Live Life Well®

Loblaw Companies Limited

Third Quarter
Report to Shareholders

40 weeks ended October 5, 2024

2024 Third Quarter Report to Shareholders

Management's Discussion and Analysis

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 2024 unaudited interim period condensed consolidated financial statements and the accompanying notes ("interim financial statements") included within the Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 30, 2023 and the related MD&A included in the Company's 2023 Annual Report.

The Company's third quarter 2024 interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IFRS Accounting Standards" or "GAAP"). 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 13 "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 2023 Annual Report.

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

The information in this MD&A is current to November 12, 2024, unless otherwise noted.

1. Forward-Looking Statements

The Quarterly Report, including the MD&A, contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in 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 12 "Outlook" and Section 13 "Non-GAAP and Other Financial Measures". Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

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

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

- changes in economic conditions, including inflation, price increases from suppliers, levels of employment, costs of borrowing, household debt, political uncertainty and government regulation, the impact of natural disasters, war or acts of terrorism, pandemics, changes in interest rates, tax rates, or exchange rates, and access to consumer credit;
- inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- failure to realize benefits from investments in the Company's new IT systems and related processes;
- failure to execute the Company's e-commerce initiatives or to adapt its business model to shifts in the retail landscape caused by digital advances;
- failure to attract and retain colleagues may impact the Company's ability to effectively operate and achieve financial performance goals;
- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to maintain an effective supply chain and consequently an appropriate assortment of available product at the store and digital retail level;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- public health events including those related to food and drug safety;
- errors made through medication dispensing or errors related to patient services or consultation;
- failure to realize the anticipated benefits associated with the Company's strategic priorities and major initiatives, including revenue growth, anticipated cost savings and operating efficiencies, or organizational changes that may impact the relationships with franchisees and Shoppers Drug Mart Licensees ("Associates");
- failure to adapt to environmental and social risks, including failure to execute against the Company's climate change and social equity initiatives;
- reliance on the performance and retention of third party service providers, including those associated with the Company's supply chain and apparel business and located in both advanced and developing markets;
- adverse outcomes of legal and regulatory proceedings and related matters; and
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities ("securities regulators") from time to time, including, without limitation, the section entitled "Risks" in the Company's 2023 AIF (for the year ended December 30, 2023). Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2. 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 5, 2024 and October 7, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024 (16 weeks)**	2023 (16 weeks)
Consolidated:		
Revenue growth	**1.5 %**	5.0 %
Operating income	**$ 1,321**	$ 1,065
Adjusted EBITDA[2]	**2,069**	1,926
Adjusted EBITDA margin[2]	**11.2 %**	10.5 %
Net earnings	**$ 820**	$ 649
Net earnings attributable to shareholders of the Company	**780**	624
Net earnings available to common shareholders of the Company[i]	**777**	621
Adjusted net earnings available to common shareholders of the Company[2]	**767**	719
Diluted net earnings per common share ($)	**$ 2.53**	$ 1.95
Adjusted diluted net earnings per common share[2] ($)	**$ 2.50**	$ 2.26
Cash and cash equivalents and short term investments	**$ 1,529**	$ 1,823
Cash flows from operating activities	**1,958**	2,045
Capital investments[ii]	**690**	695
Free cash flow[2]	**622**	756
Financial Measures:		
Retail debt to rolling year retail adjusted EBITDA[2]	**2.4 x**	**2.3 x**
Rolling year adjusted return on equity[2]	**23.3 %**	**21.8 %**
Rolling year adjusted return on capital[2]	**11.8 %**	**11.2 %**
Retail Segment:		
Food retail same-store sales growth	**0.5 %**	4.5 %
Drug retail same-store sales growth	**2.9 %**	4.6 %
Operating income	**$ 1,091**	$ 1,006
Gross profit[2]	**5,642**	5,502
Gross profit %[2]	**30.9 %**	30.6 %
Adjusted EBITDA[2]	**$ 1,982**	$ 1,852
Adjusted EBITDA margin[2]	**10.9 %**	10.3 %
Financial Services Segment:		
Earnings before income taxes	**$ 201**	$ 22
Annualized yield on average quarterly gross credit card receivables	**14.4 %**	13.9 %
Annualized credit loss rate on average quarterly gross credit card receivables	**4.6 %**	3.8 %

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

(ii) Capital investments are the sum of fixed asset purchases and intangible asset additions as presented in the Company's Condensed Consolidated Statements of Cash Flows, and prepayments transferred to fixed assets in the current period.

3. Consolidated Results of Operations

For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024 (16 weeks)**	2023 (16 weeks)	$ Change	% Change	**2024 (40 weeks)**	2023 (40 weeks)	$ Change	% Change
Revenue	**$ 18,538**	$ 18,265	$ 273	1.5 %	**$46,066**	$44,998	$ 1,068	2.4 %
Operating income	**1,321**	1,065	256	24.0 %	**3,050**	2,761	289	10.5 %
Adjusted EBITDA(2)	**2,069**	1,926	143	7.4 %	**5,326**	5,014	312	6.2 %
Adjusted EBITDA margin(2)	**11.2 %**	10.5 %			**11.6 %**	11.1 %		
Depreciation and amortization	**$ 903**	$ 880	$ 23	2.6 %	**$ 2,272**	$ 2,226	$ 46	2.1 %
Net interest expense and other financing charges	**238**	234	4	1.7 %	**622**	608	14	2.3 %
Adjusted net interest expense and other financing charges(2)	**248**	234	14	6.0 %	**632**	608	24	3.9 %
Income taxes	**263**	182	81	44.5 %	**621**	526	95	18.1 %
Adjusted income taxes(2)	**263**	219	44	20.1 %	**724**	634	90	14.2 %
Effective tax rate	**24.3 %**	21.9 %			**25.6 %**	24.4 %		
Adjusted effective tax rate(2)	**24.5 %**	22.7 %			**25.8 %**	24.7 %		
Net earnings attributable to non-controlling interests	**$ 40**	$ 25	$ 15	60.0 %	**$ 105**	$ 71	$ 34	47.9 %
Net earnings attributable to shareholders of the Company	**$ 780**	$ 624	$ 156	25.0 %	**$ 1,702**	$ 1,556	$ 146	9.4 %
Net earnings available to common shareholders of the Company(i)	**777**	621	156	25.1 %	**1,693**	1,547	146	9.4 %
Adjusted net earnings available to common shareholders of the Company(2)	**767**	719	48	6.7 %	**1,968**	1,850	118	6.4 %
Diluted net earnings per common share ($)	**$ 2.53**	$ 1.95	$ 0.58	29.7 %	**$ 5.47**	$ 4.81	$ 0.66	13.7 %
Adjusted diluted net earnings per common share(2) ($)	**$ 2.50**	$ 2.26	$ 0.24	10.6 %	**$ 6.36**	$ 5.75	$ 0.61	10.6 %
Diluted weighted average common shares outstanding (in millions)	**306.9**	318.4			**309.2**	321.6		

(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.

Loblaw delivered another quarter of consistent operational and financial performance as it continued to provide value to Canadians across its retail network, while maintaining its focus on retail excellence. The reversal of a charge related to a previous President's Choice Bank ("PC Bank") commodity tax matter positively impacted net earnings by $125 million. Drug Retail sales growth outperformed Food Retail in the quarter. Drug front store sales reflected continued strength in the beauty category but were pressured by the Company's exit from certain low margin electronics categories and lower customer spend on convenience items. Pharmacy and healthcare services revenue increased due to ongoing strength in acute and chronic prescriptions. Food Retail stores attracted increased customer visits in the quarter, despite Thanksgiving holiday sales shifting into the fourth quarter this year. Food sales growth reflected the ongoing strength of the Company's Maxi and NoFrills hard discount stores, and its growing selection of multicultural foods across its banners, anchored by strong performance in the T&T banner. In the quarter, the Company continued to invest in its network of stores, including opening 25 new hard discount stores and piloting two new ultra-discount no name® stores.

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 2024 were $777 million ($2.53 per common share). When compared to the third quarter of 2023, this was an increase of $156 million ($0.58 per common share) or 25.1%. The increase included a favourable change in adjusting items totaling $108 million, and an improvement in the underlying operating performance of $48 million as described below:

- the favourable change in adjusting items totaling $108 million ($0.34 per common share) was primarily due to the following:
  - the favourable impact of the recovery related to a PC Bank commodity tax matter of $125 million ($0.41 per common share);

  partially offset by,
  - the unfavourable impact of prior year gain on sale of non-operating properties of $11 million ($0.03 per common share); and
  - the unfavourable impact of prior year fair value adjustments on fuel and foreign currency contracts of $4 million ($0.01 per common share).
- the improvement in underlying operating performance of $48 million ($0.15 per common share) was primarily due to the following:
  - an improvement in the underlying operating performance in the Retail segment driven by an increase in gross profit[(2)], partially offset by an increase in selling, general and administrative expenses ("SG&A");

  partially offset by,
  - the unfavourable impact from adjustments to certain tax provisions in 2023; and
  - the unfavourable impact from non-controlling interests.
- diluted net earnings per common share also included the favourable impact from the repurchase of common shares over the last 12 months ($0.09 per common share).

Adjusted net earnings available to common shareholders of the Company[(2)] were $767 million, an increase of $48 million or 6.7% compared to the third quarter of 2023. Adjusted net earnings per common share[(2)] were $2.50, an increase of $0.24 or 10.6%. 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 $1,693 million ($5.47 per common share), an increase of $146 million ($0.66 per common share) or 9.4% compared to the same period in 2023. The increase included an improvement in the underlying operating performance of $118 million, and a favourable change in adjusting items totaling $28 million as described below:

- the improvement in the underlying operating performance of $118 million ($0.36 per common share) was primarily due to the following:
  - an improvement in the underlying operating performance in the Retail segment driven by an increase in gross profit[(2)], partially offset by an increase in SG&A and depreciation and amortization; and
  - an improvement in the underlying operating performance in the Financial Services segment;

  partially offset by,
  - the unfavourable impact from adjustments to certain tax provisions in 2023; and
  - the unfavorable impact from non-controlling interests.
- the favourable change in adjusting items totaling $28 million ($0.05 per common share) was primarily due to the following:
  - the year-over-year favourable impact of the (recovery) charge related to PC Bank commodity tax matters of $154 million ($0.50 per common share); and
  - the year-over-year favourable impact of fair value adjustment on fuel and foreign currency contracts of $6 million ($0.02 per common share);

  partially offset by,
  - the unfavourable impact of charges related to the settlement of class action lawsuits of $121 million ($0.39 per common share); and
  - the unfavourable impact of prior year 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 ($0.25 per common share).

Year-to-date adjusted net earnings available to common shareholders of the Company[(2)] were $1,968 million, an increase of $118 million or 6.4% compared to the same period in 2023. Adjusted net earnings per common share[(2)] were $6.36 per common share, an increase of $0.61 or 10.6%. The increase includes the favourable impact from the repurchase of common shares.

Revenue

For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024 (16 weeks)**	2023 (16 weeks)	$ Change	% Change	**2024 (40 weeks)**	2023 (40 weeks)	$ Change	% Change
Retail	**$ 18,259**	$ 17,982	$ 277	1.5 %	**$ 45,207**	$ 44,188	$ 1,019	2.3 %
Financial Services	**382**	379	3	0.8 %	**1,110**	1,053	57	5.4 %
Eliminations	**(103)**	(96)	(7)	(7.3)%	**(251)**	(243)	(8)	(3.3)%
Revenue	**$ 18,538**	$ 18,265	$ 273	1.5 %	**$ 46,066**	$ 44,998	$ 1,068	2.4 %

Revenue was $18,538 million in the third quarter of 2024. When compared to the third quarter of 2023, this was an increase of $273 million, or 1.5%. The increase was primarily driven by an increase in Retail segment sales of $277 million due to positive same-store sales growth. There was also an increase in Financial Services segment sales of $3 million.

Year-to-date revenue was $46,066 million, an increase of $1,068 million, or 2.4%, compared to the same period in 2023. The increase was primarily driven by an increase in Retail segment sales of $1,019 million, due to positive same-store sales growth. There was also an increase in Financial Services segment sales of $57 million.

Operating Income Operating income was $1,321 million in the third quarter of 2024. When compared to the third quarter of 2023, this was an increase of $256 million, or 24.0%. The increase was driven by a favourable change in adjusting items totaling $135 million, and an improvement in underlying operating performance of $121 million as described below:

- the favourable change in adjusting items totaling $135 million was due to the following:
  - the favourable impact of the recovery related to a PC Bank commodity tax matter of $155 million;

  partially offset by,
  - the unfavourable impact of prior year gain on sale of non-operating properties of $13 million; and
  - the unfavourable impact of prior year fair value adjustments on fuel and foreign currency contracts of $6 million.
- the improvement in underlying operating performance of $121 million was due to the following:
  - an improvement in the underlying operating performance of the Retail Segment due to an increase in gross profit[(2)], partially offset by an increase in SG&A and depreciation and amortization; and
  - an improvement in the underlying operating performance in the Financial Services segment.

