Loblaw Companies Limited

NEWS RELEASE

Loblaw Reports 2023 Fourth Quarter Results and Fiscal Year Ended December 30, 2023 Results

Loblaw opens 31 new Maxi and NoFrills stores in 2023, bringing lower prices and more value to hundreds of thousands more Canadians. Fourth quarter revenue grew 3.7% and net earnings increased 2.3%.

BRAMPTON, ONTARIO February 22, 2024 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") announced today its unaudited financial results for the fourth quarter ended December 30, 2023[1] and the release of its 2023 Annual Report. The 2023 Annual Report includes the Company's audited financial statements and Management's Discussion and Analysis ("MD&A") for the fiscal year ended December 30, 2023.

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

"We are very pleased to deliver another year of consistent operational and financial performance, reflecting our ongoing focus on retail excellence," said Per Bank, President and Chief Executive Officer, Loblaw Companies Limited. "Canadians continue to recognize the superior value and service we provide across our network, something all 220,000 of our colleagues are proud to deliver each and every day."

2023 FOURTH QUARTER HIGHLIGHTS

- Revenue was $14,531 million, an increase of $524 million, or 3.7%.
- Retail segment sales were $14,157 million, an increase of $463 million, or 3.4%.
  - Food Retail (Loblaw) same-stores sales increased by 2.0%.
  - Drug Retail (Shoppers Drug Mart) same-store sales increased by 4.6%, with front store same-store sales growth of 1.7% and pharmacy and healthcare services same-store sales growth of 8.0%.
- E-commerce sales increased by 14.6%.
- Operating income was $943 million, an increase of $72 million, or 8.3%.
- Adjusted EBITDA[(2)] was $1,633 million, an increase of $140 million, or 9.4%.
- Retail segment gross profit percentage[(2)] was 31.1%, an increase of 50 basis points.
- Net earnings available to common shareholders of the Company were $541 million, an increase of $12 million or 2.3%.
- Diluted net earnings per common share were $1.72, an increase of $0.10, or 6.2%.
- Adjusted net earnings available to common shareholders of the Company[(2)] were $630 million, an increase of $55 million, or 9.6%.
- Adjusted diluted net earnings per common share[(2)] were $2.00, an increase of $0.24 or 13.6%.
- Net capital investments were $494 million, which reflects gross capital investments of $676 million, net of proceeds from property disposals of $182 million.
- Repurchased for cancellation 4.1 million common shares at a cost of $494 million. Retail free cash flow[(2)] was $512 million.

2023 SELECT ANNUAL HIGHLIGHTS

- Revenue was $59,529 million, an increase of $3,025 million, or 5.4%.
- Food Retail same-store sales increased by 3.9% and Drug Retail same-store sales increased by 5.4%.
- E-commerce sales were approximately $3.3 billion, an increase of 10.7%.
- Net earnings available to common shareholders of the Company were $2,088 million, an increase of $179 million or 9.4%.
- Diluted net earnings per common share were $6.52, an increase of $0.77, or 13.4%.
- Adjusted net earnings available to common shareholders of the Company[(2)] were $2,480 million, an increase of $217 million, or 9.6%.
- Adjusted diluted net earnings per common share[(2)] were $7.75, an increase of $0.93, or 13.6%.
- Net capital investments were $1,788 million, which reflects gross capital investments of $2,109 million, net of proceeds from property disposals of $321 million.
- Repurchased for cancellation, 14.5 million common shares at a cost of $1,729 million. Retail free cash flow[(2)] was $1,694 million.

See “News Release Endnotes” at the end of this News Release.

