

## Financial Results

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## Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	<b>October 9, 2021</b> <b>(16 weeks)</b>	October 3, 2020 (16 weeks)	<b>October 9, 2021</b> <b>(40 weeks)</b>	October 3, 2020 (40 weeks)
<b>Revenue</b>	<b>\$ 16,050</b>	\$ 15,671	<b>\$ 40,413</b>	\$ 39,428
<b>Cost of merchandise inventories sold</b>	<b>11,027</b>	10,982	<b>27,731</b>	27,447
<b>Selling, general and administrative expenses</b>	<b>4,160</b>	3,971	<b>10,450</b>	10,318
<b>Operating income</b>	<b>\$ 863</b>	\$ 718	<b>\$ 2,232</b>	\$ 1,663
Net interest expense and other financing charges (note 4)	<b>203</b>	228	<b>524</b>	576
<b>Earnings before income taxes</b>	<b>\$ 660</b>	\$ 490	<b>\$ 1,708</b>	\$ 1,087
Income taxes (note 5)	<b>172</b>	130	<b>451</b>	289
<b>Net earnings</b>	<b>\$ 488</b>	\$ 360	<b>\$ 1,257</b>	\$ 798
Attributable to:				
Shareholders of the Company	<b>\$ 434</b>	\$ 345	<b>\$ 1,128</b>	\$ 760
Non-controlling interests	<b>54</b>	15	<b>129</b>	38
<b>Net earnings</b>	<b>\$ 488</b>	\$ 360	<b>\$ 1,257</b>	\$ 798
<b>Net earnings per common share (\$) (note 6)</b>				
Basic	<b>\$ 1.28</b>	\$ 0.96	<b>\$ 3.28</b>	\$ 2.10
Diluted	<b>\$ 1.27</b>	\$ 0.96	<b>\$ 3.26</b>	\$ 2.09
<b>Weighted average common shares outstanding (millions) (note 6)</b>				
Basic	<b>336.7</b>	355.5	<b>340.6</b>	356.9
Diluted	<b>340.1</b>	358.0	<b>343.1</b>	359.5

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

## Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	<b>October 9, 2021 (16 weeks)</b>	October 3, 2020 (16 weeks)	<b>October 9, 2021 (40 weeks)</b>	October 3, 2020 (40 weeks)
Net earnings	<b>\$ 488</b>	\$ 360	<b>\$ 1,257</b>	\$ 798
Other comprehensive income (loss), net of taxes				
Items that are or may be subsequently reclassified to profit or loss:				
Foreign currency translation adjustment gains (losses)	<b>\$ —</b>	\$ —	<b>\$ 2</b>	\$ 1
Gains (losses) on cash flow hedges (note 17)	<b>2</b>	11	<b>3</b>	(30)
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial gains (losses) (note 16)	<b>25</b>	(27)	<b>217</b>	(37)
Other comprehensive income (loss)	<b>\$ 27</b>	\$ (16)	<b>\$ 222</b>	\$ (66)
<b>Total comprehensive income</b>	<b>\$ 515</b>	\$ 344	<b>\$ 1,479</b>	\$ 732
Attributable to:				
Shareholders of the Company	<b>\$ 461</b>	\$ 329	<b>\$ 1,350</b>	\$ 694
Non-controlling interests	<b>54</b>	15	<b>129</b>	38
<b>Total comprehensive income</b>	<b>\$ 515</b>	\$ 344	<b>\$ 1,479</b>	\$ 732

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

## Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
<b>Balance as at January 2, 2021</b>	\$ 6,824	\$ 221	<b>\$7,045</b>	<b>\$ 3,813</b>	<b>\$ 109</b>	\$ 39	\$ (34)	\$ 16	\$ 21	\$ 131	<b>\$ 11,119</b>
Net earnings	\$ —	\$ —	\$ —	<b>\$ 1,128</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 129	<b>\$ 1,257</b>
Other comprehensive income (loss)	—	—	—	<b>217</b>	—	2	3	—	5	—	<b>222</b>
<b>Total comprehensive income (loss)</b>	\$ —	\$ —	\$ —	<b>\$ 1,345</b>	\$ —	\$ 2	\$ 3	\$ —	\$ 5	\$ 129	<b>\$ 1,479</b>
Common shares purchased and cancelled (note 14)	(269)	—	<b>(269)</b>	<b>(731)</b>	—	—	—	—	—	—	<b>(1,000)</b>
Net effect of equity-based compensation (notes 14 and 15)	88	—	<b>88</b>	—	<b>1</b>	—	—	—	—	—	<b>89</b>
Shares released from trust (notes 14 and 15)	11	—	<b>11</b>	<b>19</b>	—	—	—	—	—	—	<b>30</b>
Dividends declared per common share – \$1.035 (note 14)	—	—	—	<b>(351)</b>	—	—	—	—	—	—	<b>(351)</b>
Dividends declared per preferred share – \$0.99375 (note 14)	—	—	—	<b>(9)</b>	—	—	—	—	—	—	<b>(9)</b>
Transfer of remeasurement gain on sale of investment properties	—	—	—	<b>12</b>	—	—	—	(12)	<b>(12)</b>	—	<b>—</b>
Net distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	<b>(64)</b>	<b>(64)</b>
	\$ (170)	\$ —	<b>\$ (170)</b>	<b>\$ 285</b>	<b>\$ 1</b>	\$ 2	\$ 3	\$ (12)	\$ (7)	\$ 65	<b>\$ 174</b>
<b>Balance as at October 9, 2021</b>	\$ 6,654	\$ 221	<b>\$6,875</b>	<b>\$4,098</b>	<b>\$ 110</b>	\$ 41	\$ (31)	\$ 4	\$ 14	\$ 196	<b>\$11,293</b>