Year-to-date operating income was $3,050 million, an increase of $289 million, or 10.5%, compared to the same period in 2023. The increase in operating income was driven by an improvement in the underlying operating performance of $266 million, and a favourable change in adjusting items totaling $23 million as described below:

- the improvement in the underlying operating performance of $266 million was primarily due to the following:
  - an improvement in the underlying operating performance of the Retail segment due to an increase in gross profit[(2)], partially offset by an increase in SG&A and depreciation and amortization; and
  - an improvement in the underlying operating performance in the Financial Services segment.
- the favourable change in adjusting items totaling $23 million was primarily due to the following:
  - the year-over-year favourable impact of the (recovery) charge related to PC Bank commodity tax matters of $192 million; and
  - the year-over-year favourable impact of fair value adjustment on fuel and foreign currency contracts of $7 million;

  partially offset by,
  - the unfavourable impact of charges related to the settlement of class action lawsuits of $164 million; and
  - the unfavourable impact of prior year gain on sale of non-operating properties of $12 million.

Adjusted EBITDA[(2)]

For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024 (16 weeks)**	2023 (16 weeks)	$ Change	% Change	**2024 (40 weeks)**	2023 (40 weeks)	$ Change	% Change
Retail	**$ 1,982**	$ 1,852	$ 130	7.0 %	**$ 5,083**	$ 4,829	$ 254	5.3 %
Financial Services	**87**	74	13	17.6 %	**243**	185	58	31.4 %
Adjusted EBITDA[(2)]	**$ 2,069**	$ 1,926	$ 143	7.4 %	**$ 5,326**	$ 5,014	$ 312	6.2 %

Adjusted EBITDA[(2)] was $2,069 million in the third quarter of 2024. When compared to the third quarter of 2023, this was an increase of $143 million or 7.4%, driven by an increase in the Retail segment of $130 million, and an increase in the Financial Services segment of $13 million.

Year-to-date adjusted EBITDA[(2)] was $5,326 million, an increase of $312 million, or 6.2% compared to the same period in 2023, driven by an increase in the Retail segment of $254 million, and an increase in the Financial Services segment of $58 million.

Depreciation and Amortization Depreciation and amortization was $903 million, an increase of $23 million or 2.6% compared to the third quarter of 2023, primarily driven by an increase in the Retail segment of $26 million. Year-to-date depreciation and amortization was $2,272 million, an increase of $46 million or 2.1% compared to the same period in 2023, primarily driven by an increase in the Retail segment of $54 million.

Depreciation and amortization in the third quarter of 2024 and year-to-date included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and Lifemark Health Group ("Lifemark") of $155 million (2023 – $154 million) and $384 million (2023 – $384 million), respectively.

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $238 million, an increase of $4 million or 1.7% compared to the third quarter of 2023. The increase was primarily driven by an increase in interest expense from borrowing related to credit card receivables and lease liabilities, partially offset by the capitalization of interest expense related to the Company's automated distribution facility and the favourable impact of the recovery related to the PC Bank commodity tax matter. Year-to-date net interest expense and other financing charges were $622 million, an increase of $14 million or 2.3% compared to the same period in 2023. The year-to-date increase was primarily driven by an increase in interest expense from lease liabilities and long term debt. This was partially offset by the capitalization of interest expense related to the Company's automated distribution facility and the favourable impact of the recovery related to the PC Bank commodity tax matter.

Income Taxes Income tax expense in the third quarter of 2024 was $263 million (2023 – $182 million) and the effective tax rate was 24.3% (2023 – 21.9%). The increase in the effective tax rate was primarily attributable to the adjustments to certain tax provisions during 2023, partially offset by the impact of other non-deductible items. Year-to-date income tax expense was $621 million (2023 – $526 million) and the effective tax rate was 25.6% (2023 – 24.4%). The increase to the year-to-date effective tax rate was primarily attributable to the adjustments to certain tax provisions during 2023, partially offset by the impact of other non-deductible items.

Adjusted income tax expense(2) in the third quarter of 2024 was $263 million (2023 – $219 million) and the adjusted effective tax rate(2) was 24.5% (2023 – 22.7%). The increase in the adjusted effective tax rate(2) was primarily attributable to the adjustments to certain tax provisions during 2023. Year-to-date adjusted income tax expense(2) was $724 million (2023 – $634 million) and the adjusted effective tax rate(2) was 25.8% (2023 – 24.7%). The increase to the year-to-date adjusted effective tax rate(2) was primarily attributable to the adjustments to certain tax provisions during 2023.

Net Earnings Attributable To Non-Controlling Interests Net earnings attributable to non-controlling interests were $40 million, an increase of $15 million or 60.0% compared to the third quarter of 2023. Year-to-date net earnings attributable to non-controlling interests were $105 million, an increase of $34 million or 47.9% compared to the same period in 2023. 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. The increase in non-controlling interests was primarily driven by an increase in franchisee earnings after profit sharing.

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, and includes in-store pharmacies, health care services, other health and beauty products, apparel and other general merchandise. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base; and
- the Financial Services segment provides credit card and everyday banking services, the PC Optimum™ loyalty program, insurance brokerage services, and telecommunication services.

4.1 Retail Segment

For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024 (16 weeks)**	2023 (16 weeks)	$ Change	% Change	**2024 (40 weeks)**	2023 (40 weeks)	$ Change	% Change
Sales	**$18,259**	$17,982	$ 277	1.5 %	**$45,207**	$44,188	$ 1,019	2.3 %
Operating income	**1,091**	1,006	85	8.4 %	**2,688**	2,657	31	1.2 %
Gross profit(2)	**5,642**	5,502	140	2.5 %	**14,216**	13,674	542	4.0 %
Gross profit %(2)	**30.9 %**	30.6 %			**31.4 %**	30.9 %		
Adjusted EBITDA(2)	**$ 1,982**	$ 1,852	$ 130	7.0 %	**$ 5,083**	$ 4,829	$ 254	5.3 %
Adjusted EBITDA margin(2)	**10.9 %**	10.3 %			**11.2 %**	10.9 %		
Depreciation and amortization	**$ 891**	$ 865	$ 26	3.0 %	**$ 2,236**	$ 2,182	$ 54	2.5 %

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

For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024 (16 weeks)**		2023 (16 weeks)		**2024 (40 weeks)**		2023 (40 weeks)	
	Sales	**Same-store sales**	Sales	Same-store sales	**Sales**	**Same-store sales**	Sales	Same-store sales
Food retail	**$12,966**	**0.5 %**	$ 12,843	4.5 %	**$32,028**	**1.3 %**	$ 31,414	4.5 %
Drug retail	**5,293**	**2.9 %**	5,139	4.6 %	**13,179**	**2.8 %**	12,774	5.7 %
Pharmacy and healthcare services	**2,783**	**6.3 %**	2,635	7.4 %	**6,952**	**6.3 %**	6,543	6.4 %
Front store	**2,510**	**(0.5)%**	2,504	1.8 %	**6,227**	**(0.7)%**	6,231	5.1 %

Sales Retail segment sales were $18,259 million in the third quarter of 2024, an increase of $277 million, or 1.5% compared to the third quarter of 2023, primarily driven by the following factors:

- Food retail same-store sales growth was 0.5% (2023 – 4.5%) for the quarter. Food retail same-store sales growth was approximately 1.3% after excluding the unfavourable impact of the timing of Thanksgiving.
  - Sales growth in food was modest;
  - Sales growth in pharmacy was moderate;
  - The Consumer Price Index as measured by The Consumer Price Index for Food Purchased From Stores was 2.3% (2023 – 7.1%) which was lower than the Company's internal food inflation; and
  - Food Retail traffic increased and basket size decreased.
- Drug retail same-store sales growth was 2.9% (2023 – 4.6%) for the quarter. The timing of Thanksgiving had a nominal impact on same-store sales growth for Drug retail in the third quarter of 2024.
  - Pharmacy and healthcare services same-store sales growth was 6.3% (2023 – 7.4%). Pharmacy and healthcare services same-store sales growth benefited from an increase in chronic and specialty prescription volumes. The number of prescriptions increased by 2.3% (2023 – 0.8%). On a same-store basis, the number of prescriptions increased by 2.3% (2023 – 0.9%) and the average prescription value increased by 3.5% (2023 – 5.1%);

  partially offset by,
  - Front store same-store sales decline of 0.5% (2023 – growth of 1.8%). The decline in front store same-store sales was primarily driven by lower sales of food and household items and the decision to exit certain low margin electronics categories, partially offset by the continued strength in beauty products.

In the last 12 months, 33 food and drug stores were opened, and 14 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 $45,207 million, an increase of $1,019 million, or 2.3% when compared to the same period in 2023. Food retail sales of $32,028 million, increased by $614 million, or 2.0%. Food retail same-store sales grew by 1.3% (2023 – 4.5%). After excluding the unfavourable impact of the timing of Thanksgiving, Food retail year-to-date same-store sales growth was approximately 1.6% in 2024. Drug retail sales of $13,179 million increased by $405 million, or 3.2%. Drug retail same-store sales growth was 2.8% (2023 – 5.7%), with pharmacy and healthcare services same-store sales growth of 6.3% (2023 – 6.4%), partially offset by front store sales decline of 0.7% (2023 – growth of 5.1%). The timing of Thanksgiving had a nominal impact on same-store sales growth for Drug retail in the third quarter of 2024.

Operating Income Operating income was $1,091 million in the third quarter of 2024, an increase of $85 million, or 8.4% compared to the third quarter of 2023. The increase was driven by an improvement in the underlying operating performance of $105 million, partially offset by an unfavourable change in adjusting items totaling $20 million as described below:

- the improvement in underlying operating performance of $105 million was due to an increase in gross profit(2), partially offset by an increase in SG&A and depreciation and amortization.
- the unfavourable change in adjusting items totaling $20 million was primarily due to the following:
  - the unfavourable impact of prior year gain on sale of non-operating properties of $13 million; and
  - the unfavourable impact of prior year fair value adjustments on fuel and foreign currency contracts of $6 million.

Year-to-date operating income was $2,688 million, an increase of $31 million, or 1.2% compared to the same period in 2023. The increase was driven by an improvement in underlying operating performance of $200 million, partially offset by an unfavourable change in adjusting items totaling $169 million as described below:

- the improvement in underlying operating performance of $200 million was due to an increase in gross profit(2), partially offset by an increase in SG&A and depreciation and amortization.
- the unfavourable change in adjusting items totaling $169 million was primarily due to the following:
  - the unfavourable impact of charges related to the settlement of class action lawsuits of $164 million; and
  - the unfavourable impact of prior year gain on sale of non-operating properties of $12 million;

  partially offset by,
  - the year-over-year favourable change in fair value adjustments on fuel and foreign currency contracts of $7 million.

Gross Profit(2) Gross profit(2) was $5,642 million in the third quarter of 2024, an increase of $140 million, or 2.5% compared to 2023. The gross profit percentage(2) of 30.9% increased by 30 basis points, primarily driven by improvements in shrink.

Year-to-date gross profit(2) was $14,216 million in 2024, an increase of $542 million, or 4.0% compared to the same period in 2023. Gross profit percentage(2) of 31.4% increased by 50 basis points when compared to 2023, primarily driven by improvements in shrink, and an increase in Drug retail gross margins mainly due to sales mix.

Adjusted EBITDA(2) Adjusted EBITDA(2) was $1,982 million in the third quarter of 2024, an increase of $130 million, or 7.0% compared to the third quarter of 2023. The increase was driven by an increase in gross profit(2) of $140 million, partially offset by an increase in SG&A of $10 million. SG&A as a percentage of sales was 20.0%, a favourable decrease of 30 basis points, primarily due to the year-over-year impact of certain real estate activities and operating leverage, partially offset by incremental costs related to opening new stores.

Year-to-date adjusted EBITDA(2) was $5,083 million in 2024, an increase of $254 million, or 5.3% compared to 2023. The increase was driven by an increase in gross profit of $542 million, partially offset by an increase in SG&A of $288 million. SG&A as a percentage of sales was 20.2%, an increase of 20 basis points when compared to 2023. The increase was primarily driven by the year-over-year impact of labour costs.

Depreciation and Amortization Depreciation and amortization was $891 million in the third quarter of 2024, an increase of $26 million when compared to the third quarter of 2023. The increase in depreciation and amortization in the third quarter of 2024 was primarily driven by an increase in depreciation of IT assets and leased assets, and an increase in depreciation of fixed assets related to conversions of retail locations. Year-to-date depreciation and amortization was $2,236 million, an increase of $54 million compared to the same period in 2023. The year-to-date increase was primarily driven by an increase in depreciation of IT assets and leased assets, and an increase in depreciation of fixed assets related to conversions of retail locations. This is partially offset by the impact of prior year accelerated depreciation due to the reassessment of the estimated useful life of certain IT assets.

Depreciation and amortization in the third quarter of 2024 and year-to-date included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of $155 million (2023 – $154 million) and $384 million (2023 – $384 million), respectively.