CONSOLIDATED AND SEGMENT RESULTS OF OPERATIONS

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

	2023 (12 weeks)				2022 (12 weeks)			
For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**Retail**	**Financial Services**	**Elimi-nations**	**Total**	Retail	Financial Services	Elimi-nations	Total
Revenue	**$14,157**	**$ 487**	**$ (113)**	**$14,531**	$13,694	$ 417	$ (104)	$14,007
Gross profit(2)	$4,409	$ 377	$ (113)	$ 4,673	$ 4,188	$ 336	$ (104)	$ 4,420
Gross profit %(2)	31.1 %	N/A	— %	32.2 %	30.6 %	N/A	— %	31.6 %
Operating income	**$ 843**	**$ 100**	**$ —**	**$ 943**	$ 810	$ 61	$ —	$ 871
Adjusted operating income(2)	981	87	—	1,068	880	61	—	941
Adjusted EBITDA(2)	$ 1,532	$ 101	$ —	$ 1,633	$ 1,418	$ 75	$ —	$ 1,493
Adjusted EBITDA margin(2)	10.8 %	N/A	— %	11.2 %	10.4 %	N/A	— %	10.7 %
Net interest expense and other financing charges	**$ 156**	**$ 39**	**$ —**	**$ 195**	$ 144	$ 28	$ —	$ 172
Adjusted net interest expense and other financing charges(2)	156	39	—	195	144	28	—	172
Earnings before income taxes	**$ 687**	**$ 61**	**$ —**	**$ 748**	$ 666	$ 33	$ —	$ 699
Income taxes				$ 188				$ 181
Adjusted income taxes(2)				224				205
Net earnings attributable to non-controlling interests				$ 16				$ (14)
Prescribed dividends on preferred shares in share capital				3				3
Net earnings available to common shareholders of the Company				**$ 541**				$ 529
Adjusted net earnings available to common shareholders of the Company(2)				630				575
Diluted net earnings per common share ($)				**$ 1.72**				$ 1.62
Adjusted diluted net earnings per common share(2) ($)				$ 2.00				$ 1.76
Diluted weighted average common shares outstanding (in millions)				**314.9**				327.4

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**Retail**	**Financial Services**	**Eliminations**	**Total 2023 (52 weeks)**	Retail	Financial Services	Eliminations	Total 2022 (52 weeks)
Revenue	**$58,345**	**$ 1,540**	**$ (356)**	**$59,529**	$55,492	$ 1,338	$ (326)	$56,504
Gross profit[2]	$18,083	$ 1,310	$ (356)	$ 19,037	$17,165	$ 1,137	$ (326)	$17,976
Gross profit %[2]	31.0 %	N/A	— %	32.0 %	30.9 %	N/A	— %	31.8 %
Operating income	**$3,500**	**$ 204**	**$ —**	**$ 3,704**	$3,260	$ 82	$ —	$ 3,342
Adjusted operating income[2]	4,012	228	—	4,240	3,690	193	—	3,883
Adjusted EBITDA[2]	$ 6,361	$ 286	$ —	$ 6,647	$ 5,939	$ 242	$ —	$ 6,181
Adjusted EBITDA margin[2]	10.9 %	N/A	— %	11.2 %	10.7 %	N/A	— %	10.9 %
Net interest expense and other financing charges	**$ 660**	**$ 143**	**$ —**	**$ 803**	$ 599	$ 84	$ —	$ 683
Adjusted net interest expense and other financing charges	660	143	—	803	610	84	—	694
Earnings (Losses) before income taxes	**$2,840**	**$ 61**	**$ —**	**$ 2,901**	$ 2,661	$ (2)	$ —	$2,659
Income taxes				$ 714				$ 665
Adjusted income taxes[2]				858				841
Net earnings attributable to non-controlling interests				$ 87				$ 73
Prescribed dividends on preferred shares in share capital				12				12
Net earnings available to common shareholders of the Company				**$ 2,088**				$ 1,909
Adjusted net earnings available to common shareholders of the Company[2]				2,480				2,263
Diluted net earnings per common share ($)				**$ 6.52**				$ 5.75
Adjusted diluted net earnings per common share[2] ($)				$ 7.75				$ 6.82
Diluted weighted average common shares outstanding (in millions)				**320.0**				331.7

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

For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**		2022 (12 weeks)		**2023 (52 weeks)**		2022 (52 weeks)	
	Sales	**Same-store sales**	Sales	Same-store sales	**Sales**	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 9,774**	**2.0 %**	$ 9,514	8.4 %	**$ 41,188**	**3.9 %**	$39,398	4.7 %
Drug retail	**4,383**	**4.6 %**	4,180	8.7 %	**17,157**	**5.4 %**	16,094	6.9 %
Pharmacy and healthcare services	**2,099**	**8.0 %**	1,941	5.4 %	**8,642**	**6.8 %**	7,944	5.7 %
Front store	**2,284**	**1.7 %**	2,239	11.5 %	**8,515**	**4.2 %**	8,150	8.2 %