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
<b>Balance as at December 28, 2019</b>	\$ 7,044	\$ 221	<b>\$7,265</b>	<b>\$3,822</b>	<b>\$ 100</b>	\$ 37	\$ (6)	\$ 16	\$ 47	\$ 87	<b>\$11,321</b>
Net earnings	\$ —	\$ —	\$ —	<b>\$ 760</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 38	<b>\$ 798</b>
Other comprehensive income (loss)	—	—	—	<b>(37)</b>	—	1	(30)	—	<b>(29)</b>	—	<b>(66)</b>
<b>Total comprehensive income (loss)</b>	\$ —	\$ —	\$ —	<b>\$ 723</b>	\$ —	\$ 1	\$ (30)	\$ —	\$ (29)	\$ 38	<b>\$ 732</b>
Common shares purchased and cancelled (note 14)	(154)	—	<b>(154)</b>	<b>(384)</b>	—	—	—	—	—	—	<b>(538)</b>
Net effect of equity-based compensation (notes 14 and 15)	34	—	<b>34</b>	—	<b>1</b>	—	—	—	—	—	<b>35</b>
Shares purchased and held in trust (note 14)	(3)	—	<b>(3)</b>	<b>(7)</b>	—	—	—	—	—	—	<b>(10)</b>
Shares released from trust (notes 14 and 15)	10	—	<b>10</b>	<b>19</b>	—	—	—	—	—	—	<b>29</b>
Dividends declared per common share – \$0.945 (note 14)	—	—	—	<b>(336)</b>	—	—	—	—	—	—	<b>(336)</b>
Dividends declared per preferred share – \$0.99375 (note 14)	—	—	—	<b>(9)</b>	—	—	—	—	—	—	<b>(9)</b>
Net distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	<b>(31)</b>	<b>(31)</b>
	\$ (113)	\$ —	<b>\$ (113)</b>	<b>\$ 6</b>	<b>\$ 1</b>	\$ 1	\$ (30)	\$ —	\$ (29)	\$ 7	<b>\$ (128)</b>
<b>Balance as at October 3, 2020</b>	\$ 6,931	\$ 221	<b>\$ 7,152</b>	<b>\$3,828</b>	<b>\$ 101</b>	\$ 38	\$ (36)	\$ 16	\$ 18	\$ 94	<b>\$11,193</b>