Settlement of Class Action Lawsuits On July 24, 2024, the Company and George Weston Limited ("Weston") entered into binding Minutes of Settlement to resolve nationwide class action lawsuits against them relating to their role in an industry-wide price-fixing arrangement involving certain packaged bread products which occurred between 2001 and 2015. The binding Minutes of Settlement provide for a total settlement of $500 million. Weston will pay $247 million, and the Company will pay $253 million offset by $96 million previously paid to customers by the Company under the Loblaw Card Program. The $500 million settlement amount was negotiated with lawyers representing consumers in a mediation presided over by the Chief Justice of the Ontario Superior Court of Justice. The settlement is subject to finalizing a binding Settlement Agreement between the Company and Weston, and the lawyers representing consumers, and Court approval. If the settlement is approved, it will resolve all of the consumers' claims against the Company and Weston relating to this matter. In the second quarter of 2024, charges of $164 million ($121 million, net of income taxes) were recorded in SG&A, relating to the Company's portion of the total settlement and related costs.

4.2 Financial Services Segment

For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024** **(16 weeks)**	2023 (16 weeks)	$ Change	% Change	**2024** **(40 weeks)**	2023 (40 weeks)	$ Change	% Change
Revenue	**$ 382**	$ 379	$ 3	0.8 %	**$ 1,110**	$ 1,053	$ 57	5.4 %
Earnings before income taxes	**201**	22	179	813.6 %	**261**	—	261	N/A

(millions of Canadian dollars except where otherwise indicated)	**As at October 5, 2024**	As at October 7, 2023	$ Change	% Change
Average quarterly net credit card receivables	**$ 3,956**	$ 3,905	$ 51	1.3 %
Credit card receivables	**3,890**	3,946	(56)	(1.4)%
Allowance for credit card receivables	**275**	231	44	19.0 %
Annualized yield on average quarterly gross credit card receivables	**14.4 %**	13.9 %		
Annualized credit loss rate on average quarterly gross credit card receivables	**4.6 %**	3.8 %		

Revenue Revenue was $382 million, an increase of $3 million compared to the third quarter of 2023. The increase in revenue was primarily driven by:

- higher interchange and credit card fee income;

partially offset by,

- lower sales attributable to The Mobile Shop™.

Year-to-date revenue was $1,110 million, an increase of $57 million compared to the same period in 2023. The increase in the year-to-date revenue was primarily driven by:

- higher interest income from the growth of credit card receivable;
- higher sales attributable to *The Mobile Shop*; and
- higher interchange and credit card fee income.

Earnings before income taxes Earnings before income taxes were $201 million in the third quarter of 2024, an increase of $179 million compared to the third quarter of 2023. The increase in the third quarter was primarily driven by:

- a recovery of $165 million related to a commodity tax matter, including $10 million of interest income;
- lower customer acquisition expenses and operating costs, including the ongoing benefits associated with the renewal of a long-term agreement with Mastercard; and
- higher revenue as described above;

partially offset by,

- higher contractual charge-offs and higher loyalty program costs.

Year-to-date earnings before income taxes were $261 million in 2024, an improvement of $261 million compared to the third quarter of 2023. The increase was primarily driven by:

- the year-over-year impact from the prior year charge of $37 million versus the current year recovery of $165 million related to the commodity tax matters;
- higher revenue as described above;
- lower customer acquisition expenses and operating costs, including the ongoing benefits associated with the renewal of a long-term agreement with Mastercard; and
- the year-over-year favourable impact of the expected credit loss provision;

partially offset by,

- higher contractual charge-offs and funding costs due to the current macro-economic environment, and higher loyalty program costs.

In July 2022, the Tax Court of Canada ("Tax Court") released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court 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. PC Bank subsequently filed a Notice of Appeal with the Federal Court of Appeal ("FCA") and in March 2024, the matter was heard by the FCA. In August 2024, the FCA released its decision and reversed the decision of the Tax Court. As a result, PC Bank reversed charges of $155 million, including $111 million initially recorded in the second quarter of 2022. In addition, $10 million was recorded related to interest income on cash tax refunds.

In the second quarter of 2023, the Federal government enacted certain commodity tax legislation that applied 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.

Credit Card Receivables As at October 5, 2024, credit card receivables were $3,890 million, a decrease of $56 million compared to October 7, 2023. This decrease was primarily driven by an increase in the expected credit loss allowance. The expected credit loss allowance for credit card receivables was $275 million, an increase of $44 million compared to October 7, 2023. The increase is reflective of the current and forecasted macro-economic environment and its impact on consumer credit trends.

5. Liquidity and Capital Resources

5.1 Cash Flows

Major Cash Flow Components

For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024 (16 weeks)**	2023 (16 weeks)	$ Change	% Change	**2024 (40 weeks)**	2023 (40 weeks)	$ Change	% Change
Cash and cash equivalents, beginning of period	**$ 1,282**	$ 1,209	$ 73	6.0 %	**$ 1,488**	$ 1,608	$ (120)	(7.5)%
Cash flows from (used in):								
Operating activities	**$ 1,958**	$ 2,045	$ (87)	(4.3)%	**$ 4,215**	$ 4,249	$ (34)	(0.8)%
Investing activities	**(341)**	(431)	90	20.9 %	**(1,306)**	(1,515)	209	13.8 %
Financing activities	**(1,905)**	(1,592)	(313)	(19.7)%	**(3,407)**	(3,113)	(294)	(9.4)%
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(1)**	(3)	2	66.7 %	**3**	(1)	4	400.0 %
(Decrease) increase in cash and cash equivalents	**$ (289)**	$ 19	$ (308)	(1,621.1)%	**$ (495)**	$ (380)	$ (115)	(30.3)%
Cash and cash equivalents, end of period	**$ 993**	$ 1,228	$ (235)	(19.1)%	**$ 993**	$ 1,228	$ (235)	(19.1)%

Cash Flows from Operating Activities Cash flows from operating activities in the third quarter of 2024 were $1,958 million, a decrease of $87 million when compared to the third quarter of 2023. The decrease was primarily driven by an unfavourable year-over-year change in non-cash working capital, and higher income taxes paid in the current year, partially offset by higher earnings.

Year-to-date cash flows from operating activities were $4,215 million, a decrease of $34 million compared to the same period in 2023. The decrease was primarily driven by an unfavourable year-over-year change in non-cash working capital, and higher income taxes paid in the current year, partially offset by higher earnings, and credit card receivables increasing year-over-year at a rate lower than prior year.

Cash Flows used in Investing Activities Cash flows used in investing activities in the third quarter of 2024 were $341 million, a decrease of $90 million when compared to the third quarter of 2023. The decrease in cash flows used in investing activities was primarily driven by an increase in proceeds from disposals of assets, partially offset by higher purchases of short term investments and fewer disposals of long term securities.

Year-to-date cash flows used in investing activities were $1,306 million, a decrease of $209 million compared to the same period in 2023. The decrease in cash flows used in investing activities was primarily driven by fewer purchases of short term investments and an increase in proceeds from disposals of assets, partially offset by an increase in investment in fixed assets.

Capital Investments and Store Activity

As at October 5, 2024 and October 7, 2023	2024	2023	% Change
Corporate square footage (in millions)	**35.6**	35.2	1.1 %
Franchise square footage (in millions)	**16.7**	17.0	(1.8)%
Associate-owned drug store square footage (in millions)	**19.2**	19.0	1.1 %
Total retail square footage (in millions)	**71.5**	71.2	0.4 %
Number of corporate stores	**594**	568	4.6 %
Number of franchise stores	**519**	536	(3.2)%
Number of Associate-owned drug stores	**1,354**	1,344	0.7 %
Total number of stores	**2,467**	2,448	0.8 %
Average store size (square feet)			
Corporate	**59,900**	62,000	(3.4)%
Franchise	**32,200**	31,700	1.6 %
Associate-owned drug store	**14,200**	14,100	0.7 %

Capital Investments Capital investments in the third quarter of 2024 were $690 million, a decrease of $5 million or 0.7%, compared to the third quarter of 2023. Year-to-date capital investments were $1,572 million, an increase of $139 million or 9.7%, compared to 2023.

Cash Flows used in Financing Activities Cash flows used in financing activities in the third quarter of 2024 were $1,905 million, an increase of $313 million when compared to the third quarter of 2023. The increase was primarily driven by lower net issuance of long term debt and higher repurchases of common shares in the current year, partially offset by an increase in bank indebtedness.

Year-to-date cash flows used in financing activities were $3,407 million, an increase of $294 million when compared to the same period in 2023. The increase was primarily driven by higher repayments of short term debt, higher proceeds from financial liabilities in the prior year, and higher repurchases of common shares in the current year. This was partially offset by an increase in bank indebtedness and higher net issuance of long term debt.

Free Cash Flow[(2)]

For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars)	**2024 (16 weeks) Retail**	**Financial Services**	**Elimi-nations[(i)]**	**Total**	2023 (16 weeks) Retail	Financial Services	Elimi-nations[(i)]	Total
Cash flows from (used in) operating activities	**$ 1,829**	**$ 75**	**$ 54**	**$ 1,958**	$ 1,898	$ 107	$ 40	$ 2,045
Less:								
Capital investments[(ii)]	**675**	**15**	**—**	**690**	681	14	—	695
Interest paid	**94**	**—**	**54**	**148**	82	—	40	122
Lease payments, net	**498**	**—**	**—**	**498**	472	—	—	472
Free cash flow[(2)]	**$ 562**	**$ 60**	**$ —**	**$ 622**	$ 663	$ 93	$ —	$ 756

For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars)	**2024 (40 weeks) Retail**	**Financial Services**	**Elimi-nations[(i)]**	**Total**	2023 (40 weeks) Retail	Financial Services	Elimi-nations[(i)]	Total
Cash flows from (used in) operating activities	**$ 3,701**	**$ 414**	**$ 100**	**$ 4,215**	$ 3,985	$ 177	$ 87	$ 4,249
Less:								
Capital investments[(ii)]	**1,541**	**31**	**—**	**1,572**	1,403	30	—	1,433
Interest paid	**244**	**—**	**100**	**344**	233	—	87	320
Lease payments, net	**1,238**	**—**	**—**	**1,238**	1,167	—	—	1,167
Free cash flow[(2)]	**$ 678**	**$ 383**	**$ —**	**$ 1,061**	$ 1,182	$ 147	$ —	$ 1,329

(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 Condensed Consolidated Statements of Cash Flows, and prepayments transferred to fixed assets in the current period.

Free cash flow[(2)] from the Retail segment in the third quarter of 2024 was $562 million, a decrease of $101 million when compared to the third quarter of 2023. The decrease was primarily driven by an unfavourable year-over-year change in non-cash working capital, partially offset by higher earnings. Year-to-date free cash flow[(2)] from the Retail Segment was $678 million, a decrease of $504 million compared to the same period in 2023. The decrease was primarily driven by an unfavourable year-over-year change in non-cash working capital, partially offset by higher earnings. Higher capital investments also impacted Retail segment free cash flow compared to the same period in 2023.

Free cash flow[(2)] from the Financial Services segment in the third quarter of 2024 was $60 million, a decrease of $33 million when compared to the third quarter of 2023. The decrease was primarily due to higher income taxes paid in the current year. Year-to-date free cash flow[(2)] from the Financial Services segment was $383 million, an increase of $236 million compared to the same period in 2023. The increase was primarily driven by credit card receivables increasing year-over-year at a rate lower than prior year, partially offset by higher income taxes paid in the current year.

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

The following table presents total debt by reportable operating segment:

(millions of Canadian dollars)			**As at October 5, 2024**			As at October 7, 2023			As at December 30, 2023
	Retail	**Financial Services**	**Total**	Retail	Financial Services	Total	Retail	Financial Services	Total
Bank indebtedness	**$ 167**	**$ —**	**$ 167**	$ 22	$ —	$ 22	$ 13	$ —	$ 13
Demand deposits from customers	**—**	**187**	**187**	—	147	147	—	166	166
Short term debt[i]	**—**	**600**	**600**	—	650	650	—	850	850
Long term debt due within one year	**—**	**686**	**686**	400	874	1,274	400	791	1,191
Long term debt[ii]	**5,086**	**2,211**	**7,297**	4,394	2,192	6,586	4,460	2,201	6,661
Certain other liabilities[iii]	**294**	**—**	**294**	270	—	270	280	—	280
Total debt excluding lease liabilities	**$ 5,547**	**$3,684**	**$ 9,231**	$5,086	$3,863	$8,949	$ 5,153	$4,008	$ 9,161
Lease liabilities due within one year	**1,501**	**—**	**1,501**	1,442	—	1,442	1,455	—	1,455
Lease liabilities	**8,500**	**—**	**8,500**	7,718	—	7,718	8,003	—	8,003
Total debt including total lease liabilities	**$15,548**	**$3,684**	**$19,232**	$14,246	$3,863	$18,109	$ 14,611	$4,008	$18,619

(i) On a year-to-date basis, PC Bank recorded a $250 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

(ii) In the first quarter of 2024, the Company completed an issuance of $400 million aggregate principal amount of senior unsecured notes bearing interest at 5.115% per annum with a maturity date of March 4, 2054. The Company used the net proceeds of the issuance to partially fund the redemption of the $400 million aggregate principal amount of 3.918% senior unsecured notes on June 10, 2024. The Company has a committed credit facility with maturity date of July 15, 2027, provided by a syndicate of lenders. The facility contains certain financial covenants and as at October 5, 2024 and throughout the first three quarters of the year, the Company was in compliance with these covenants.

