts	**494**	573	574
Transaction costs and other	**(19)**	(19)	(19)
Total long term debt	**$ 7,860**	$ 7,776	$ 7,783
Long term debt due within one year	**1,274**	798	727
Long term debt	**$ 6,586**	$ 6,978	$ 7,056

Note 10. Share Capital

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

	October 7, 2023 (16 weeks)		October 8, 2022 (16 weeks)		**October 7, 2023 (40 weeks)**		October 8, 2022 (40 weeks)	
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	**317,079,146**	**$ 6,387**	327,698,167	$ 6,554	**324,062,608**	**$ 6,489**	333,527,369	$ 6,643
Issued for settlement of stock options	**138,973**	**10**	328,215	22	**639,811**	**44**	1,207,639	81
Purchased and cancelled	**(2,926,260)**	**(50)**	(3,429,543)	(56)	**(10,410,560)**	**(186)**	(10,138,169)	(204)
Issued and outstanding, end of period	**314,291,859**	**$ 6,347**	324,596,839	$ 6,520	**314,291,859**	**$ 6,347**	324,596,839	$ 6,520
Shares held in trust, beginning of period	**(709,488)**	**$ (14)**	(671,450)	$ (13)	**(1,222,278)**	**$ (24)**	(595,495)	$ (12)
Purchased for future settlement of RSUs and PSUs	**(625,000)**	**(13)**	—	—	**(625,000)**	**(13)**	(557,000)	(11)
Released for settlement of RSUs and PSUs	**51,387**	**1**	32,980	—	**564,177**	**11**	514,025	10
Shares held in trust, end of period	**(1,283,101)**	**$ (26)**	(638,470)	$ (13)	**(1,283,101)**	**$ (26)**	(638,470)	$ (13)
Issued and outstanding, net of shares held in trust, end of period	**313,008,758**	**$ 6,321**	323,958,369	$ 6,507	**313,008,758**	**$ 6,321**	323,958,369	$ 6,507
Weighted average outstanding, net of shares held in trust (note 5)	**315,178,099**		325,716,594		**318,243,863**		327,260,645	

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

	October 7, 2023[(i)] (16 weeks)	October 8, 2022 (16 weeks)	**October 7, 2023 (40 weeks)**	October 8, 2022 (40 weeks)
Dividends declared per share ($)				
Common Share	**$ 0.446**	$ 0.405	**$ 1.297**	$ 1.175
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125	**$ 0.99375**	$ 0.99375

(i) The Common Share dividends declared in the third quarter of 2023 of $0.446 per share had a payment date of October 1, 2023. The Second Preferred Shares, Series B dividends declared in the third quarter of 2023 of $0.33125 per share had a payment date of September 30, 2023.

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

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

(millions of Canadian dollars except where otherwise indicated)		**October 7, 2023 (16 weeks)**		October 8, 2022 (16 weeks)		**October 7, 2023 (40 weeks)**		October 8, 2022 (40 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)(i)		**2,926,260**		3,429,543		**10,410,560**		10,138,169
Cash consideration paid	**$**	**341**	$	402	**$**	**1,235**	$	1,130
Premium charged to retained earnings(ii)		**236**		276		**899**		954
Reduction in common share capital(iii)		**50**		56		**186**		204
Common shares repurchased under the NCIB and held in trust (number of shares)		**625,000**		—		**625,000**		557,000
Cash consideration paid	**$**	**72**	$	—	**$**	**72**	$	63
Premium charged to retained earnings		**59**		—		**59**		52
Reduction in common share capital		**13**		—		**13**		11

(i) Common shares repurchased and cancelled as at October 7, 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 $41 million related to the automatic share purchase plan, as described below.

(iii) Includes $9 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 October 7, 2023, the Company had purchased 6,882,394 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 the third quarter of 2023, 2,926,260 common shares (2022 – 3,429,543) were purchased under the NCIB program for cancellation, for aggregate consideration of $341 million (2022 – $403 million), including 1,473,813 common shares (2022 – 1,632,756) purchased from Weston, for aggregate consideration of $171 million (2022 – $191 million). On a year-to-date basis, 10,410,560 common shares (2022 – 10,138,169) were purchased under the NCIB for cancellation, for aggregate consideration of $1,235 million (2022 – $1,158 million), including 5,148,067 common shares (2022 – 4,584,521) purchased from Weston, for aggregate consideration of $609 million (2022 – $523 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 October 7, 2023, an obligation to repurchase shares of $50 million was recognized under the ASPP in trade payables and other liabilities.