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

## Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	As at October 9, 2021	As at October 3, 2020	As at January 2, 2021 <sup>(i)</sup>
<b>Assets</b>			
Current assets			
Cash and cash equivalents (note 7)	\$ 1,780	\$ 1,499	\$ 1,668
Short term investments (note 7)	593	345	269
Accounts receivable	894	971	986
Credit card receivables (note 8)	3,154	3,008	3,109
Inventories (note 9)	5,214	5,332	5,195
Prepaid expenses and other assets	290	283	216
Assets held for sale (note 10)	85	111	108
Total current assets	\$ 12,010	\$ 11,549	\$ 11,551
Fixed assets	5,406	5,388	5,540
Right-of-use assets	7,210	7,213	7,207
Investment properties	110	158	128
Intangible assets	6,502	6,980	6,870
Goodwill	3,949	3,948	3,948
Deferred income tax assets	99	128	113
Other assets (note 11)	672	504	513
<b>Total assets</b>	<b>\$ 35,958</b>	<b>\$ 35,868</b>	<b>\$ 35,870</b>
<b>Liabilities</b>			
Current liabilities			
Bank indebtedness	\$ 166	\$ 193	\$ 86
Trade payables and other liabilities	5,321	5,218	5,392
Loyalty liability	220	232	194
Provisions	119	124	81
Income taxes payable	183	79	83
Demand deposits from customers	59	—	24
Short term debt (note 8)	300	500	575
Long term debt due within one year (note 12)	881	683	597
Lease liabilities due within one year	1,366	1,331	1,379
Associate interest	387	315	349
Total current liabilities	\$ 9,002	\$ 8,675	\$ 8,760
Provisions	112	109	132
Long term debt (note 12)	6,290	6,531	6,449
Lease liabilities	7,490	7,542	7,522
Deferred income tax liabilities	1,319	1,366	1,380
Other liabilities (note 13)	452	452	508
<b>Total liabilities</b>	<b>\$ 24,665</b>	<b>\$ 24,675</b>	<b>\$ 24,751</b>
<b>Equity</b>			
Share capital (note 14)	\$ 6,875	\$ 7,152	\$ 7,045
Retained earnings	4,098	3,828	3,813
Contributed surplus (note 15)	110	101	109
Accumulated other comprehensive income	14	18	21
<b>Total equity attributable to shareholders of the Company</b>	<b>\$ 11,097</b>	<b>\$ 11,099</b>	<b>\$ 10,988</b>
Non-controlling interests	196	94	131
<b>Total equity</b>	<b>\$ 11,293</b>	<b>\$ 11,193</b>	<b>\$ 11,119</b>
<b>Total liabilities and equity</b>	<b>\$ 35,958</b>	<b>\$ 35,868</b>	<b>\$ 35,870</b>

(i) Certain comparative figures have been restated to conform with current year presentation.

Contingent Liabilities (note 18).

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

## Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	October 9, 2021 (16 weeks)	October 3, 2020 <sup>(i)</sup> (16 weeks)	October 9, 2021 (40 weeks)	October 3, 2020 <sup>(i)</sup> (40 weeks)
<b>Operating activities</b>				
Net earnings	\$ 488	\$ 360	\$ 1,257	\$ 798
Add (Deduct):				
Income taxes (note 5)	172	130	451	289
Net interest expense and other financing charges (note 4)	203	228	524	576
Depreciation and amortization	817	795	2,041	1,987
Asset impairments, net of recoveries	7	—	8	14
Change in allowance for credit card receivables (note 8)	—	(3)	(32)	51
Change in provisions	11	3	18	12
	<b>\$ 1,698</b>	<b>\$ 1,513</b>	<b>\$ 4,267</b>	<b>\$ 3,727</b>
Change in non-cash working capital	(66)	(131)	(10)	(177)
Change in gross credit card receivables (note 8)	(121)	(171)	(13)	565
Income taxes paid	(214)	(155)	(482)	(347)
Interest received	1	3	4	6
Interest received from finance leases	1	1	3	3
Other	17	3	34	34
<b>Cash flows from operating activities</b>	<b>\$ 1,316</b>	<b>\$ 1,063</b>	<b>\$ 3,803</b>	<b>\$ 3,811</b>
<b>Investing activities</b>				
Fixed asset purchases	\$ (224)	\$ (274)	\$ (517)	\$ (470)
Intangible asset additions	(106)	(106)	(273)	(270)
Cash assumed on initial consolidation of franchises (note 3)	—	—	—	14
Change in short term investments (note 7)	(338)	16	(293)	(288)
Change in security deposits	—	71	—	—
Proceeds from disposal of assets	35	7	56	51
Lease payments received from finance leases	4	4	9	7
Other	1	(49)	(4)	(145)
<b>Cash flows used in investing activities</b>	<b>\$ (628)</b>	<b>\$ (331)</b>	<b>\$ (1,022)</b>	<b>\$ (1,101)</b>
<b>Financing activities</b>				
Change in bank indebtedness	\$ 28	\$ 60	\$ 80	\$ 175
Change in short term debt (note 8)	—	(25)	(275)	(225)
Change in demand deposits from customers	9	—	35	—
Long term debt (note 12)				
Issued	332	362	558	1,333
Repayments	(139)	(730)	(432)	(1,225)
Interest paid	(91)	(106)	(264)	(265)
Cash rent paid on lease liabilities - Interest	(104)	(111)	(263)	(285)
Cash rent paid on lease liabilities - Principal	(340)	(334)	(798)	(824)
Dividends paid on common and preferred shares	(241)	(229)	(359)	(460)
Common share capital				
Issued (note 15)	29	5	78	29
Purchased and held in trust (note 14)	—	—	—	(10)
Purchased and cancelled (note 14)	(300)	(350)	(1,000)	(538)
Other	21	27	(31)	(47)
<b>Cash flows used in financing activities</b>	<b>\$ (796)</b>	<b>\$ (1,431)</b>	<b>\$ (2,671)</b>	<b>\$ (2,342)</b>
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ —	\$ 1	\$ 2	\$ (2)
Change in cash and cash equivalents	\$ (108)	\$ (698)	\$ 112	\$ 366
Cash and cash equivalents, beginning of period	1,888	2,197	1,668	1,133
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,780</b>	<b>\$ 1,499</b>	<b>\$ 1,780</b>	<b>\$ 1,499</b>

(i) Certain comparative figures have been restated to conform with current year presentation.  
See accompanying notes to the unaudited interim period condensed consolidated financial statements.

## Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

For the periods ended October 9, 2021 and October 3, 2020 (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, health and beauty, 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 2S7. Loblaw Companies Limited and its subsidiaries are together referred to, in these unaudited interim period condensed consolidated financial statements, as the "Company" or "Loblaw".

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

The Company has two reportable operating segments: Retail and Financial Services (see note 20).

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

### Note 2. Significant Accounting Policies

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company's 2020 audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements. These unaudited interim period condensed consolidated financial statements are presented in Canadian dollars.

**Statement of Compliance** These unaudited interim period condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2020 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 16, 2021.

**Note 3. Business Acquisitions**

**Consolidation of Franchises** The Company accounted for the consolidation of existing franchises as business acquisitions and consolidated its franchisees as of the date the franchisee entered into a simplified franchise agreement with the Company. The assets acquired and liabilities assumed through the consolidation were valued at the acquisition date using fair values, which approximated the franchise carrying values at the date of acquisition. The results of operations of the acquired franchises have been included in the Company's results of operations from the date of acquisition.

The Company has more than 500 franchise food retail stores in its network. As at the end of the first quarter of 2020, the Company consolidated all of its remaining franchisees for accounting purposes under the simplified franchise agreement implemented in 2015.

No franchises were consolidated in the third quarters of 2021 and 2020.

On a year-to-date basis, the following table summarizes the amounts recognized for the assets acquired, the liabilities assumed and the non-controlling interests recognized at the acquisition dates:

(millions of Canadian dollars)	<b>October 9, 2021 (40 weeks)</b>	October 3, 2020 (40 weeks)
<b>Net assets acquired:</b>		
Cash and cash equivalents	\$ —	\$ 14
Inventories	—	42
Fixed assets	—	44
Trade payables and other liabilities <sup>(i)</sup>	—	(54)
Other liabilities <sup>(i)</sup>	—	(30)
Non-controlling interests	—	(16)
<b>Total net assets acquired</b>	<b>\$ —</b>	<b>\$ —</b>

(i) On consolidation, trade payables and other liabilities and other liabilities eliminated against existing accounts receivable, franchise loans receivable and franchise investments held by the Company.

#### 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)	<b>October 9, 2021 (16 weeks)</b>	October 3, 2020 (16 weeks)	<b>October 9, 2021 (40 weeks)</b>	October 3, 2020 (40 weeks)
<b>Interest expense and other financing charges</b>				
Lease liabilities	<b>\$ 104</b>	\$ 111	<b>\$ 263</b>	\$ 285
Long term debt	<b>86</b>	95	<b>221</b>	242
Borrowings related to credit card receivables	<b>10</b>	17	<b>27</b>	37
Post-employment and other long term employee benefits (note 16)	<b>2</b>	3	<b>6</b>	6
Independent funding trusts	<b>4</b>	3	<b>10</b>	11
Financial liabilities	<b>1</b>	—	<b>2</b>	—
Bank indebtedness	<b>1</b>	2	<b>3</b>	3
	<b>\$ 208</b>	\$ 231	<b>\$ 532</b>	\$ 584
<b>Interest income</b>				
Accretion income	<b>\$ (1)</b>	\$ (1)	<b>\$ (3)</b>	\$ (3)
Short term interest income	<b>(4)</b>	(2)	<b>(5)</b>	(5)
	<b>\$ (5)</b>	\$ (3)	<b>\$ (8)</b>	\$ (8)
Net interest expense and other financing charges	<b>\$ 203</b>	\$ 228	<b>\$ 524</b>	\$ 576

#### Note 5. Income Taxes

Income tax expense in the third quarter of 2021 was \$172 million (2020 – \$130 million) and the effective tax rate was 26.1% (2020 – 26.5%). The decrease to the effective tax rate was primarily attributable to higher earnings of lower tax rate entities. Year-to-date income tax expense was \$451 million (2020 – \$289 million) and the effective tax rate was 26.4% (2020 – 26.6%). The decrease to the effective tax rate was primarily attributable to higher earnings of lower tax rate entities.