(iii) As at October 5, 2024, certain other liabilities include financial liabilities of $191 million related to the sale and leaseback of retail properties (October 7, 2023 — $189 million, December 30, 2023 — $190 million).

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 5, 2024	As at October 7, 2023	As at December 30, 2023
Retail debt to rolling year retail adjusted EBITDA[(2)]	**2.4 x**	2.3 x	2.3 x

The Retail debt to rolling year retail adjusted EBITDA[(2)] ratio as at October 5, 2024 increased compared to October 7, 2023 and December 30, 2023, primarily driven by an increase in retail debt and 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 5, 2024 and throughout the quarter, the Company was in compliance with such covenants. As at October 5, 2024 and throughout the 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 5, 2024	As at October 7, 2023	As at December 30, 2023
Rolling year adjusted return on equity[(2)]	**23.3 %**	21.8 %	22.2 %
Rolling year adjusted return on capital[(2)]	**11.8 %**	11.2 %	11.5 %

Rolling year adjusted return on equity[(2)] as at October 5, 2024 increased compared to October 7, 2023 and December 30, 2023, primarily due to an improvement in the underlying operating performance of the Retail segment and Financial Services segment.

Rolling year adjusted return on capital[(2)] as at October 5, 2024 increased compared to October 7, 2023 and December 30, 2023, primarily due to an improvement in rolling year adjusted operating income[(2)] and an increase in average capital, primarily due to an increase in lease liabilities and bank indebtedness.

5.4 Credit Ratings

The following table sets out the current credit ratings of the Company:

	Morningstar DBRS		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-2 (low)	n/a

In the second quarter of 2024, Morningstar DBRS confirmed the credit ratings and trend of the Company. Standard and Poor's Global Ratings reaffirmed the outlook of the Company and upgraded the ratings from BBB to BBB+ for issuer rating and medium term notes, and from P-3 (high) to P-2 (low) for second preferred shares, Series B.

5.5 Dividends and Share Repurchases

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

	October 5, 2024[(i)] **(16 weeks)**	October 7, 2023 (16 weeks)	**October 5, 2024 (40 weeks)**	October 7, 2023 (40 weeks)
Dividends declared per share ($)				
Common Share	**$ 0.513**	$ 0.446	**$ 1.472**	$ 1.297
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125	**$ 0.99375**	$ 0.99375

(i) The Common Share dividends declared in the third quarter of 2024 of $0.513 per share had a payment date of October 1, 2024. The Second Preferred Shares, Series B dividends declared in the third quarter of 2024 of $0.33125 per share had a payment date of September 30, 2024.

Subsequent to the end of the third quarter of 2024, the Board of Directors declared a quarterly dividend of $0.513 per common share, payable on December 30, 2024 to shareholders of record on December 15, 2024 and a quarterly dividend of $0.33125 per share on the Second Preferred Shares, Series B payable on December 31, 2024 to shareholders of record on December 15, 2024.

In the second quarter of 2024, the Company renewed its Normal Course Issuer Bid ("NCIB") to purchase on the Toronto Stock Exchange or through alternative trading systems up to 15,336,875 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. As at October 5, 2024, the Company had purchased 4,000,560 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 2024, 2,650,388 common shares (2023 – 2,926,260) were purchased under the NCIB for cancellation, for aggregate consideration of $450 million (2023 – $341 million), including 1,123,575 common shares (2023 – 1,473,813) purchased from Weston, for aggregate consideration of $193 million (2023 – $171 million). On a year-to-date basis, 9,021,350 common shares (2023 – 10,410,560) were purchased under the NCIB for cancellation, for aggregate consideration of $1,402 million (2023 – $1,235 million), including 3,613,458 common shares (2023 – 5,148,067) purchased from Weston, for aggregate consideration of $565 million (2023 – $609 million).

For additional information please refer to Note 11 "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 2024. For a discussion of the Company's significant off-balance sheet arrangements see Section 7.7 "Off-Balance Sheet Arrangements" of the Company's 2023 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.

During the third quarter of 2024, PC bank settled a bond forward agreement with notional value of $75 million (2023 – $15 million). On a year-to-date basis, PC Bank entered into bond forward agreements with a notional value of $275 million (2023 – $160 million), and settled bond forward agreement with a notional value of $250 million (2023 – $155 million), primarily relating to the $350 million *Eagle* Series 2024-1 notes issued in the second quarter of 2024.

In 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. In the third quarter of 2024 and year-to-date, a fair value loss of $3 million (2023 – $9 million) and $18 million (2023 – $5 million), respectively, was recorded in other comprehensive income related to the energy hedge. The fair value of the derivative is included in trade payables and other liabilities.

The Company also uses interest rate swaps, 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 2024 see Section 13 "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)	**2024 (16 weeks)**	**2023 (16 weeks)**	2024 (12 weeks)	2023 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)
Revenue	**$ 18,538**	**$ 18,265**	$ 13,947	$ 13,738	$ 13,581	$ 12,995	$ 14,531	$ 14,007
Adjusted EBITDA[(2)]	**2,069**	**1,926**	1,713	1,640	1,544	1,448	1,633	1,493
Net earnings available to common shareholders of the Company	**777**	**621**	457	508	459	418	541	529
Adjusted net earnings available to common shareholders of the Company[(2)]	**767**	**719**	664	626	537	505	630	575
Net earnings per common share:								
Basic ($)	**$ 2.55**	**$ 1.97**	$ 1.49	$ 1.59	$ 1.48	$ 1.30	$ 1.73	$ 1.63
Diluted ($)	**$ 2.53**	**$ 1.95**	$ 1.48	$ 1.58	$ 1.47	$ 1.29	$ 1.72	$ 1.62
Adjusted diluted net earnings per common share[(2)] ($)	**$ 2.50**	**$ 2.26**	$ 2.15	$ 1.94	$ 1.72	$ 1.55	$ 2.00	$ 1.76
Food retail same-store sales growth	**0.5 %**	**4.5 %**	0.2 %	6.1 %	3.4 %	3.1 %	2.0 %	8.4 %
Drug retail same-store sales growth	**2.9 %**	**4.6 %**	1.5 %	5.7 %	4.0 %	7.4 %	4.6 %	8.7 %

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

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- macro-economic conditions impacting food and drug retail prices; and
- changes in net retail square footage. Over the past eight quarters, net retail square footage has increased by 0.6 million square feet to 71.5 million square feet.

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

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- cost savings from operating efficiencies and benefits from strategic initiatives;
- the favourable impact of the repurchase of common shares for cancellation; and
- the impact of adjusting items, as set out in Section 13 “Non-GAAP and Other Financial Measures”, including:
    - charges related to the settlement of class action lawsuits;
    - fair value adjustment on fuel and foreign currency;
    - the gain and loss on sale of non-operating properties;
    - fair value adjustment on non-operating properties; and
    - recovery and charge related to PC Bank commodity tax matters.

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 Accounting Standards.

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 2024 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 30, 2023 and the Company's MD&A in the Company's 2023 Annual Report, which are hereby incorporated by reference. The Company's 2023 Annual Report and AIF are available online on www.sedarplus.ca. Those risks and risk management strategies remain unchanged.

10. Related Party Transactions

Please refer to Note 15 "Related Party Transactions" of the Company's interim financial statements.

11. Future Accounting Standards and Amendments

Please refer to Note 3 "Future Accounting Standards and Amendments" of the Company's interim financial statements.

12. Outlook[(3)]

Loblaw will continue to execute on retail excellence while advancing its growth initiatives with the goal of delivering 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 continues to expect:

- its Retail business to grow earnings faster than sales; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

Based on its year-to-date operating and financial performance and momentum exiting the third quarter, the Company is slightly increasing its guidance for full year adjusted net earnings per common share[(2)] growth from high single-digits into the low double-digits.

Additionally, based on the year-to-date investments in its store network and distribution centres, the Company now expects to invest a net amount of $1.9 billion in capital expenditures (previously $1.8 billion), which reflects gross capital investments of approximately $2.3 billion (previously $2.2 billion), net of approximately $400 million of proceeds from property disposals.

13. 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.

				2024 (16 weeks)				2023 (16 weeks)
For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$ 18,259**	**$ 382**	**$ (103)**	**$ 18,538**	$ 17,982	$ 379	$ (96)	$ 18,265
Cost of sales	**12,617**	**48**	**—**	**12,665**	12,480	54	—	12,534
Gross profit	**$ 5,642**	**$ 334**	**$ (103)**	**$ 5,873**	$ 5,502	$ 325	$ (96)	$ 5,731
Adjusted gross profit	**$ 5,642**	**$ 334**	**$ (103)**	**$ 5,873**	$ 5,502	$ 325	$ (96)	$ 5,731

				2024 (40 weeks)				2023 (40 weeks)
For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$ 45,207**	**$ 1,110**	**$ (251)**	**$ 46,066**	$ 44,188	$ 1,053	$ (243)	$ 44,998
Cost of sales	**30,991**	**126**	**—**	**31,117**	30,514	120	—	30,634
Gross profit	**$ 14,216**	**$ 984**	**$ (251)**	**$ 14,949**	$ 13,674	$ 933	$ (243)	$ 14,364
Adjusted gross profit	**$ 14,216**	**$ 984**	**$ (251)**	**$ 14,949**	$ 13,674	$ 933	$ (243)	$ 14,364

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.

			2024 (16 weeks)			2023 (16 weeks)
For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Total**	Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			**$ 780**			$ 624
Add impact of the following:						
Non-controlling interests			**40**			25
Net interest expense and other financing charges			**238**			234
Income taxes			**263**			182
Operating income	**$ 1,091**	**$ 230**	**$ 1,321**	$ 1,006	$ 59	$ 1,065
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 155**	**$ —**	**$ 155**	$ 154	$ —	$ 154
Gain on sale of non-operating properties	**—**	**—**	**—**	(13)	—	(13)
Fair value adjustment on fuel and foreign currency contracts	**—**	**—**	**—**	(6)	—	(6)
Recovery related to PC Bank commodity tax matter	**—**	**(155)**	**(155)**	—	—	—
Adjusting items	**$ 155**	**$ (155)**	**$ —**	$ 135	$ —	$ 135
Adjusted operating income	**$ 1,246**	**$ 75**	**$ 1,321**	$ 1,141	$ 59	$ 1,200
Depreciation and amortization	**891**	**12**	**903**	865	15	880
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(155)**	**—**	**(155)**	(154)	—	(154)
Adjusted EBITDA	**$ 1,982**	**$ 87**	**$2,069**	$ 1,852	$ 74	$ 1,926

For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars)	**2024 (40 weeks)** **Retail**	**Financial Services**	**Total**	2023 (40 weeks) Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			**$ 1,702**			$ 1,556
Add impact of the following:						
Non-controlling interests			**105**			71
Net interest expense and other financing charges			**622**			608
Income taxes			**621**			526
Operating income	**$2,688**	**$ 362**	**$3,050**	$ 2,657	$ 104	$ 2,761
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 384**	**$ —**	**$ 384**	$ 384	$ —	$ 384
Charges related to settlement of class action lawsuits	**164**	**—**	**164**	—	—	—
Gain on sale of non-operating properties	**—**	**—**	**—**	(12)	—	(12)
Fair value adjustment on fuel and foreign currency contracts	**(5)**	**—**	**(5)**	2	—	2
(Recovery) Charge related to PC Bank commodity tax matters	**—**	**(155)**	**(155)**	—	37	37
Adjusting items	**$ 543**	**$ (155)**	**$ 388**	$ 374	$ 37	$ 411
Adjusted operating income	**$ 3,231**	**$ 207**	**$3,438**	$ 3,031	$ 141	$ 3,172
Depreciation and amortization	**2,236**	**36**	**2,272**	2,182	44	2,226
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(384)**	**—**	**(384)**	(384)	—	(384)
Adjusted EBITDA	**$5,083**	**$ 243**	**$5,326**	$ 4,829	$ 185	$ 5,014

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 settlement of class action lawsuits On July 24, 2024, the Company and Weston entered into binding Minutes of Settlement to resolve nationwide class action lawsuits against them relating to their role in an industry-wide price-fixing arrangement. In the second quarter of 2024, charges of $164 million were recorded in SG&A, relating to the Company's portion of the total settlement and related costs.

Gain on sale of non-operating properties In the third quarter of 2024 and year-to-date, the Company did not record any gain or loss related to the sale of non-operating properties (third quarter of 2023 and year-to-date – gain of $13 million and $12 million, respectively).

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.

(Recovery) Charge related to PC Bank commodity tax matters In July 2022, the Tax Court released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court 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. PC Bank subsequently filed a Notice of Appeal with the FCA and in March 2024, the matter was heard by the FCA. In August 2024, the FCA released its decision and reversed the decision of the Tax Court. As a result, PC Bank reversed charges of $155 million, including $111 million initially recorded in the second quarter of 2022.