Note 11. Post-Employment and Other Long Term Employee Benefits

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

(millions of Canadian dollars)	**October 7, 2023 (16 weeks)**	October 8, 2022 (16 weeks)	**October 7, 2023 (40 weeks)**	October 8, 2022 (40 weeks)
Current service cost				
Post-employment benefit costs[(i)]	**$ 46**	$ 50	**$ 116**	$ 130
Other long term employee benefit costs[(ii)]	**14**	10	**33**	18
Net interest cost (income) on net defined benefit plan obligations	**4**	(1)	**11**	(2)
Total post-employment defined benefit cost	**$ 64**	$ 59	**$ 160**	$ 146

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

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

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

(millions of Canadian dollars)	**October 7, 2023 (16 weeks)**	October 8, 2022 (16 weeks)	**October 7, 2023 (40 weeks)**	October 8, 2022 (40 weeks)
(Loss) return on plan assets, excluding amounts included in net interest expense and other financing charges	**$ (75)**	$ 10	**$ 4**	$ (685)
Actuarial gains (losses) from changes in financial assumptions[(i)]	**128**	(9)	**83**	579
Change in liability arising from asset ceiling[(i)]	**(105)**	11	**(10)**	(111)
Total net actuarial (losses) gains recognized in other comprehensive income before income taxes	**$ (52)**	$ 12	**$ 77**	$ (217)
Income tax recoveries (expenses) on actuarial (losses) gains	**14**	(4)	**(20)**	57
Net actuarial (losses) gains	**$ (38)**	$ 8	**$ 57**	$ (160)

(i) In the third quarter of 2023, the actuarial gains from changes in financial assumptions and the change in liability arising from asset ceiling were primarily driven by an increase in discount rates. On a year-to-date basis, the actuarial gains from changes in financial assumptions were primarily driven by an increase in discount rates.

The assets and liabilities of the defined benefit plans and long term disability plans were as follows:

(millions of Canadian dollars)	**As at October 7, 2023**	As at October 8, 2022	As at December 31, 2022
Other assets			
Accrued benefit plan asset	**$ 83**	$ 173	$ 52
Other liabilities			
Net defined benefit plan obligation	**$ 209**	$ 257	$ 237
Other long term employee benefit obligation	**116**	110	106

Note 12. Financial Instruments

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

	As at October 7, 2023				As at October 8, 2022				As at December 31, 2022			
(millions of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Fair value through other comprehensive income:												
Long term securities	**$170**	**$ —**	**$ —**	**$ 170**	$ 221	$ —	$ —	$ 221	$246	$ —	$ —	$ 246
Derivatives included in prepaid expenses and other assets	**—**	**11**	**—**	**11**	—	5	—	5	—	6	—	6
Fair value through profit and loss:												
Certain other assets(i)	**—**	**—**	**54**	**54**	—	—	35	35	—	—	60	60
Security deposits	**—**	**—**	**—**	**—**	250	—	—	250	—	—	—	—
Derivatives included in prepaid expenses and other assets	**—**	**4**	**—**	**4**	7	21	—	28	1	13	—	14
Financial liabilities												
Amortized cost:												
Long term debt	**$ —**	**$7,722**	**$ —**	**$7,722**	$ —	$7,763	$ —	$7,763	$ —	$7,865	$ —	$7,865
Certain other liabilities(ii)	**—**	**—**	**211**	**211**	—	—	73	73	—	—	78	78
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	**—**	**—**	**4**	**4**	—	13	—	13	—	—	—	—
Fair value through profit and loss:												
Derivatives included in trade payables and other liabilities	**—**	**—**	**—**	**—**	—	—	7	7	—	—	3	3

(i) Certain other assets relate primarily to Venture Fund I (see note 14).

(ii) Certain other liabilities relate primarily to financial liabilities associated with properties that did not meet the criteria for sale (see note 8).

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

The Company recognized a gain of $2 million (2022 – gain of $5 million) during the third quarter of 2023, and a nominal loss (2022 – gain of $5 million) year-to-date in operating income on financial instruments designated as amortized cost. In addition, the Company recognized a net gain of $14 million (2022 – net gain of $24 million) during the third quarter of 2023, and a net loss of $2 million (2022 – net gain of $52 million) year-to-date 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. PC Bank recorded a nominal unrealized fair value gain (2022 – unrealized fair value loss of $1 million) during the third quarter of 2023, and a nominal unrealized fair value loss (2022 – unrealized fair value loss of $2 million) year-to-date in other comprehensive income related to these investments.