On April 23, 2020, the Federal Court of Appeal released its decision in the Glenhuron Bank Limited (“Glenhuron”) case in favour of the Company and reversed the decision of the Tax Court of Canada (“Tax Court”). On October 29, 2020, the Supreme Court of Canada (“Supreme Court”) granted the Crown leave to appeal and on May 13, 2021, the Supreme Court heard the Crown’s appeal, reserving judgment until a later date. The Company has not reversed any portion of the \$367 million of charges recorded during the third quarter of 2018, of which \$176 million was recorded in interest and \$191 million was recorded in income taxes (see note 18).

**Note 6. Basic and Diluted Net Earnings per Common Share**

(millions of Canadian dollars except where otherwise indicated)	<b>October 9, 2021 (16 weeks)</b>	October 3, 2020 (16 weeks)	<b>October 9, 2021 (40 weeks)</b>	October 3, 2020 (40 weeks)
Net earnings attributable to shareholders of the Company	<b>\$ 434</b>	\$ 345	<b>\$ 1,128</b>	\$ 760
Dividends on Preferred Shares in equity (note 14)	<b>(3)</b>	(3)	<b>(9)</b>	(9)
Net earnings available to common shareholders	<b>\$ 431</b>	\$ 342	<b>\$ 1,119</b>	\$ 751
Weighted average common shares outstanding (in millions) (note 14)	<b>336.7</b>	355.5	<b>340.6</b>	356.9
Dilutive effect of equity-based compensation (in millions)	<b>2.6</b>	1.5	<b>1.7</b>	1.6
Dilutive effect of certain other liabilities (in millions)	<b>0.8</b>	1.0	<b>0.8</b>	1.0
Diluted weighted average common shares outstanding (in millions)	<b>340.1</b>	358.0	<b>343.1</b>	359.5
Basic net earnings per common share (\$)	<b>\$ 1.28</b>	\$ 0.96	<b>\$ 3.28</b>	\$ 2.10
Diluted net earnings per common share (\$)	<b>\$ 1.27</b>	\$ 0.96	<b>\$ 3.26</b>	\$ 2.09

In the third quarter and year-to-date of 2021, 20,816 (2020 – 3,204,434) and 1,553,237 (2020 – 3,204,434), respectively, potentially dilutive instruments were excluded from the computation of diluted net earnings per common share as they were anti-dilutive.

**Note 7. Cash and Cash Equivalents and Short Term Investments**

The components of cash and cash equivalents and short term investments were as follows:

**Cash and Cash Equivalents**

(millions of Canadian dollars)	<b>As at October 9, 2021</b>	As at October 3, 2020	As at January 2, 2021
Cash	<b>\$ 844</b>	\$ 720	\$ 872
Cash equivalents			
Government treasury bills	<b>397</b>	323	483
Bankers' acceptances	<b>532</b>	435	288
Corporate commercial paper	<b>3</b>	—	—
Guaranteed investment certificates	<b>—</b>	21	22
Other	<b>4</b>	—	3
Total cash and cash equivalents	<b>\$ 1,780</b>	\$ 1,499	\$ 1,668

**Short Term Investments**

(millions of Canadian dollars)	<b>As at October 9, 2021</b>	As at October 3, 2020	As at January 2, 2021
Government treasury bills	<b>\$ 547</b>	\$ 325	\$ 259
Bankers' acceptances	<b>12</b>	11	1
Corporate commercial paper	<b>2</b>	3	1
Guaranteed investment certificates	<b>27</b>	—	7
Other	<b>5</b>	6	1
Total short term investments	<b>\$ 593</b>	\$ 345	\$ 269

## Note 8. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	<b>As at October 9, 2021</b>	As at October 3, 2020	As at January 2, 2021
Gross credit card receivables	<b>\$ 3,359</b>	\$ 3,255	\$ 3,346
Allowance for credit card receivables	<b>(205)</b>	(247)	(237)
Credit card receivables	<b>\$ 3,154</b>	\$ 3,008	\$ 3,109
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> <sup>®</sup> (note 12)	<b>\$ 1,350</b>	\$ 1,050	\$ 1,050
Securitized to Other Independent Securitization Trusts	<b>300</b>	500	575
Total securitized to independent securitization trusts	<b>\$ 1,650</b>	\$ 1,550	\$ 1,625

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*<sup>®</sup> ("*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 12). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt.

During the third quarter of 2021, *Eagle* issued \$300 million of senior and subordinated term notes with a maturity date of June 17, 2026. These notes have a weighted average interest rate of 1.61%. In connection with this issuance, \$175 million of bond forward agreements were settled during the second quarter of 2021. This resulted in a realized fair value loss of \$1 million before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to the settlement of the agreement. The loss will be reclassified to the statements of earnings over the life of the *Eagle* notes. This settlement resulted in a net effective interest rate of 1.65% on the *Eagle* notes issued.