In the second quarter of 2023, the Federal government enacted certain commodity tax legislation that applied 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.

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 5, 2024 and October 7, 2023 (millions of Canadian dollars)	**2024** **(16 weeks)**	2023 (16 weeks)	**2024** **(40 weeks)**	2023 (40 weeks)
Net interest expense and other financing charges	**$ 238**	$ 234	**$ 622**	$ 608
Add: Recovery related to PC Bank commodity tax matter	**10**	—	**10**	—
Adjusted net interest expense and other financing charges	**$ 248**	$ 234	**$ 632**	$ 608

In the third quarter of 2024, $10 million was recorded related to interest income on cash tax refunds on the PC Bank commodity tax matter discussed above.

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 5, 2024 and October 7, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024** **(16 weeks)**	2023 (16 weeks)	**2024** **(40 weeks)**	2023 (40 weeks)
Adjusted operating income(i)	**$ 1,321**	$ 1,200	**$ 3,438**	$ 3,172
Adjusted net interest expense and other financing charges(i)	**248**	234	**632**	608
Adjusted earnings before taxes	**$ 1,073**	$ 966	**$ 2,806**	$ 2,564
Income taxes	**$ 263**	$ 182	**$ 621**	$ 526
Add impact of the following:				
Tax impact of items included in adjusted earnings before taxes(ii)	**—**	37	**103**	108
Adjusted income taxes	**$ 263**	$ 219	**$ 724**	$ 634
Effective tax rate	**24.3 %**	21.9 %	**25.6 %**	24.4 %
Adjusted effective tax rate	**24.5 %**	22.7 %	**25.8 %**	24.7 %

(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 5, 2024 and October 7, 2023 (millions of Canadian dollars except where otherwise indicated)	**2024 (16 weeks)**	2023 (16 weeks)	**2024 (40 weeks)**	2023 (40 weeks)
Net earnings attributable to shareholders of the Company	**$ 780**	$ 624	**$ 1,702**	$ 1,556
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(9)**	(9)
Net earnings available to common shareholders of the Company	**$ 777**	$ 621	**$ 1,693**	$ 1,547
Net earnings attributable to shareholders of the Company	**$ 780**	$ 624	**$ 1,702**	$ 1,556
Adjusting items (refer to the following table)	**(10)**	98	**275**	303
Adjusted net earnings attributable to shareholders of the Company	**$ 770**	$ 722	**$ 1,977**	$ 1,859
Prescribed dividends on preferred shares in share capital	**(3)**	(3)	**(9)**	(9)
Adjusted net earnings available to common shareholders of the Company	**$ 767**	$ 719	**$ 1,968**	$ 1,850
Diluted weighted average common shares outstanding (millions)	**306.9**	318.4	**309.2**	321.6

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

	2024 (16 weeks)		2023 (16 weeks)		**2024 (40 weeks)**		2023 (40 weeks)	
For the periods ended October 5, 2024 and October 7, 2023 (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	**$ 777**	**$ 2.53**	$ 621	$ 1.95	**$ 1,693**	**$ 5.47**	$ 1,547	$ 4.81
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 115**	**$ 0.38**	$ 113	$ 0.35	**$ 283**	**$ 0.92**	$ 282	$ 0.87
Charges related to settlement of class action lawsuits	**—**	**—**	—	—	**121**	**0.39**	—	—
Gain on sale of non-operating properties	**—**	**—**	(11)	(0.03)	**—**	**—**	(10)	(0.03)
Fair value adjustment on fuel and foreign currency contracts	**—**	**—**	(4)	(0.01)	**(4)**	**(0.01)**	2	0.01
(Recovery) Charge related to PC Bank commodity tax matters	**(125)**	**(0.41)**	—	—	**(125)**	**(0.41)**	29	0.09
Adjusting items	**$ (10)**	**$(0.03)**	$ 98	$ 0.31	**$ 275**	**$ 0.89**	$ 303	$ 0.94
Adjusted	**$ 767**	**$ 2.50**	$ 719	$ 2.26	**$ 1,968**	**$ 6.36**	$ 1,850	$ 5.75

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.

				2024 (16 weeks)				2023 (16 weeks)
For the periods ended October 5, 2024 and October 7, 2023 (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	**$ 1,829**	**$ 75**	**$ 54**	**$ 1,958**	$ 1,898	$ 107	$ 40	$ 2,045
Less:								
Capital investments(ii)	**675**	**15**	**—**	**690**	681	14	—	695
Interest paid(i)	**94**	**—**	**54**	**148**	82	—	40	122
Lease payments, net	**498**	**—**	**—**	**498**	472	—	—	472
Free cash flow	**$ 562**	**$ 60**	**$ —**	**$ 622**	$ 663	$ 93	$ —	$ 756

				2024 (40 weeks)				2023 (40 weeks)
For the periods ended October 5, 2024 and October 7, 2023 (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	**$ 3,701**	**$ 414**	**$ 100**	**$ 4,215**	$ 3,985	$ 177	$ 87	$ 4,249
Less:								
Capital investments(ii)	**1,541**	**31**	**—**	**1,572**	1,403	30	—	1,433
Interest paid(i)	**244**	**—**	**100**	**344**	233	—	87	320
Lease payments, net	**1,238**	**—**	**—**	**1,238**	1,167	—	—	1,167
Free cash flow	**$ 678**	**$ 383**	**$ —**	**$ 1,061**	$ 1,182	$ 147	$ —	$ 1,329

(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 Condensed Consolidated Statements of Cash Flows, and prepayments transferred to fixed assets in the current period.

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 ended as indicated.

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2024 (16 weeks)**	**2023 (16 weeks)**	2024 (12 weeks)	2023 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)
Net earnings attributable to shareholders of the Company	**$ 780**	**$ 624**	$ 460	$ 511	$ 462	$ 421	$ 544	$ 532
Add (deduct) impact of the following:								
Non-controlling interests	**40**	**25**	38	30	27	16	16	(14)
Net interest expense and other financing charges	**238**	**234**	190	193	194	181	195	172
Income taxes	**263**	**182**	180	193	178	151	188	181
Operating income	**$ 1,321**	**$ 1,065**	$ 868	$ 927	$ 861	$ 769	$ 943	$ 871
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 155**	**$ 154**	$ 115	$ 116	$ 114	$ 114	$ 115	$ 115
Charges related to settlement of class action lawsuits	**—**	**—**	164	—	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**—**	**(6)**	2	5	(7)	3	14	11
(Gain) Loss on sale of non-operating properties	**—**	**(13)**	—	—	—	1	—	(50)
Fair value adjustment on non-operating properties	**—**	**—**	—	—	—	—	9	(6)
(Recoveries) Charges related to PC Bank commodity tax matters	**(155)**	**—**	—	37	—	—	(13)	—
Adjusting items	**$ —**	**$ 135**	$ 281	$ 158	$ 107	$ 118	$ 125	$ 70
Adjusted operating income	**$ 1,321**	**$ 1,200**	$ 1,149	$ 1,085	$ 968	$ 887	$ 1,068	$ 941
Depreciation and amortization	**903**	**880**	679	671	690	675	680	667
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(155)**	**(154)**	(115)	(116)	(114)	(114)	(115)	(115)
Adjusted EBITDA[(i)]	**$ 2,069**	**$ 1,926**	$ 1,713	$ 1,640	$ 1,544	$ 1,448	$ 1,633	$ 1,493

(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 ended as indicated.

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2024 (16 weeks)**	**2023 (16 weeks)**	2024 (12 weeks)	2023 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)
As reported	**$ 777**	**$ 621**	$ 457	$ 508	$ 459	$ 418	$ 541	$ 529
Add (deduct) impact of the following[(i)]:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 115**	**$ 113**	$ 84	$ 85	$ 84	$ 84	$ 85	$ 83
Charges related to settlement of class action lawsuits	**—**	**—**	121	—	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**—**	**(4)**	2	4	(6)	2	10	8
(Gain) Loss on sale of non-operating properties	**—**	**(11)**	—	—	—	1	—	(41)
Fair value adjustment on non-operating properties	**—**	**—**	—	—	—	—	6	(4)
(Recoveries) Charges related to PC Bank commodity tax matters	**(125)**	**—**	—	29	—	—	(12)	—
Adjusting items	**$ (10)**	**$ 98**	$ 207	$ 118	$ 78	$ 87	$ 89	$ 46
Adjusted[(i)]	**$ 767**	**$ 719**	$ 664	$ 626	$ 537	$ 505	$ 630	$ 575

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

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2024 (16 weeks)**	**2023 (16 weeks)**	2024 (12 weeks)	2023 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)
As reported	**$ 2.53**	**$ 1.95**	$ 1.48	$ 1.58	$ 1.47	$ 1.29	$ 1.72	$ 1.62
Add (deduct) impact of the following(i):								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 0.38**	**$ 0.35**	$ 0.27	$ 0.26	$ 0.27	$ 0.26	$ 0.27	$ 0.25
Charges related to settlement of class action lawsuits	**—**	**—**	0.39	—	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**—**	**(0.01)**	0.01	0.01	(0.02)	—	0.03	0.03
(Gain) Loss on sale of non-operating properties	**—**	**(0.03)**	—	—	—	—	—	(0.13)
Fair value adjustment on non-operating properties	**—**	**—**	—	—	—	—	0.02	(0.01)
(Recoveries) Charges related to PC Bank commodity tax matters	**(0.41)**	**—**	—	0.09	—	—	(0.04)	—
Adjusting items	**$ (0.03)**	**$ 0.31**	$ 0.67	$ 0.36	$ 0.25	$ 0.26	$ 0.28	$ 0.14
Adjusted(i)	**$ 2.50**	**$ 2.26**	$ 2.15	$ 1.94	$ 1.72	$ 1.55	$ 2.00	$ 1.76
Diluted weighted average common shares outstanding (millions)	**306.9**	**318.4**	308.8	322.5	311.9	324.8	314.9	327.4

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

14. 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 12, 2024
Toronto, Canada

MD&A Endnotes

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

(2) See Section 13 "Non-GAAP and Other Financial Measures", which includes the reconciliation of such non-GAAP and other measures to the most directly comparable GAAP measures.

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

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**October 5, 2024 (16 weeks)**	October 7, 2023 (16 weeks)	**October 5, 2024 (40 weeks)**	October 7, 2023 (40 weeks)
Revenue	**$ 18,538**	$ 18,265	**$ 46,066**	$ 44,998
Cost of sales	**12,665**	12,534	**31,117**	30,634
Selling, general and administrative expenses	**4,552**	4,666	**11,899**	11,603
Operating income	**$ 1,321**	$ 1,065	**$ 3,050**	$ 2,761
Net interest expense and other financing charges (note 4)	**238**	234	**622**	608
Earnings before income taxes	**$ 1,083**	$ 831	**$ 2,428**	$ 2,153
Income taxes (note 5)	**263**	182	**621**	526
Net earnings	**$ 820**	$ 649	**$ 1,807**	$ 1,627
Attributable to:				
Shareholders of the Company (note 6)	**$ 780**	$ 624	**$ 1,702**	$ 1,556
Non-controlling interests	**40**	25	**105**	71
Net earnings	**$ 820**	$ 649	**$ 1,807**	$ 1,627
Net earnings per common share ($) (note 6)				
Basic	**$ 2.55**	$ 1.97	**$ 5.53**	$ 4.86
Diluted	**$ 2.53**	$ 1.95	**$ 5.47**	$ 4.81
Weighted average common shares outstanding (millions) (note 6)				
Basic	**304.2**	315.2	**306.1**	318.2
Diluted	**306.9**	318.4	**309.2**	321.6

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

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	**October 5, 2024 (16 weeks)**	October 7, 2023 (16 weeks)	**October 5, 2024 (40 weeks)**	October 7, 2023 (40 weeks)
Net earnings	**$ 820**	$ 649	**$ 1,807**	$ 1,627
Other comprehensive income, net of taxes				
Items that are or may be subsequently reclassified to profit or loss:				
Foreign currency translation (losses) gains	**$ (1)**	$ 4	**$ 1**	$ 4
(Losses) gains on cash flow hedges (note 13)	**(5)**	(3)	**(13)**	3
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial (losses) gains (note 12)	**(8)**	(38)	**24**	57
Other comprehensive income, net of taxes	**$ (14)**	$ (37)	**$ 12**	$ 64
Total comprehensive income	**$ 806**	$ 612	**$ 1,819**	$ 1,691
Attributable to:				
Shareholders of the Company	**$ 766**	$ 587	**$ 1,714**	$ 1,620
Non-controlling interests	**40**	25	**105**	71
Total comprehensive income	**$ 806**	$ 612	**$ 1,819**	$ 1,691