RETAIL SEGMENT

- Retail segment sales in the fourth quarter of 2023 were $14,157 million, an increase of $463 million, or 3.4%.
    - Food Retail (Loblaw) sales were $9,774 million and same-store sales grew by 2.0% (2022 – 8.4%).
        - The Consumer Price Index ("CPI") as measured by The Consumer Price Index for Food Purchased From Stores was 4.9% (2022 – 11.2%) which was higher than the Company's internal food inflation; and
        - Food Retail traffic increased and basket size decreased.
    - Drug Retail (Shoppers Drug Mart) sales were $4,383 million, and same-store sales grew by 4.6% (2022 – 8.7%), with pharmacy and healthcare services same-store sales growth of 8.0% (2022 – 5.4%) and front store same-store sales growth of 1.7% (2022 – 11.5%).
        - On a same-store basis, the number of prescriptions dispensed increased by 3.4% (2022 – 2.2%) and the average prescription value increased by 3.4% (2022 – 2.3%).
- Operating income in the fourth quarter of 2023 was $843 million, an increase of $33 million, or 4.1%.
- Gross profit(2) in the fourth quarter of 2023 was $4,409 million, an increase of $221 million, or 5.3%. The gross profit percentage(2) for the fourth quarter of 2023 was 31.1%, which was in line with the full-year gross profit percentage(2) of 31.0%, and was higher by 50 basis points compared to the fourth quarter of 2022 (2022 – decreased by 30 basis points). The increase was driven by lapping of high-intensity prior year promotional activities and the scaling of the external freight business, partially offset by higher shrink.
- Adjusted EBITDA(2) in the fourth quarter of 2023 was $1,532 million, an increase of $114 million, or 8.0%. The increase was driven by an increase in gross profit(2), partially offset by an increase in selling, general and administrative expenses ("SG&A"). SG&A as a percentage of sales was 20.3%, an increase of 10 basis points, driven by the year-over-year impact of labour costs including expenses related to the ratification of union labour agreements, partially offset by operating leverage from higher sales.
- Depreciation and amortization in the fourth quarter of 2023 was $666 million, an increase of $13 million or 2.0%, primarily driven by an increase in depreciation of leased assets and information technology ("IT") assets, accelerated depreciation of $7 million as a result of network optimization, and an increase in depreciation of fixed assets related to conversions of retail locations, partially offset by the impact of prior year accelerated depreciation due to the reassessment of the estimated useful life of certain IT assets. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and Lifemark Health Group ("Lifemark") of $115 million (2022 – $115 million).
- During the fourth quarter of 2023 and on a full-year basis, the Company recorded charges of $25 million and $70 million associated with network optimization, respectively. Included in the charges was accelerated depreciation of $7 million and $24 million as described above, and other charges. The Company finalized plans for 2024 that are expected to result in the conversion of 30 Provigo stores to Maxi discount stores in Quebec. Charges associated with store conversions will be recorded as incurred and are expected to include equipment, severance, lease related and other costs and will not be considered an adjusting item.

FINANCIAL SERVICES SEGMENT

- Revenue in the fourth quarter of 2023 was $487 million, an increase of $70 million or 16.8%. The increase was primarily driven by higher sales attributable to The Mobile Shop™, higher interest income from growth in credit card receivables, and higher interchange income and other credit card related revenue from an increase in customer spending.
- Earnings before income taxes in the fourth quarter of 2023 were $61 million, an increase of $28 million or 84.8%. The improvement was mainly driven by higher revenue as described above, lower operating costs, including benefits associated with the renewal of a long-term agreement with Mastercard, and a partial reversal of certain President's Choice Bank ("PC Bank") commodity tax matters accrued in the second quarter of 2023. This was partially offset by higher contractual charge-offs and loyalty program costs from growth in credit card portfolio, the year-over-year unfavourable impact of the expected credit loss provision, and higher funding costs from an increase in interest rates.

STRATEGIC UPDATE AND OUTLOOK[3]

Strategic Update Loblaw's portfolio of businesses remains strong and well-positioned as economic pressures continue to drive consumers to its banners, in search for more value. The Company's best in class assets continue to meet customers' everyday needs for food, health and wellness – supporting Loblaw's purpose: helping Canadians Live Life Well®. In an evolving landscape, the Company will continue to focus on three strategic pillars in 2024: delivering retail excellence; driving growth; and investing for the future.