During the third quarter of 2020, *Eagle* issued \$300 million of senior and subordinated term notes with a maturity date of July 17, 2025 at a weighted average interest rate of 1.34%. In connection with this issuance, \$200 million of bond forward agreements were settled, resulting in a realized fair value loss of \$11 million before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to settlement. The loss will be reclassified to the statements of earnings over the life of the aforementioned *Eagle* notes. This settlement also resulted in a net effective interest rate of 2.07% on the *Eagle* notes issued. In addition, \$250 million of senior and subordinated term notes at a weighted average interest rate of 2.23%, previously issued by *Eagle*, matured and were repaid on September 17, 2020. As a result, during the third quarter of 2020, there was a net change in the balances related to *Eagle* notes of \$50 million.

On a year-to-date basis in 2021, PC Bank recorded a \$275 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts as a result of the issuance of *Eagle* notes in 2021.

As at October 9, 2021, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was \$27 million (October 3, 2020 – \$45 million; January 2, 2021 – \$52 million), which represented 9% (October 3, 2020 – 9%; January 2, 2021 – 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 9, 2021 and throughout the three quarters of 2021.

**Note 9. Inventories**

For inventories recorded as at October 9, 2021, the Company recorded an inventory provision of \$56 million (October 3, 2020 – \$34 million; January 2, 2021 – \$34 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of merchandise inventories sold. There were no reversals of previously recorded write-downs of inventories during the quarters and year-to-date ended October 9, 2021 and October 3, 2020.

**Note 10. Assets Held for Sale**

The Company classifies certain assets, primarily land and buildings, that it intends to dispose of in the next 12 months, as assets held for sale. These assets were either originally used in the Company's retail business segment or held in investment properties. In the third quarter of 2021, the Company recorded a net gain of \$7 million (2020 – net gain of \$1 million) from the sale of these assets. On a year-to-date basis, the Company recorded a net gain of \$12 million (2020 – net gain of \$1 million) from the sale of these assets. No fair value changes or impairment charges were recognized on assets held for sale in the three quarters of 2021 and 2020.

**Note 11. Other Assets**

The components of other assets were as follows:

(millions of Canadian dollars)	<b>As at October 9, 2021</b>	As at October 3, 2020	As at January 2, 2021
Sundry investments and other receivables	<b>\$ 23</b>	\$ 32	\$ 57
Accrued benefit plan asset	<b>375</b>	169	165
Finance lease receivable	<b>81</b>	96	93
Investment accounted for under the equity method	<b>73</b>	61	61
Other <sup>(i)</sup>	<b>120</b>	146	137
<b>Total other assets</b>	<b>\$ 672</b>	\$ 504	\$ 513

(i) Includes \$19 million related to the Venture Fund as at October 9, 2021 (October 3, 2020 – \$6 million; January 2, 2021 – \$6 million) (see note 19).

**Investment Accounted for Under the Equity Method** In 2020, Shoppers Drug Mart Inc. agreed to invest a total of \$75 million in Maple Corporation ("Maple"), the leading virtual care provider in Canada, in exchange for a significant minority stake. This investment is an important step as Shoppers Drug Mart Corporation ("Shoppers Drug Mart") looks to make virtual care services more accessible, with a goal to provide a seamless experience for patients as they move between virtual and in-person care.

During the third quarter of 2021, the Company executed the remaining investment of \$14 million. As at October 9, 2021, the Company had invested a total of \$75 million in exchange for approximately 28% of the ownership interest in Maple.

## Note 12. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	As at October 9, 2021	As at October 3, 2020	As at January 2, 2021
Debentures	\$ 4,314	\$ 4,304	\$ 4,314
Guaranteed investment certificates	949	1,380	1,185
Independent securitization trusts (note 8)	1,350	1,050	1,050
Independent funding trusts	574	494	512
Transaction costs and other	(16)	(14)	(15)
Total long term debt	\$ 7,171	\$ 7,214	\$ 7,046
Long term debt due within one year	881	683	597
Long term debt	\$ 6,290	\$ 6,531	\$ 6,449

The Company is required to comply with certain financial covenants for various debt instruments. As at October 9, 2021 and throughout the three quarters of 2021, the Company was in compliance with the financial covenants.