Other Derivatives The Company uses bond forwards, interest rate swaps and foreign exchange forwards to mitigate the impact of increases in interest rates and manage its anticipated exposure to exchange rates on its underlying operations and anticipated fixed asset purchases. The Company also uses 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 unaudited interim period condensed consolidated balance sheets and the net realized and unrealized gains (losses) before income taxes related to the Company's other derivatives:

					October 7, 2023
			(16 weeks)		(40 weeks)
(millions of Canadian dollars)	Net asset/ (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges					
Foreign Exchange Forwards(i)	$ 7	$ 1	$ —	$ (3)	$ 1
Bond Forwards(ii)	2	2	(2)	10	(4)
Interest Rate Swaps and Other(iii)	(2)	(8)	—	(2)	1
Total derivatives designated as cash flow hedges	$ 7	$ (5)	$ (2)	$ 5	$ (2)
Derivatives not designated in a formal hedging relationship					
Foreign Exchange and Other Forwards	$ 4	$ —	$ 12	$ —	$ 5
Other Non-Financial Derivatives	—	—	—	—	(3)
Total derivatives not designated in a formal hedging relationship	$ 4	$ —	$ 12	$ —	$ 2
Total derivatives	$ 11	$ (5)	$ 10	$ 5	$ —

(i) PC Bank uses foreign exchange forwards, with a notional value of $19 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, with notional value of $30 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in prepaid expenses and other assets. .

(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 $9 million in the third quarter of 2023 and a $5 million fair value loss year-to-date, 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.

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

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

(ii) PC Bank settled $140 million of bond forwards in the third quarter of 2022 (see note 7). The purpose of the bond forward was to hedge the interest rate risk for the $250 million *Eagle* notes issued in the third quarter of 2022. The Company has concluded that the hedge was effective as at the settlement date which resulted in a $8 million fair value gain being reclassified to net earnings over the life of the *Eagle* notes

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

Note 13. Contingent Liabilities

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

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

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

Shoppers Drug Mart 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 two Shoppers Drug Mart licensees ("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 has been scheduled for February 2024. 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 crossclaimed 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. The Company believes these proceedings are without merit and is vigorously defending them. The Company does not currently have any significant accruals or provisions for these matters recorded in the unaudited interim period condensed consolidated financial statements.

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. Although the Company believes in the merits of its position, the Company recorded a charge of $111 million, inclusive of interest, in the second quarter of 2022. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

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

Note 14. Related Party Transactions

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

During the third quarter of 2022, Loblaw became a limited partner in another limited partnership formed by Wittington ("Venture Fund II"). A wholly owned subsidiary of Wittington is also the general partner of Venture Fund II, and the general purpose of Venture Fund II is consistent with Venture Fund I. The Company has a 50% interest in Venture Fund II and has a total capital commitment of $60 million over a 10-year period.

Sale and Leaseback During the first quarter of 2023, the Company sold a property to Choice Properties Real Estate Investment Trust ("Choice Properties") for proceeds of $12 million and recognized a gain of $3 million. The property was leased back by the Company.

Financial Liabilities On a year-to-date basis, the Company disposed of two (2022 – two) retail properties to Choice Properties for total proceeds of $86 million (2022 – $15 million). These properties were leased back by the Company and did not meet the criteria for sale in accordance with IFRS 15, "Revenue from Contracts with Customers" as the Company did not relinquish control of the properties under the terms of the leases (see note 8).

Note 15. 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, which includes in-store pharmacies, health care services and 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™ 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:

					October 7, 2023 (16 weeks)					October 8, 2022 (16 weeks)
(millions of Canadian dollars)	**Retail**	**Financial Services**	**Total Segment Measure**	**Elimi-nations(i)**	**Total**	Retail	Financial Services	Total Segment Measure	Elimi-nations(i)	Total
Revenue(ii)	**$ 17,982**	**$ 379**	**$ 18,361**	**$ (96)**	**$ 18,265**	$ 17,130	$ 350	$ 17,480	$ (92)	$ 17,388
Operating income	$ 1,006	$ 59	$ 1,065	$ —	$ 1,065	$ 949	$ 42	$ 991	$ —	$ 991
Net interest expense and other financing charges	197	37	234	—	234	194	23	217	—	217
Earnings before income taxes	**$ 809**	**$ 22**	**$ 831**	**$ —**	**$ 831**	$ 755	$ 19	$ 774	$ —	$ 774
Operating income	**$ 1,006**	**$ 59**	**$ 1,065**	**$ —**	**$ 1,065**	$ 949	$ 42	$ 991	$ —	$ 991
Depreciation and amortization	**865**	**15**	**880**			851	13	864		
Adjusting items(iii)	**(19)**	**—**	**(19)**			(9)	—	(9)		
Adjusted EBITDA(iii)	**$ 1,852**	**$ 74**	**$ 1,926**			$ 1,791	$ 55	$ 1,846		

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

(ii) Included in Financial Services revenue is $164 million (2022 – $136 million) of interest income.

(iii) Certain items are excluded from operating income to derive adjusted EBITDA.