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

Driving Growth Loblaw continues to invest in targeted growth areas to further differentiate its portfolio of assets and generate competitive advantage. A clear differentiator and area of focus is Loblaw's ability to digitally engage customers with a suite of proprietary assets – Loblaw Digital (including PC Express), Advance, and *PC Optimum*, Canada's strongest loyalty program. The Company will focus on enhancing these platforms across each of its businesses, improving the customer experience and functionality. In particular, the Company's *PC Optimum* loyalty program continues to evolve, with more meaningful personalized offers, and more effective promotions, all toward strengthening the loyalty loop and increasing the share of customer wallet.

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

Outlook[3] Loblaw will execute on retail excellence while advancing its growth initiatives with the goal of continuing to deliver consistent operational and financial results in 2024. The Company's businesses remain well positioned to meet the everyday needs of Canadians.

For the full-year 2024, the Company expects:

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

In 2023, Loblaw continued its commitment to fight climate change and advance social equity. The Company unveiled an ambitious Scope 3 plan and achieved significant success in increasing efforts to address plastic and food waste. Expanding on its pledge to become Canada's most inclusive employer, Loblaw implemented a diverse range of programs, including accommodations for cultural observances, comprehensive support for non-birthing parents, and flexible work options, ensuring a workplace that values diversity and inclusivity. Loblaw also remained dedicated to supporting the health and well-being of women and children in communities nationwide through a variety of initiatives.

The Company collaboratively engaged its National Brand suppliers to reduce plastic packaging by adopting the Consumer Goods Forum's Golden Design Rules, and provided added details on its ambitious plan to achieve net-zero carbon emissions by 2050. This plan includes a new commitment to engage top vendors to set carbon targets aligned with the Science Based Targets initiative ("SBTi"). The Company surpassed 60% compliance of its control brand and in-store plastic packaging as either recyclable or reusable.

To help advance social equity, the Company donated more than 46 million pounds of food to food charities, and marshalled nearly $180 million in donations to charitable programs nationwide. The Company achieved all 2023 internal representation goals, and supported President's Choice Children's Charity to feed more than 990,000 kids, with a clear path to reach one million kids annually by 2025. The Shoppers Foundation for Women's Health™ contributed nearly $1 million in 2023 to the Women's Health Collective Canada who's goal is to bring resources and fundraising together to raise awareness and address gaps in women's health research.

In 2023, Loblaw elevated its standards of ESG transparency, undertaking several initiatives for the first time. In addition to its longstanding ESG reporting practices, the Company conducted and disclosed new elements, such as the Carbon Disclosure Project Water questionnaire. The Company engaged an independent third-party leading labour and human rights firm, to perform a Human Rights Impact Assessment related to the production of Broccoli and Cauliflower in Mexico, the United States, and Canada; geographies from which the Company sources such produce.

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

NORMAL COURSE ISSUER BID PROGRAM ("NCIB")

On a full-year basis, the Company repurchased 14.5 million common shares for cancellation at a cost of $1,729 million.

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

FORWARD-LOOKING STATEMENTS

This News Release contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in the 2023 News Release include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of IT systems implementations. These specific forward-looking statements are contained throughout the 2023 News Release including, without limitation, in the "Consolidated and Segment Results of Operations" and "Outlook" section of this News Release. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

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

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the Company's MD&A in the Company's 2023 Annual Report and Section 4 "Risks" of the Company's 2023 Annual Information Form for the year ended December 30, 2023.

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

DECLARATION OF DIVIDENDS

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

Common Shares	$0.446 per common share, payable on April 1, 2024 to shareholders of record on March 15, 2024.
Second Preferred Shares, Series B	$0.33125 per share, payable on March 31, 2024 to shareholders of record on March 15, 2024.

EXCERPT OF NON-GAAP AND OTHER FINANCIAL MEASURES

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

These measures do not have a standardized meaning prescribed by International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards” or “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.

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

For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)			**2023 (12 weeks)**			2022 (12 weeks)
	GAAP	**Adjusting Items**	**Non-GAAP[2]**	GAAP	Adjusting Items	Non-GAAP[2]
EBITDA	**$ 1,623**	**$ 10**	**$ 1,633**	$ 1,538	$ (45)	$ 1,493
Operating income	**$ 943**	**$ 125**	**$ 1,068**	$ 871	$ 70	$ 941
Net interest expense and other financing charges	**195**	**—**	**195**	172	—	172
Earnings before income taxes	**$ 748**	**$ 125**	**$ 873**	$ 699	$ 70	$ 769
Deduct the following:						
Income taxes	**188**	**36**	**224**	181	24	205
Non-controlling interests	**16**	**—**	**16**	(14)	—	(14)
Prescribed dividends on preferred shares	**3**	**—**	**3**	3	—	3
Net earnings available to common shareholders of the Company[(i)]	**$ 541**	**$ 89**	**$ 630**	$ 529	$ 46	$ 575
Diluted net earnings per common share ($)	**$ 1.72**	**$ 0.28**	**$ 2.00**	$ 1.62	$ 0.14	$ 1.76
Diluted weighted average common shares (millions)	**314.9**	**—**	**314.9**	327.4	—	327.4