**Debentures** There were no debentures issued or repaid on a year-to-date basis in 2021.

In the third quarter of 2020, the Company redeemed \$350 million aggregate principal amount of 5.22% Medium Term Notes, Series 2-B on June 18, 2020. On a year-to-date basis in 2020, the Company issued \$350 million aggregate principal amount of senior unsecured notes bearing interest at 2.284% per annum with a maturity date of May 7, 2030. In connection with this issuance, the Company settled a bond forward with a notional value of \$350 million, resulting in a realized fair value loss of \$34 million before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to settlement. The loss will be reclassified to the statements of earnings over the life of the aforementioned notes. This settlement also resulted in a net effective interest rate of 3.34% on the notes issued.

**Guaranteed Investment Certificates** The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions, for the periods ended October 9, 2021 and October 3, 2020:

(millions of Canadian dollars)	October 9, 2021 (16 weeks)	October 3, 2020 (16 weeks)	October 9, 2021 (40 weeks)	October 3, 2020 (40 weeks)
Balance, beginning of period	\$ 1,048	\$ 1,452	\$ 1,185	\$ 1,311
GICs issued	40	58	196	344
GICs matured	(139)	(130)	(432)	(275)
Balance, end of period	\$ 949	\$ 1,380	\$ 949	\$ 1,380

**Independent Funding Trusts** The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts in the amount of \$64 million (October 3, 2020 and January 2, 2021 – \$64 million), representing not less than 10% (October 3, 2020 and January 2, 2021 – not less than 10%) of the principal amount of loans outstanding.

The revolving committed credit facility relating to the independent funding trusts has a maturity date of May 27, 2022.

**Committed Credit Facility** The Company has a \$1.0 billion committed credit facility with a maturity date of October 7, 2023, provided by a syndicate of lenders. This committed credit facility contains certain financial covenants. As at October 9, 2021, there were no amounts drawn under this facility (October 3, 2020 and January 2, 2021 – no amounts were drawn).

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

(millions of Canadian dollars)	<b>As at October 9, 2021</b>	As at October 3, 2020	As at January 2, 2021
Guaranteed investment certificates	<b>\$ 307</b>	\$ 683	\$ 597
Independent funding trusts	<b>574</b>	—	—
Long term debt due within one year	<b>\$ 881</b>	\$ 683	\$ 597

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

(millions of Canadian dollars)	<b>October 9, 2021 (16 weeks)</b>	October 3, 2020 (16 weeks)	<b>October 9, 2021 (40 weeks)</b>	October 3, 2020 (40 weeks)
Long term debt, beginning of period	<b>\$ 6,978</b>	\$ 7,583	<b>\$ 7,046</b>	\$ 7,098
Long term debt issuances <sup>(i)</sup>	<b>\$ 332</b>	\$ 362	<b>\$ 558</b>	\$ 1,333
Long term debt repayments	<b>(139)</b>	(730)	<b>(432)</b>	(1,225)
Total cash flow (used in)/from long term debt financing activities	<b>\$ 193</b>	\$ (368)	<b>\$ 126</b>	\$ 108
Other non-cash changes	<b>\$ —</b>	\$ (1)	<b>\$ (1)</b>	\$ 8
Long term debt, end of period	<b>\$ 7,171</b>	\$ 7,214	<b>\$ 7,171</b>	\$ 7,214

(i) Includes net movements from the independent funding trusts, which are revolving debt instruments.

### Note 13. Other Liabilities

The components of other liabilities were as follows:

(millions of Canadian dollars)	<b>As at October 9, 2021</b>	As at October 3, 2020	As at January 2, 2021
Net defined benefit plan obligation	<b>\$ 275</b>	\$ 321	\$ 329
Other long term employee benefit obligation	<b>122</b>	115	119
Financial liabilities	<b>43</b>	—	43
Equity-based compensation liabilities (note 15)	<b>4</b>	3	3
Other	<b>8</b>	13	14
Total other liabilities	<b>\$ 452</b>	\$ 452	\$ 508