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	Fair Value Adjustments	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total Equity**
Balance as at December 30, 2023	$ 6,256	$ 221	**$ 6,477**	**$ 4,816**	**$ 136**	$ 41	$ (11)	$ 5	**$ 35**	**$ 155**	**$ 11,619**
Net earnings	$ —	$ —	**$ —**	**$ 1,702**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 105**	**$ 1,807**
Other comprehensive income	—	—	**—**	**24**	**—**	1	(13)	—	**(12)**	**—**	**12**
Total comprehensive income	$ —	$ —	**$ —**	**$ 1,726**	**$ —**	$ 1	$ (13)	$ —	**$ (12)**	**$ 105**	**$ 1,819**
Common shares purchased and cancelled (note 11)	(193)	—	**(193)**	**(1,341)**	**—**	—	—	—	**—**	**—**	**(1,534)**
Effect of equity-based compensation (note 11)	163	—	**163**	**—**	**(31)**	—	—	—	**—**	**—**	**132**
Shares purchased and held in trust (note 11)	(8)	—	**(8)**	**(65)**	**—**	—	—	—	**—**	**—**	**(73)**
Shares released from trust (note 11)	13	—	**13**	**31**	**—**	—	—	—	**—**	**—**	**44**
Dividends declared per common share – $1.472 (note 11)	—	—	**—**	**(450)**	**—**	—	—	—	**—**	**—**	**(450)**
Dividends declared per preferred share – $0.99375 (note 11)	—	—	**—**	**(9)**	**—**	—	—	—	**—**	**—**	**(9)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	—	**—**	**(72)**	**(72)**
	$ (25)	$ —	**$ (25)**	**$ (108)**	**$ (31)**	$ 1	$ (13)	$ —	**$ (12)**	**$ 33**	**$ (143)**
Balance as at October 5, 2024	$ 6,231	$ 221	**$ 6,452**	**$ 4,708**	**$ 105**	$ 42	$ (24)	$ 5	**$ 23**	**$ 188**	**$ 11,476**

(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	Fair Value Adjustments	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total Equity**
Balance as at December 31, 2022	$ 6,465	$ 221	**$ 6,686**	**$ 4,461**	**$ 122**	$ 41	$ (15)	$ 4	**$ 30**	**$ 157**	**$ 11,456**
Net earnings	$ —	$ —	**$ —**	**$ 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 11)	(186)	—	**(186)**	**(899)**	**—**	—	—	—	**—**	**—**	**(1,085)**
Effect of equity-based compensation (note 11)	44	—	**44**	**—**	**5**	—	—	—	**—**	**—**	**49**
Shares purchased and held in trust (note 11)	(13)	—	**(13)**	**(59)**	**—**	—	—	—	**—**	**—**	**(72)**
Shares released from trust (note 11)	11	—	**11**	**29**	**—**	—	—	—	**—**	**—**	**40**
Dividends declared per common share – $1.297 (note 11)	—	—	**—**	**(411)**	**—**	—	—	—	**—**	**—**	**(411)**
Dividends declared per preferred share – $0.99375 (note 11)	—	—	**—**	**(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**

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

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	As at October 5, 2024	As at October 7, 2023	As at December 30, 2023
Assets			
Current assets			
Cash and cash equivalents	**$ 993**	$ 1,228	$ 1,488
Short term investments	**536**	595	464
Accounts receivable	**1,284**	1,266	1,298
Credit card receivables (note 8)	**3,890**	3,946	4,132
Inventories	**6,041**	5,870	5,820
Prepaid expenses and other assets	**427**	372	324
Assets held for sale	**71**	80	52
Total current assets	**$ 13,242**	$ 13,357	$ 13,578
Fixed assets (note 9)	**6,792**	6,116	6,346
Right-of-use assets (note 15)	**8,180**	7,507	7,662
Investment properties	**49**	48	53
Intangible assets	**5,572**	6,121	5,994
Goodwill	**4,364**	4,353	4,349
Deferred income tax assets	**121**	120	125
Other assets (note 12)	**941**	630	872
Total assets	**$ 39,261**	$ 38,252	$ 38,979
Liabilities			
Current liabilities			
Bank indebtedness	**$ 167**	$ 22	$ 13
Trade payables and other liabilities	**6,283**	6,187	6,324
Loyalty liability	**129**	195	123
Provisions (note 14)	**253**	121	115
Income taxes payable	**125**	181	240
Demand deposits from customers	**187**	147	166
Short term debt (note 8)	**600**	650	850
Long term debt due within one year (note 10)	**686**	1,274	1,191
Lease liabilities due within one year	**1,501**	1,442	1,455
Associate interest	**360**	408	370
Total current liabilities	**$ 10,291**	$ 10,627	$ 10,847
Provisions	**128**	110	123
Long term debt (note 10)	**7,297**	6,586	6,661
Lease liabilities (note 15)	**8,500**	7,718	8,003
Deferred income tax liabilities	**935**	1,091	1,132
Other liabilities (notes 9 and 12)	**634**	537	594
Total liabilities	**$ 27,785**	$ 26,669	$ 27,360
Equity			
Share capital (note 11)	**$ 6,452**	$ 6,542	$ 6,477
Retained earnings	**4,708**	4,725	4,816
Contributed surplus	**105**	127	136
Accumulated other comprehensive income	**23**	37	35
Total equity attributable to shareholders of the Company	**$ 11,288**	$ 11,431	$ 11,464
Non-controlling interests	**188**	152	155
Total equity	**$ 11,476**	$ 11,583	$ 11,619
Total liabilities and equity	**$ 39,261**	$ 38,252	$ 38,979

Contingent Liabilities (note 14).
See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	**October 5, 2024 (16 weeks)**	October 7, 2023 (16 weeks)	**October 5, 2024 (40 weeks)**	October 7, 2023 (40 weeks)
Operating activities				
Net earnings	**$ 820**	$ 649	**$ 1,807**	$ 1,627
Add (deduct):				
Income taxes (note 5)	**263**	182	**621**	526
Net interest expense and other financing charges (note 4)	**238**	234	**622**	608
Depreciation and amortization	**903**	880	**2,272**	2,226
Asset impairments, net of recoveries	**1**	1	**1**	1
Change in allowance for credit card receivables (note 8)	**9**	11	**19**	25
Change in provisions (note 14)	**(25)**	(19)	**143**	12
Change in non-cash working capital (note 7)	**172**	317	**(426)**	(37)
Change in gross credit card receivables (note 8)	**55**	15	**223**	(17)
Income taxes paid	**(315)**	(263)	**(925)**	(774)
Interest received	**7**	7	**22**	18
Other (note 14)	**(170)**	31	**(164)**	34
Cash flows from operating activities	**$ 1,958**	$ 2,045	**$ 4,215**	$ 4,249
Investing activities				
Fixed asset purchases	**$ (566)**	$ (563)	**$ (1,286)**	$ (1,117)
Intangible asset additions	**(124)**	(132)	**(286)**	(316)
Purchase of short term investments	**(124)**	(64)	**(72)**	(269)
Increase in security deposits (note 8)	**250**	250	**—**	—
Proceeds from disposal of assets (note 9 and 15)	**261**	19	**320**	139
Lease payments received from finance leases	**3**	6	**11**	15
Disposal of long term securities	**19**	76	**82**	76
Other	**(60)**	(23)	**(75)**	(43)
Cash flows used in investing activities	**$ (341)**	$ (431)	**$ (1,306)**	$ (1,515)
Financing activities				
Increase in bank indebtedness	**$ 129**	$ 4	**$ 154**	$ 14
Decrease in short term debt (note 8)	**(50)**	—	**(250)**	(50)
Increase in demand deposits from customers	**12**	10	**21**	22
Long term debt (note 10)				
Issued (net)	**(74)**	87	**1,194**	678
Repayments	**(421)**	(385)	**(1,059)**	(601)
Interest paid	**(148)**	(122)	**(344)**	(320)
Cash rent paid on lease liabilities - Interest (note 4)	**(127)**	(114)	**(313)**	(281)
Cash rent paid on lease liabilities - Principal	**(374)**	(364)	**(936)**	(901)
Dividends paid on common and preferred shares (note 11)	**(319)**	(287)	**(459)**	(420)
Common share capital				
Issued	**19**	9	**145**	39
Purchased and held in trust (note 11)	**(72)**	(72)	**(72)**	(72)
Purchased and cancelled (note 11)	**(445)**	(341)	**(1,397)**	(1,235)
Proceeds from financial liabilities (note 9)	**—**	—	**—**	115
Other	**(35)**	(17)	**(91)**	(101)
Cash flows used in financing activities	**$ (1,905)**	$ (1,592)	**$ (3,407)**	$ (3,113)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ (1)**	$ (3)	**$ 3**	$ (1)
(Decrease) increase in cash and cash equivalents	**$ (289)**	$ 19	**$ (495)**	$ (380)
Cash and cash equivalents, beginning of period	**1,282**	1,209	**1,488**	1,608
Cash and cash equivalents, end of period	**$ 993**	$ 1,228	**$ 993**	$ 1,228

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

For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars except where otherwise indicated)

Note 1. Nature and Description of the Reporting Entity

Loblaw Companies Limited is a Canadian public company incorporated in 1956 and is Canada's food and pharmacy leader, and the nation's largest retailer. Loblaw Companies Limited provides Canadians with grocery, pharmacy and healthcare services, health and beauty products, apparel, general merchandise, financial services, and wireless mobile products and services. Its registered office is located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S5. Loblaw Companies Limited and its subsidiaries are together referred to, in these 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. The remaining common shares are widely held.

The Company has two reportable operating segments: Retail and Financial Services (see note 16).

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. Accounting Policies

The accounting policies and critical accounting estimates and judgments as disclosed in the Company’s 2023 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.

Amendments to IAS 7 and IFRS 7 In May 2023, amendments to International Accounting Standard (“IAS”) 7, “Statement of Cash Flows” and IFRS 7, “Financial Instruments: Disclosures” were issued to enhance the transparency of supplier finance arrangements. The amendments require further disclosure for supplier finance arrangements regarding the terms and conditions, the range of payment due dates, and how they affect an entity’s cash flows, liabilities and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and required disclosures will be included in the notes to the Company’s 2024 audited annual consolidated financial statements.

Statement of Compliance These unaudited interim period condensed consolidated financial statements are prepared in accordance with IAS 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board (“IFRS Accounting Standards” or “GAAP”) and should be read in conjunction with the Company’s 2023 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 12, 2024.

Note 3. Future Accounting Standards and Amendments

Amendments to IFRS 9 and IFRS 7 In May 2024, amendments to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" were issued. The amendments clarify the timing of recognition and derecognition for a financial asset or financial liability, including clarifying that a financial liability is derecognized on the settlement date. In addition to these clarifications, the amendments introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specific conditions are met. Also included in the amendments, are clarifications regarding the classification of financial assets, including those with features linked to environmental, social and corporate governance. Under the amendments, additional disclosures are required for financial instruments with contingent features and investments in equity instruments classified at fair value through other comprehensive income. These amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted, with an option to early adopt only the amendments to the classification of financial assets. The adoption will not have a material impact on the Company's consolidated financial statements.

IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18"), has been issued to achieve comparability of the financial performance of similar entities. The standard, which replaces International Accounting standard 1, "Presentation of Financial Statements" ("IAS 1"), impacts the presentation of primary financial statements and notes, mainly the income statement where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. IFRS 18 will require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company is currently assessing the impact of the new standard.

Note 4. 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 5, 2024 (16 weeks)**	October 7, 2023 (16 weeks)	**October 5, 2024 (40 weeks)**	October 7, 2023 (40 weeks)
Interest expense and other financing charges				
Lease liabilities	**$ 127**	$ 114	**$ 313**	$ 281
Long term debt[(i)]	**80**	95	**235**	242
Borrowings related to credit card receivables	**31**	16	**63**	60
Post-employment and other long term employee benefits (note 12)	**1**	4	**3**	11
Independent funding trusts	**10**	11	**30**	30
Financial liabilities (note 9 and 15)	**5**	4	**11**	9
Bank indebtedness	**1**	1	**1**	1
	$ 255	$ 245	**$ 656**	$ 634
Interest income				
Accretion income	**$ (1)**	$ (1)	**$ (2)**	$ (2)
Short term interest income	**(6)**	(10)	**(22)**	(24)
Other interest income (note 14)	**(10)**	—	**(10)**	—
	$ (17)	$ (11)	**$ (34)**	$ (26)
Net interest expense and other financing charges	**$ 238**	$ 234	**$ 622**	$ 608

(i) In the third quarter of 2024 and year-to-date, borrowing costs of $15 million and $25 million, respectively, were capitalized related to the construction of the Company's automated distribution facility.

Note 5. Income Taxes

Income tax expense in the third quarter of 2024 was $263 million (2023 – $182 million) and the effective tax rate was 24.3% (2023 – 21.9%). Year-to-date income tax expense was $621 million (2023 – $526 million) and the effective tax rate was 25.6% (2023 – 24.4%). The increase to the third quarter of 2024 and year-to-date effective tax rate from the comparative period was primarily attributable to the adjustments to certain tax provisions during 2023, partially offset by the impact of other non-deductible items.