For the years ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)			**2023 (52 weeks)**			2022 (52 weeks)
	GAAP	**Adjusting Items**	**Non-GAAP[2]**	GAAP	Adjusting Items	Non-GAAP[2]
EBITDA	**$ 6,610**	**$ 37**	**$ 6,647**	$ 6,137	$ 44	$ 6,181
Operating income	**$ 3,704**	**$ 536**	**$ 4,240**	$ 3,342	$ 541	$ 3,883
Net interest expense and other financing charges	**803**	**—**	**803**	683	11	694
Earnings before income taxes	**$ 2,901**	**$ 536**	**$ 3,437**	$ 2,659	$ 530	$ 3,189
Deduct the following:						
Income taxes	**714**	**144**	**858**	665	176	841
Non-controlling interests	**87**	**—**	**87**	73	—	73
Prescribed dividends on preferred shares	**12**	**—**	**12**	12	—	12
Net earnings available to common shareholders of the Company[(i)]	**$ 2,088**	**$ 392**	**$ 2,480**	$ 1,909	$ 354	$ 2,263
Diluted net earnings per common share ($)	**$ 6.52**	**$ 1.23**	**$ 7.75**	$ 5.75	$ 1.07	$ 6.82
Diluted weighted average common shares (millions)	**320.0**	**—**	**320.0**	331.7	—	331.7

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

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

For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)	**2023 (12 weeks)**	2022 (12 weeks)	**2023 (52 weeks)**	2022 (52 weeks)
Operating income	**$ 943**	$ 871	**$ 3,704**	$ 3,342
Add (deduct) impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 115**	$ 115	**$ 499**	$ 497
Fair value adjustment on fuel and foreign currency contracts	**14**	11	**16**	(5)
Fair value adjustment on non-operating properties	**9**	(6)	**9**	(6)
Lifemark transaction costs	**—**	—	**—**	16
Gain on sale of non-operating properties	**—**	(50)	**(12)**	(57)
Restructuring and other related recoveries	**—**	—	**—**	(15)
Charges (recoveries) related to PC Bank commodity tax matters	**(13)**	—	**24**	111
Adjusting items	**$ 125**	$ 70	**$ 536**	$ 541
Adjusted operating income(2)	**$ 1,068**	$ 941	**$ 4,240**	$ 3,883
Net interest expense and other financing charges	**$ 195**	$ 172	**$ 803**	$ 683
Add: Recovery related to Glenhuron	**—**	—	**—**	11
Adjusted net interest expense and other financing charge(2)	**$ 195**	$ 172	**$ 803**	$ 694
Income taxes	**$ 188**	$ 181	**$ 714**	$ 665
Add the impact of the following:				
Tax impact of items included in adjusted earnings before taxes	**$ 36**	$ 24	**$ 144**	$ 143
Recovery related to Glenhuron	**—**	—	**—**	33
Adjusting items	**$ 36**	$ 24	**$ 144**	$ 176
Adjusted income taxes(2)	**$ 224**	$ 205	**$ 858**	$ 841

SELECTED FINANCIAL INFORMATION

The following includes selected quarterly and annual financial information, which is derived from the Company's annual consolidated financial statements for the year ended December 30, 2023 that were prepared in accordance with IFRS Accounting Standards. This financial information does not contain all disclosures required by IFRS Accounting Standards, and accordingly, should be read in conjunction with the Company's 2023 Annual Report, which is available in the Investors section of the Company's website at loblaw.ca and on sedarplus.ca.

Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated)	**December 30, 2023 (12 weeks)**	December 31, 2022 (12 weeks)	**December 30, 2023 (52 weeks)**	December 31, 2022 (52 weeks)
Revenue	**$ 14,531**	$ 14,007	**$ 59,529**	$ 56,504
Cost of sales	**9,858**	9,587	**40,492**	38,528
Selling, general and administrative expenses	**3,730**	3,549	**15,333**	14,634
Operating income	**$ 943**	$ 871	**$ 3,704**	$ 3,342
Net interest expense and other financing charges	**195**	172	**803**	683
Earnings before income taxes	**$ 748**	$ 699	**$ 2,901**	$ 2,659
Income taxes	**188**	181	**714**	665
Net earnings	**$ 560**	$ 518	**$ 2,187**	$ 1,994
Attributable to:				
Shareholders of the Company	**$ 544**	$ 532	**$ 2,100**	$ 1,921
Non-controlling interests	**16**	(14)	**87**	73
Net earnings	**$ 560**	$ 518	**$ 2,187**	$ 1,994
Net earnings per common share ($)				
Basic	**$ 1.73**	$ 1.63	**$ 6.59**	$ 5.82
Diluted	**$ 1.72**	$ 1.62	**$ 6.52**	$ 5.75
Weighted average common shares outstanding (millions)				
Basic	**311.7**	323.8	**316.7**	328.1
Diluted	**314.9**	327.4	**320.0**	331.7

Consolidated Balance Sheets

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

Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	**December 30, 2023 (12 weeks)**	December 31, 2022 (12 weeks)	**December 30, 2023 (52 weeks)**	December 31, 2022 (52 weeks)
Operating activities				
Net earnings	**$ 560**	$ 518	**$ 2,187**	$ 1,994
Add (deduct):				
Income taxes	**188**	181	**714**	665
Net interest expense and other financing charges	**195**	172	**803**	683
Adjustments to investment properties	**9**	(6)	**9**	(6)
Depreciation and amortization	**680**	667	**2,906**	2,795
Asset impairments, net of recoveries	**16**	26	**17**	34
Change in allowance for credit card receivables	**25**	4	**50**	1
Change in provisions	**7**	(34)	**19**	(6)
Change in non-cash working capital	**28**	44	**(9)**	(490)
Change in gross credit card receivables	**(211)**	(279)	**(228)**	(512)
Income taxes paid	**(143)**	(155)	**(917)**	(439)
Interest received	**6**	7	**24**	38
Other	**45**	3	**79**	(2)
Cash flows from operating activities	**$ 1,405**	$ 1,148	**$ 5,654**	$ 4,755
Investing activities				
Fixed asset purchases	**$ (548)**	$ (540)	**$ (1,665)**	$ (1,152)
Intangible asset additions	**(91)**	(111)	**(407)**	(419)
Disposal (purchases) of short term investments	**131**	(32)	**(138)**	138
Acquisition of Lifemark, net of cash acquired	**—**	—	**—**	(813)
Decrease in security deposits	**—**	250	**—**	—
Proceeds from disposal of assets	**182**	52	**321**	164
Lease payments received from finance leases	**2**	2	**17**	15
(Purchase) disposal of long term securities	**(31)**	(70)	**45**	(180)
Other	**25**	33	**(18)**	(121)
Cash flows used in investing activities	**$ (330)**	$ (416)	**$ (1,845)**	$ (2,368)
Financing activities				
(Decrease) increase in bank indebtedness	**$ (9)**	$ (8)	**$ 5**	$ (44)
Increase in short term debt	**200**	100	**150**	250
Increase in demand deposits from customers	**19**	16	**41**	50
Long term debt				
Issued	**155**	304	**833**	1,818
Repayments	**(161)**	(297)	**(762)**	(1,243)
Interest paid	**(101)**	(85)	**(421)**	(344)
Cash rent paid on lease liabilities - Interest	**(89)**	(81)	**(370)**	(333)
Cash rent paid on lease liabilities - Principal	**(170)**	(154)	**(1,071)**	(994)
Dividends paid on common and preferred shares	**(142)**	(134)	**(562)**	(529)
Common share capital				
Issued	**22**	16	**61**	88
Purchased and held in trust	**—**	(75)	**(72)**	(138)
Purchased and cancelled	**(494)**	(128)	**(1,729)**	(1,258)
Proceeds from financial liabilities	**—**	—	**115**	15
Other	**(49)**	(13)	**(150)**	(89)
Cash flows used in financing activities	**$ (819)**	$ (539)	**$ (3,932)**	$ (2,751)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 4**	$ 1	**$ 3**	$ (4)
Increase in cash and cash equivalents	**$ 260**	$ 194	**$ (120)**	$ (368)
Cash and cash equivalents, beginning of year	**1,228**	1,414	**1,608**	1,976
Cash and cash equivalents, end of year	**$ 1,488**	$ 1,608	**$ 1,488**	$ 1,608

See accompanying notes to the consolidated financial statements.