			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 Segment Measure**	Retail	Financial Services	Total Segment Measure
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	**$ (19)**	**$ —**	**$ (19)**	$ (9)	$ —	$ (9)

(millions of Canadian dollars)	October 7, 2023 (40 weeks) Retail	Financial Services	Total Segment Measure	Eliminations(i)	Total	October 8, 2022 (40 weeks) Retail	Financial Services	Total Segment Measure	Eliminations(i)	Total
Revenue(ii)	**$ 44,188**	**$ 1,053**	**$ 45,241**	**$ (243)**	**$ 44,998**	$ 41,798	$ 921	$ 42,719	$ (222)	$ 42,497
Operating income	$ 2,657	$ 104	$ 2,761	$ —	$ 2,761	$ 2,450	$ 21	$ 2,471	$ —	$ 2,471
Net interest expense and other financing charges	504	104	608	—	608	455	56	511	—	511
Earnings (Losses) before income taxes	**$ 2,153**	**$ —**	**$ 2,153**	**$ —**	**$ 2,153**	$ 1,995	$ (35)	$ 1,960	$ —	$ 1,960
Operating income	**$ 2,657**	**$ 104**	**$ 2,761**	**$ —**	**$ 2,761**	$ 2,450	$ 21	$ 2,471	$ —	$ 2,471
Depreciation and amortization	**2,182**	**44**	**2,226**			2,093	35	2,128		
Adjusting items(iii)	**(10)**	**37**	**27**			(22)	111	89		
Adjusted EBITDA(iii)	**$ 4,829**	**$ 185**	**$ 5,014**			$ 4,521	$ 167	$ 4,688		

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

(ii) Included in Financial Services revenue is $467 million (2022 – $371 million) of interest income.

(iii) Certain items are excluded from operating income to derive adjusted EBITDA.

For the periods ended October 7, 2023 and October 8, 2022 (millions of Canadian dollars)	2023 (40 weeks) Retail	Financial Services	Total Segment Measure	2022 (40 weeks) Retail	Financial Services	Total Segment Measure
Fair value adjustment on fuel and foreign currency contracts	**$ 2**	**$ —**	**$ 2**	$ (16)	$ —	$ (16)
Charges related to PC Bank commodity tax matters	**—**	**37**	**37**	—	111	111
Lifemark Health Group transaction costs	**—**	**—**	**—**	16	—	16
Restructuring and other related recoveries	**—**	**—**	**—**	(15)	—	(15)
Gain on sale of non-operating properties	**(12)**	**—**	**(12)**	(7)	—	(7)
Adjusting items	**$ (10)**	**$ 37**	**$ 27**	$ (22)	$ 111	$ 89

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

(millions of Canadian dollars)	**October 7, 2023 (16 weeks)**	October 8, 2022 (16 weeks)	**October 7, 2023 (40 weeks)**	October 8, 2022 (40 weeks)
Food retail	**$ 12,843**	$ 12,221	**$ 31,414**	$ 29,884
Drug retail				
Pharmacy	**$ 2,635**	$ 2,466	**$ 6,543**	$ 6,003
Front store	**2,504**	2,443	**6,231**	5,911
	$ 5,139	$ 4,909	**$ 12,774**	$ 11,914
Retail total	**$ 17,982**	$ 17,130	**$ 44,188**	$ 41,798
Financial Services	**379**	350	**1,053**	921
Eliminations[(i)]	**(96)**	(92)	**(243)**	(222)
Total	**$ 18,265**	$ 17,388	**$ 44,998**	$ 42,497

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

(millions of Canadian dollars)	**As at October 7, 2023**	As at October 8, 2022	As at December 31, 2022
Total assets			
Retail	**$ 32,446**	$ 32,254	$ 32,505
Financial Services	**5,806**	5,441	5,642
	$ 38,252	$ 37,695	$ 38,147

(millions of Canadian dollars)	**October 7, 2023 (16 weeks)**	October 8, 2022 (16 weeks)	**October 7, 2023 (40 weeks)**	October 8, 2022 (40 weeks)
Additions to fixed assets and intangible assets				
Retail	**$ 681**	$ 423	**$ 1,403**	$ 898
Financial Services	**14**	9	**30**	22
	$ 695	$ 432	**$ 1,433**	$ 920

Corporate Profile

Loblaw Companies Limited ("Loblaw") is Canada's food and pharmacy leader, and the nation's largest retailer. Loblaw provides Canadians with grocery, pharmacy and healthcare services, health and beauty products, apparel, general merchandise, financial services, and wireless mobile products and services. With more than 2,400 corporate, franchised and Associate-owned locations, Loblaw, its franchisees and Associate-owners employ more than 221,000 full- and part-time employees, making it one of Canada's largest private sector employers.

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.

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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.

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