Note 6. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**October 5, 2024 (16 weeks)**	October 7, 2023 (16 weeks)	**October 5, 2024 (40 weeks)**	October 7, 2023 (40 weeks)
Net earnings attributable to shareholders of the Company	**$ 780**	$ 624	**$ 1,702**	$ 1,556
Dividends on preferred shares in equity	**(3)**	(3)	**(9)**	(9)
Net earnings available to common shareholders	**$ 777**	$ 621	**$ 1,693**	$ 1,547
Basic weighted average common shares outstanding (in millions) (note 11)	**304.2**	315.2	**306.1**	318.2
Dilutive effect of equity-based compensation	**2.1**	2.5	**2.5**	2.7
Dilutive effect of certain other liabilities	**0.6**	0.7	**0.6**	0.7
Diluted weighted average common shares outstanding (in millions)	**306.9**	318.4	**309.2**	321.6
Basic net earnings per common share ($)	**$ 2.55**	$ 1.97	**$ 5.53**	$ 4.86
Diluted net earnings per common share ($)	**$ 2.53**	$ 1.95	**$ 5.47**	$ 4.81

In the third quarter of 2024 and year-to-date, 443,372 (2023 – 859,636) and nil (2023 – 49,863), respectively, potentially dilutive instruments were excluded from the computation of diluted net earnings per common share as they were anti-dilutive.

Note 7. Change in Non-cash Working Capital

(millions of Canadian dollars)	**October 5, 2024 (16 weeks)**	October 7, 2023 (16 weeks)	**October 5, 2024 (40 weeks)**	October 7, 2023 (40 weeks)
Change in:				
Accounts receivable	**$ (76)**	$ (42)	**$ 36**	$ (105)
Prepaid expenses and other assets	**(62)**	(15)	**(109)**	(68)
Inventories	**(268)**	(314)	**(220)**	(15)
Trade payables and other liabilities	**583**	647	**(125)**	117
Other	**(5)**	41	**(8)**	34
Change in non-cash working capital	**$ 172**	$ 317	**$ (426)**	$ (37)

Note 8. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	**As at October 5, 2024**	As at October 7, 2023	As at December 30, 2023
Gross credit card receivables	**$ 4,165**	$ 4,177	$ 4,388
Allowance for credit card receivables	**(275)**	(231)	(256)
Credit card receivables	**$ 3,890**	$ 3,946	$ 4,132
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust®* (note 10)	**$ 1,450**	$ 1,350	$ 1,350
Securitized to Other Independent Securitization Trusts(i)	**600**	650	850
Total securitized to independent securitization trusts	**$ 2,050**	$ 2,000	$ 2,200

(i) On a year-to-date basis, PC Bank recorded a $250 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

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 10). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt.

As at October 5, 2024, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was $54 million (October 7, 2023 – $59 million; December 30, 2023 – $77 million), which represented 9% (October 7, 2023 – 9%; December 30, 2023 – 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 5, 2024 and throughout the first three quarters of 2024.

Note 9. Real Estate Dispositions

Assets Held for Sale In the third quarter of 2024, the Company disposed of one property (2023 – one) included in assets held for sale for proceeds of $4 million (2023 – $18 million) and recognized a nominal net loss (2023 – net gain of $13 million). On a year-to-date basis, the Company disposed of one property (2023 – four) included in assets held for sale for proceeds of $4 million (2023 – $26 million) and recognized a nominal net loss (2023 – net gain of $12 million).

Fixed Assets In the third quarter of 2024, the Company disposed of three real estate properties included in fixed assets for proceeds of $253 million, all of which were subsequently leased back by the Company. On a year-to-date basis, the Company disposed of five (2023 – nineteen) real estate properties included in fixed assets for proceeds of $311 million (2023 – $112 million), all (2023 – all) of which were subsequently leased back (see note 15).

Financial Liabilities As at October 5, 2024, $11 million (October 7, 2023 – $11 million; December 30, 2023 – $11 million) was recorded in trade payables and other liabilities and $180 million (October 7, 2023 – $178 million; December 30, 2023 – $179 million) was recorded in other liabilities for all properties sold and subsequently leased back by the Company that did not meet the criteria for sale.

Note 10. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	**As at October 5, 2024**	As at October 7, 2023	As at December 30, 2023
Debentures[(i)]	**$ 4,307**	$ 4,310	$ 4,309
Guaranteed investment certificates	**1,459**	1,725	1,654
Independent securitization trusts (note 8)	**1,450**	1,350	1,350
Independent funding trusts	**588**	494	558
Committed credit facility[(ii)]	**200**	—	—
Transaction costs and other	**(21)**	(19)	(19)
Total long term debt	**$ 7,983**	$ 7,860	$ 7,852
Long term debt due within one year	**686**	1,274	1,191
Long term debt	**$ 7,297**	$ 6,586	$ 6,661

(i) In the first quarter of 2024, the Company completed an issuance of $400 million aggregate principal amount of senior unsecured notes bearing interest at 5.115% per annum with a maturity date of March 4, 2054. The Company used the net proceeds of the issuance to partially fund the redemption of the $400 million aggregate principal amount of 3.918% senior unsecured notes on June 10, 2024.

(ii) The Company has a committed credit facility with maturity date of July 15, 2027, provided by a syndicate of lenders. The facility contains certain financial covenants and as at October 5, 2024 and throughout the first three quarters of the year, the Company was in compliance with these covenants.

Note 11. 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 5, 2024 (16 weeks)		October 7, 2023 (16 weeks)		**October 5, 2024 (40 weeks)**		October 7, 2023 (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	**306,047,785**	**$ 6,289**	317,079,146	$ 6,387	**310,526,379**	**$ 6,281**	324,062,608	$ 6,489
Issued for settlement of stock options	**247,643**	**21**	138,973	10	**2,140,011**	**163**	639,811	44
Purchased and cancelled	**(2,650,388)**	**(59)**	(2,926,260)	(50)	**(9,021,350)**	**(193)**	(10,410,560)	(186)
Issued and outstanding, end of period	**303,645,040**	**$ 6,251**	314,291,859	$ 6,347	**303,645,040**	**$ 6,251**	314,291,859	$ 6,347
Shares held in trust, beginning of period	**(656,147)**	**$ (13)**	(709,488)	$ (14)	**(1,269,239)**	**$ (25)**	(1,222,278)	$ (24)
Purchased for future settlement of RSUs and PSUs	**(420,000)**	**(8)**	(625,000)	(13)	**(420,000)**	**(8)**	(625,000)	(13)
Released for settlement of RSUs and PSUs	**49,429**	**1**	51,387	1	**662,521**	**13**	564,177	11
Shares held in trust, end of period	**(1,026,718)**	**$ (20)**	(1,283,101)	$ (26)	**(1,026,718)**	**$ (20)**	(1,283,101)	$ (26)
Issued and outstanding, net of shares held in trust, end of period	**302,618,322**	**$ 6,231**	313,008,758	$ 6,321	**302,618,322**	**$ 6,231**	313,008,758	$ 6,321
Weighted average outstanding, net of shares held in trust (note 6)	**304,166,012**		315,178,099		**306,117,858**		318,243,863	

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

	October 5, 2024(i) (16 weeks)	October 7, 2023 (16 weeks)	**October 5, 2024 (40 weeks)**	October 7, 2023 (40 weeks)
Dividends declared per share ($)				
Common Share	**$ 0.513**	$ 0.446	**$ 1.472**	$ 1.297
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125	**$ 0.99375**	$ 0.99375

(i) The Common Share dividends declared in the third quarter of 2024 of $0.513 per share had a payment date of October 1, 2024. The Second Preferred Shares, Series B dividends declared in the third quarter of 2024 of $0.33125 per share had a payment date of September 30, 2024.

Subsequent to the end of the third quarter of 2024, the Board declared a quarterly dividend of $0.513 per common share, payable on December 30, 2024 to shareholders of record on December 15, 2024 and a quarterly dividend of $0.33125 per share on the Second Preferred Shares, Series B payable on December 31, 2024 to shareholders of record on December 15, 2024.

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

(millions of Canadian dollars except where otherwise indicated)		**October 5, 2024 (16 weeks)**		October 7, 2023 (16 weeks)		**October 5, 2024 (40 weeks)**		October 7, 2023 (40 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)(i)		**2,650,388**		2,926,260		**9,021,350**		10,410,560
Cash consideration paid	**$**	**445**	$	341	**$**	**1,397**	$	1,235
Premium charged to retained earnings(ii)		**451**		236		**1,341**		899
Reduction in common share capital(iii)		**59**		50		**193**		186
Common shares repurchased under the NCIB and held in trust (number of shares)		**420,000**		625,000		**420,000**		625,000
Cash consideration paid	**$**	**72**	$	72	**$**	**72**	$	72
Premium charged to retained earnings		**65**		59		**65**		59
Reduction in common share capital		**8**		13		**8**		13

(i) Common shares repurchased and cancelled as at October 5, 2024 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) Premium charged to retained earnings includes $96 million related to the automatic share purchase plan, as described below.

(iii) Includes $24 million related to the automatic share purchase plan, as described below.

In the second quarter of 2024, the Company renewed its NCIB to purchase on the Toronto Stock Exchange or through alternative trading systems up to 15,336,875 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. As at October 5, 2024, the Company had purchased 4,000,560 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 2024, 2,650,388 common shares (2023 – 2,926,260) were purchased under the NCIB for cancellation, for aggregate consideration of $450 million (2023 – $341 million), including 1,123,575 common shares (2023 – 1,473,813) purchased from Weston, for aggregate consideration of $193 million (2023 – $171 million). On a year-to-date basis, 9,021,350 common shares (2023 – 10,410,560) were purchased under the NCIB for cancellation, for aggregate consideration of $1,402 million (2023 – $1,235 million), including 3,613,458 common shares (2023 – 5,148,067) purchased from Weston, for aggregate consideration of $565 million (2023 – $609 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 5, 2024, an obligation to repurchase shares of $200 million was recognized under the ASPP in trade payables and other liabilities.

Note 12. 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 5, 2024 (16 weeks)**	October 7, 2023 (16 weeks)	**October 5, 2024 (40 weeks)**	October 7, 2023 (40 weeks)
Current service cost				
Post-employment benefit costs[(i)]	**$ 45**	$ 46	**$ 117**	$ 116
Other long term employee benefit costs[(ii)]	**12**	14	**29**	33
Net interest cost on net defined benefit plan obligations (note 4)	**1**	4	**3**	11
Total post-employment defined benefit cost	**$ 58**	$ 64	**$ 149**	$ 160

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

(millions of Canadian dollars)	**October 5, 2024 (16 weeks)**	October 7, 2023 (16 weeks)	**October 5, 2024 (40 weeks)**	October 7, 2023 (40 weeks)
Return (loss) on plan assets, excluding amounts included in net interest expense and other financing charges	**$ 12**	$ (75)	**$ 78**	$ 4
Actuarial gains from changes in financial assumptions[(i)]	**48**	128	**69**	83
Change in liability arising from asset ceiling[(i)]	**(71)**	(105)	**(115)**	(10)
Total net actuarial (losses) gains recognized in other comprehensive income before income taxes	**$ (11)**	$ (52)	**$ 32**	$ 77
Income tax recoveries (expenses) on actuarial (losses) gains	**3**	14	**(8)**	(20)
Actuarial (losses) gains net of income tax recoveries (expenses)	**$ (8)**	$ (38)	**$ 24**	$ 57

(i) In the third quarter of 2024 and on a year-to-date basis, the actuarial gains from changes in financial assumptions and the change in liability arising from asset ceiling were primarily driven by an increase in the discount rate.

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

(millions of Canadian dollars)	**As at October 5, 2024**	As at October 7, 2023	As at December 30, 2023
Other assets			
Accrued benefit plan asset	**$ 287**	$ 83	$ 297
Other liabilities			
Net defined benefit plan obligation	**$ 227**	$ 209	$ 242
Other long term employee benefit obligation	**138**	116	128

Note 13. Financial Instruments

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

	As at October 5, 2024				As at October 7, 2023				As at December 30, 2023			
(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	**$ 119**	**$ —**	**$ —**	**$ 119**	$ 170	$ —	$ —	$ 170	$ 201	$ —	$ —	$ 201
Derivatives included in prepaid expenses and other assets	**—**	**—**	**—**	**—**	—	11	—	11	—	8	—	8
Fair value through profit and loss:												
Certain other assets[i]	**—**	**—**	**68**	**68**	—	—	54	54	—	—	56	56
Derivatives included in prepaid expenses and other assets	**—**	**—**	**1**	**1**	—	4	—	4	—	—	2	2
Financial liabilities												
Amortized cost:												
Long term debt	**$ —**	**$ 8,167**	**$ —**	**$8,167**	$ —	$7,722	$ —	$7,722	$ —	$ 8,151	$ —	$ 8,151
Associate Interest	**—**	**—**	**360**	**360**	—	—	408	408	—	—	370	370
Certain other liabilities[ii]	**—**	**—**	**301**	**301**	—	—	211	211	—	—	287	287
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	**—**	**1**	**22**	**23**	—	—	4	4	—	—	4	4
Fair value through profit and loss:												
Derivatives included in trade payables and other liabilities	**1**	**—**	**—**	**1**	—	—	—	—	4	3	—	7

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

(ii) Certain other liabilities relate primarily to financial liabilities associated with properties that did not meet the criteria for sale. (see note 9)

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

During the third quarter of 2024, the Company recognized a loss of $1 million (2023 – gain of $2 million) and a gain of $3 million (2023 – nominal loss) year-to-date in operating income on financial instruments designated as amortized cost. In addition, the Company recognized a net loss of $3 million during the third quarter of 2024 (2023 – net gain of $14 million), and a year-to-date net gain of $13 million (2023 – net loss of $2 million) 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.