CORPORATE PROFILE

2023 Annual Report

The Company's 2023 Annual Report is available in the "Investors" section of the Company's website at loblaw.ca and on sedarplus.ca.

Modern Slavery Act Report

On or about February 28, 2024, in compliance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (referred to as Canada's "Modern Slavery Act"), the Company, certain of its subsidiaries, and George Weston Limited will publicly file their initial joint Modern Slavery Act Report for the 2023 fiscal year. The Modern Slavery Act Report will be available on the Company's website at loblaw.ca, or under the Company's SEDAR+ profile at sedarplus.ca. All shareholders may request that paper copies of the Modern Slavery Act Report be mailed to them at no cost by submitting an email request to investor@loblaw.ca.

Investor Relations

Investor inquiries, contact:	Media inquiries, contact:
Roy MacDonald	Catherine Thomas
Vice President, Investor Relations	Vice President, Communication
(905) 861-2243	(416) 844-2507
investor@loblaw.ca	pr@loblaw.ca

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 February 22, 2024 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: 023218#. To access via audio webcast, please go to the "Investor" section of loblaw.ca. Pre-registration will be available.

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

News Release Endnotes

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

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

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

APPENDIX 1: NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

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

Retail Segment Gross Profit, Retail Segment Adjusted Gross Profit and Retail Segment Adjusted Gross Profit Percentage The following tables reconcile adjusted gross profit by segment to gross profit by segment, which is reconciled to revenue and cost of sales measures as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that Retail segment gross profit and Retail segment adjusted gross profit are useful in assessing the Retail segment's underlying operating performance and in making decisions regarding the ongoing operations of the business.

Retail segment adjusted gross profit percentage is calculated as Retail segment adjusted gross profit divided by Retail segment revenue.

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

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

Adjusted Operating Income, Adjusted EBITDA and Adjusted EBITDA Margin The following tables reconcile adjusted operating income and adjusted EBITDA to operating income, which is reconciled to net earnings attributable to shareholders of the Company as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted EBITDA is useful in assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue.

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

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

In addition to the items described in the Retail segment adjusted gross profit section above, when applicable, adjusted EBITDA was impacted by the following:

Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark The acquisition of Shoppers Drug Mart in 2014 included approximately $6,050 million of definite life intangible assets, which are being amortized over their estimated useful lives. Annual amortization associated with the acquired intangibles will be approximately $500 million until 2024 and will decrease thereafter.

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

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

In the second quarter of 2022, the Company recorded a charge of $111 million, inclusive of interest. In July 2022, the Tax Court released its decision and ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaws Inc. in respect of redemptions of loyalty points. In September 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal. Subsequent to December 30, 2023, the Federal Court of Appeal scheduled the hearing of the appeal for March 6, 2024.

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

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

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

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

In the fourth quarter of 2023 and 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 fourth quarter of 2023, the Company did not record any gain or loss related to the sale of non-operating properties (2022 – $50 million). In 2023, the Company recorded a gain related to the sale of non-operating properties of $12 million (2022 – $57 million).

Adjusted Net Interest Expense and Other Financing Charges The following table reconciles adjusted net interest expense and other financing charges to net interest expense and other financing charges as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted net interest expense and other financing charges is useful in assessing the Company's underlying financial performance and in making decisions regarding the financial operations of the business.

For the periods ended December 30, 2023 and December 31, 2022 (millions of Canadian dollars)		**2023 (12 weeks)**		2022 (12 weeks)		**2023 (52 weeks)**		2022 (52 weeks)
Net interest expense and other financing charges	**$**	**195**	$	172	**$**	**803**	$	683
Add: Recovery related to Glenhuron		**—**		—		**—**		11
Adjusted net interest expense and other financing	**$**	**195**	$	172	**$**	**803**	$	694

Recovery related to Glenhuron Bank Limited ("Glenhuron") In 2021, the Supreme Court of Canada ruled in favour of the Company on the Glenhuron matter. As a result of related reassessments received during the first quarter of 2022, the Company reversed $35 million of previously recorded charges, of which $2 million was recorded as interest income and $33 million was recorded as an income tax recovery, and an additional $9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.