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 5, 2024
			(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)]	$ —	$ (2)	$ 1	$ (7)	$ 1
Bond Forwards[(ii)]	(1)	(2)	—	3	(2)
Interest Rate Swaps[(iii)]	—	(1)	—	(1)	1
Energy Hedge[(iv)]	(22)	(3)	—	(18)	—
Total derivatives designated as cash flow hedges	$ (23)	$ (8)	$ 1	$ (23)	$ —
Derivatives not designated in a formal hedging relationship					
Foreign Exchange and Other Forwards	$ —	$ —	$ (3)	$ —	$ 9
Other Non-Financial Derivatives	(1)	—	(2)	—	1
Total derivatives not designated in a formal hedging relationship	$ (1)	$ —	$ (5)	$ —	$ 10
Total derivatives	$ (24)	$ (8)	$ (4)	$ (23)	$ 10

(i) PC Bank uses foreign exchange forwards, with a notional value of $8 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 a notional value of $25 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities..

(iii) PC Bank uses interest rate swaps, with a notional value of $180 million, to mitigate the impact of increases in interest rates. The fair value of the derivatives is included in prepaid expenses and other assets.

(iv) In 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. The fair value of the derivative is included in trade payables and other liabilities.

				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[(iii)]	3	1	—	3	1
Energy Hedge[(iv)]	(5)	(9)	—	(5)	—
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 notional value of $180 million to mitigate the impact of increases in interest rate. The fair value of the derivatives is included in prepaid expenses and other assets.

(iv) 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. The fair value of the derivative is included in trade payables and other liabilities.

Note 14. 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 licensed Associates ("Associates"), claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who were parties to Shoppers Drug Mart's 2002 and 2010 forms of the Associate Agreement. On July 9, 2013, the Superior Court certified as a class proceeding portions of the action. A summary judgment trial of the matter was held in December 2022 and on February 17, 2023, the Superior Court released its decision in relation to those summary judgment motions (the "Decision"). The Superior Court dismissed the plaintiffs' claims on the majority of the issues including a request for damages at this stage of proceedings. The Court also held that Shoppers Drug Mart breached the 2002 form of Associate Agreement when it did not remit certain amounts that it received from generic drug manufacturers to Associates. On March 20, 2023, the plaintiffs filed a Notice of Appeal and on April 4, 2023, the Company filed a Notice of Cross-Appeal. A hearing for the appeals was held on February 14, 2024 and on February 15, 2024. On August 29, 2024, the Court of Appeal dismissed both the appeal and cross appeal, with the exception that the plaintiff's appeal was allowed to correct the amount Shoppers Drug Mart received in professional allowances during the class period. 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 were commenced against the Company and Weston as well as a number of other major grocery retailers and another bread wholesaler. On July 24, 2024, the Company and Weston entered into binding Minutes of Settlement with the lawyers representing consumers to settle those class action lawsuits for $500 million. The Company and Weston will each pay for a portion of the settlement, with Loblaw paying $253 million and Weston paying $247 million. The Company will receive credit for the $96 million it previously paid to customers in the form of Loblaw cards, resulting in it being required to pay $157 million in cash towards the settlement. The settlement is subject to entering into a binding Settlement Agreement and the approval of the courts. 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. In October 2024, the claim was discontinued against Shoppers Drug Mart Inc. In January 2024, Shoppers Drug Mart Inc. was served with a second class action in Saskatchewan started by Lac La Ronge Indian Band. The case is brought on behalf of Band members and is claiming damages relating to abatement costs, the diversion of financial and other resources, the reduction in the value of the reserve lands and interests, and lost tax revenues. Shoppers Drug Mart Inc. is being sued as a representative of an international defendant subclass of opioid "dealers" and Sanis Health Inc. is a proposed supplier class member. The Company believes these proceedings are without merit and is vigorously defending them. The Company does not currently have any significant accruals or provisions for these matters recorded in the unaudited interim period condensed consolidated financial statements.

In July 2022, the Tax Court of Canada ("Tax Court") released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court 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. PC Bank subsequently filed a Notice of Appeal with the Federal Court of Appeal ("FCA") and in March 2024, the matter was heard by the FCA. In August 2024, the FCA released its decision and reversed the decision of the Tax Court. As a result, PC Bank reversed charges of $155 million, including $111 million initially recorded in the second quarter of 2022. In addition, $10 million was recorded related to interest income on cash tax refunds. Certain taxation years subsequent to the periods covered by the FCA decision remain under review by the tax authorities.

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 15. Related Party Transactions

Sale and Leaseback During the third quarter of 2024, the Company sold three properties to joint arrangements between a third party and Choice Properties Real Estate Investment Trust ("Choice Properties") for proceeds of $253 million and recognized a gain of $37 million. Year to date, the Company sold four properties (2023 – one) to related parties for proceeds of $291 million (2023 – $12 million) and recognized a gain of $51 million (2023 – a gain of $3 million). These properties were leased back by the Company (see note 9).

Financial Liabilities During the first quarter of 2023, the Company disposed of two retail properties to Choice Properties for proceeds of $86 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 lease (see note 9).

Lease with Choice Properties In the first quarter of 2022, the Company entered into a lease agreement for land in Caledon upon which it intends to build an industrial facility. The land is owned by a joint arrangement in which Choice Properties has an ownership interest. The Company took possession of the land on October 1, 2024, and as a result recorded a right-of-use asset and lease liability of $232 million related to a 40 year-term.

Note 16. Segment Information

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

- the Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, and includes in-store pharmacies, health care services, other health and beauty products, apparel and other general merchandise. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base; and
- the Financial Services segment provides credit card and everyday banking services, the PC Optimum™ loyalty program, insurance brokerage services, and telecommunication services.

The Company's chief operating decision maker evaluates segment performance on the basis of adjusted operating income before depreciation and amortization ("adjusted EBITDA"), as reported to internal management, on a periodic basis.

Information for each reportable operating segment is included below:

(millions of Canadian dollars)	**Retail**	**Financial Services**	**Total Segment Measure**	**Elimi-nations(i)**	**Total**	Retail	Financial Services	Total Segment Measure	Elimi-nations(i)	Total
					October 5, 2024 (16 weeks)					October 7, 2023 (16 weeks)
Revenue(ii)	**$18,259**	**$ 382**	**$ 18,641**	**$ (103)**	**$18,538**	$17,982	$ 379	$ 18,361	$ (96)	$18,265
Operating income	$ 1,091	$ 230	$ 1,321	$ —	$ 1,321	$ 1,006	$ 59	$ 1,065	$ —	$ 1,065
Net interest expense and other financing charges	209	29	238	—	238	197	37	234	—	234
Earnings before income taxes	**$ 882**	**$ 201**	**$ 1,083**	**$ —**	**$ 1,083**	$ 809	$ 22	$ 831	$ —	$ 831
Operating income	**$ 1,091**	**$ 230**	**$ 1,321**	**$ —**	**$ 1,321**	$ 1,006	$ 59	$ 1,065	$ —	$ 1,065
Depreciation and amortization	**891**	**12**	**903**			865	15	880		
Adjusting items(iii)	**—**	**(155)**	**(155)**			(19)	—	(19)		
Adjusted EBITDA(iii)	**$ 1,982**	**$ 87**	**$ 2,069**			$ 1,852	$ 74	$ 1,926		

(i) Eliminations include intercompany revenue related to PC® Mastercard® loyalty awards in the Financial Services segment.
(ii) Included in Financial Services revenue is $163 million (2023 – $164 million) of interest income.
(iii) Certain items are excluded from operating income to derive adjusted EBITDA.

For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Total Segment Measure**	Retail	Financial Services	Total Segment Measure
			2024 (16 weeks)			2023 (16 weeks)
Fair value adjustment on fuel and foreign currency contracts	**$ —**	**$ —**	**$ —**	$ (6)	$ —	$ (6)
Gain on sale of non-operating properties	**—**	**—**	**—**	(13)	—	(13)
Recovery related to PC Bank commodity tax matter	**—**	**(155)**	**(155)**	—	—	—
Adjusting items	**$ —**	**$ (155)**	**$ (155)**	$ (19)	$ —	$ (19)

(millions of Canadian dollars)	October 5, 2024 (40 weeks) Retail	Financial Services	Total Segment Measure	Elimi-nations(i)	Total	October 7, 2023 (40 weeks) Retail	Financial Services	Total Segment Measure	Elimi-nations(i)	Total
Revenue(ii)	**$45,207**	**$ 1,110**	**$ 46,317**	**$ (251)**	**$46,066**	$ 44,188	$1,053	$ 45,241	$ (243)	$44,998
Operating income	$ 2,688	$ 362	$ 3,050	$ —	$ 3,050	$ 2,657	$ 104	$ 2,761	$ —	$ 2,761
Net interest expense and other financing charges	521	101	622	—	622	504	104	608	—	608
Earnings before income taxes	**$ 2,167**	**$ 261**	**$ 2,428**	**$ —**	**$ 2,428**	$ 2,153	$ —	$ 2,153	$ —	$ 2,153
Operating income	**$ 2,688**	**$ 362**	**$ 3,050**	**$ —**	**$ 3,050**	$ 2,657	$ 104	$ 2,761	$ —	$ 2,761
Depreciation and amortization	**2,236**	**36**	**2,272**			2,182	44	2,226		
Adjusting items(iii)	**159**	**(155)**	**4**			(10)	37	27		
Adjusted EBITDA(iii)	**$ 5,083**	**$ 243**	**$ 5,326**			$ 4,829	$ 185	$ 5,014		

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

(ii) Included in Financial Services revenue is $497 million (2023 – $467 million) of interest income.

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

For the periods ended October 5, 2024 and October 7, 2023 (millions of Canadian dollars)	2024 (40 weeks) Retail	Financial Services	Total Segment Measure	2023 (40 weeks) Retail	Financial Services	Total Segment Measure
Charges related to settlement of class action lawsuits	**$ 164**	**$ —**	**$ 164**	$ —	$ —	$ —
(Recovery) Charge related to PC Bank commodity tax matters	**—**	**(155)**	**(155)**	—	37	37
Gain on sale of non-operating properties	**—**	**—**	**—**	(12)	—	(12)
Fair value adjustment on fuel and foreign currency contracts	**(5)**	**—**	**(5)**	2	—	2
Adjusting items	**$ 159**	**$ (155)**	**$ 4**	$ (10)	$ 37	$ 27

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

(millions of Canadian dollars)	**October 5, 2024 (16 weeks)**	October 7, 2023 (16 weeks)	**October 5, 2024 (40 weeks)**	October 7, 2023 (40 weeks)
Food retail	**$ 12,966**	$ 12,843	**$ 32,028**	$ 31,414
Drug retail	**5,293**	5,139	**13,179**	12,774
Retail total	**$ 18,259**	$ 17,982	**$ 45,207**	$ 44,188
Financial Services	**382**	379	**1,110**	1,053
Eliminations(i)	**(103)**	(96)	**(251)**	(243)
Total	**$ 18,538**	$ 18,265	**$ 46,066**	$ 44,998

(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 5, 2024**	As at October 7, 2023	As at December 30, 2023
Total assets			
Retail	**$ 33,369**	$ 32,446	$ 32,870
Financial Services	**5,892**	5,806	6,109
	$ 39,261	$ 38,252	$ 38,979

(millions of Canadian dollars)	**October 5, 2024 (16 weeks)**	October 7, 2023 (16 weeks)	**October 5, 2024 (40 weeks)**	October 7, 2023 (40 weeks)
Additions to fixed assets and intangible assets				
Retail	**$ 675**	$ 681	**$ 1,541**	$ 1,403
Financial Services	**15**	14	**31**	30
	$ 690	$ 695	**$ 1,572**	$ 1,433

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 2,500 locations, Loblaw, its franchisees and Associate-owners employ more than 220,000 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.

Shareholder Information

Registrar and Transfer Agent

Computershare Investor Services Inc.
100 University Avenue
Toronto, Canada
M5J 2Y1

Toll free: 1-800-564-6253 (Canada and U.S)
Fax: (416) 263-9394
Toll free fax: 1-888-453-0330
International direct dial: (514) 982-7555

To change your address or eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

Investor Relations

Investor inquiries, contact:
Roy MacDonald
Vice President, Investor Relations
investor@loblaw.ca

Media inquiries, contact:
Scott Bonikowsky
Senior Vice President, Corporate Affairs and Communications
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 November 13, 2024 at 10:00 a.m. (ET).

To access via tele-conference, please dial (416) 945-7677 or (888) 699-1199. The playback will be made available approximately two hours after the event at (289) 819-1450 or (888) 660-6345, access code: 36516#. 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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