## Note 14. 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 during the periods were as follows:

	October 9, 2021 (16 weeks)		October 3, 2020 (16 weeks)		October 9, 2021 (40 weeks)		October 3, 2020 (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	<b>338,090,294</b>	<b>\$ 6,692</b>	357,785,905	\$ 7,038	<b>347,361,480</b>	<b>\$ 6,837</b>	360,064,475	\$ 7,065
Issued for settlement of stock options	<b>500,839</b>	<b>32</b>	107,427	7	<b>1,407,615</b>	<b>88</b>	586,434	34
Purchased and cancelled <sup>(i)</sup>	<b>(3,426,200)</b>	<b>(68)</b>	(5,045,210)	(100)	<b>(13,604,162)</b>	<b>(269)</b>	(7,802,787)	(154)
Issued and outstanding, end of period	<b>335,164,933</b>	<b>\$ 6,656</b>	352,848,122	\$ 6,945	<b>335,164,933</b>	<b>\$ 6,656</b>	352,848,122	\$ 6,945
Shares held in trust, beginning of period	<b>(175,656)</b>	<b>\$ (3)</b>	(843,469)	\$ (16)	<b>(672,784)</b>	<b>\$ (13)</b>	(1,113,302)	\$ (21)
Purchased for future settlement of RSUs and PSUs	—	—	—	—	—	—	(145,000)	(3)
Released for settlement of RSUs and PSUs (note 15)	<b>55,338</b>	<b>1</b>	106,692	2	<b>552,466</b>	<b>11</b>	521,525	10
Shares held in trust, end of period	<b>(120,318)</b>	<b>\$ (2)</b>	(736,777)	\$ (14)	<b>(120,318)</b>	<b>\$ (2)</b>	(736,777)	\$ (14)
Issued and outstanding, net of shares held in trust, end of period	<b>335,044,615</b>	<b>\$ 6,654</b>	352,111,345	\$ 6,931	<b>335,044,615</b>	<b>\$ 6,654</b>	352,111,345	\$ 6,931
Weighted average outstanding, net of shares held in trust (note 6)	<b>336,670,985</b>		355,524,589		<b>340,554,074</b>		356,855,392	

(i) Includes 15,395 shares cancelled during the third quarter of 2021 in a private transaction and are excluded from the Company's Normal Course Issuer Bid.

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

	<b>October 9, 2021<sup>(i)</sup></b> <b>(16 weeks)</b>	October 3, 2020 (16 weeks)	<b>October 9, 2021</b> <b>(40 weeks)</b>	October 3, 2020 (40 weeks)
<b>Dividends declared per share (\$)</b>				
Common Share	<b>\$ 0.365</b>	\$ 0.315	<b>\$ 1.035</b>	\$ 0.945
Second Preferred Share, Series B	<b>\$ 0.33125</b>	\$ 0.33125	<b>\$ 0.99375</b>	\$ 0.99375

(i) The third quarter dividends for 2021 of \$0.365 per share declared on Common Shares had a payment date of October 1, 2021. The third quarter dividends for 2021 of \$0.33125 per share declared on Second Preferred Shares, Series B had a payment date of September 30, 2021.

(millions of Canadian dollars)	<b>October 9, 2021</b> <b>(16 weeks)</b>	October 3, 2020 (16 weeks)	<b>October 9, 2021</b> <b>(40 weeks)</b>	October 3, 2020 (40 weeks)
<b>Dividends declared</b>				
Common Share	<b>\$ 121</b>	\$ 111	<b>\$ 351</b>	\$ 336
Second Preferred Share, Series B (note 6)	<b>3</b>	3	<b>9</b>	9
<b>Total dividends declared</b>	<b>\$ 124</b>	\$ 114	<b>\$ 360</b>	\$ 345

Subsequent to the end of the third quarter of 2021, the Board declared a quarterly dividend of \$0.365 per common share, payable on December 30, 2021 to shareholders of record on December 15, 2021 and a quarterly dividend of \$0.33125 per share on the Second Preferred Shares, Series B payable on December 31, 2021 to shareholders of record on December 15, 2021.

**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)	<b>October 9, 2021</b> <b>(16 weeks)</b>	October 3, 2020 (16 weeks)	<b>October 9, 2021</b> <b>(40 weeks)</b>	October 3, 2020 (40 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)	<b>3,410,805</b>	5,045,210	<b>13,588,767</b>	7,802,787
Cash consideration paid	<b>\$ 300</b>	\$ 350	<b>\$ 1,000</b>	\$ 538
Premium charged to retained earnings	<b>232</b>	250	<b>731</b>	384
Reduction in common share capital	<b>68</b>	100	<b>269</b>	154
Common shares repurchased under the NCIB and held in trust (number of shares)	—	—	—	145,000
Cash consideration paid	<b>\$ —</b>	\$ —	<b>\$ —</b>	\$ 10
Premium charged to retained earnings	—	—	—	7
Reduction in common share capital	—	—	—	3

During the first quarter of 2020, the Toronto Stock Exchange (“TSX”) accepted an amendment to the Company’s NCIB. The amendment permitted the Company 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 (“ADP Agreement”), 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.

In the second quarter of 2021, the Company renewed its NCIB to purchase on the TSX or through alternative trading systems up to 17,106,459 of the Company’s common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares. The Company will continue to be permitted to purchase its common shares from Weston in accordance with the exemption granted by the TSX. Purchases from Weston will be made pursuant to the ADP Agreement. As at October 9, 2021, the Company had purchased 8,216,903 common shares for cancellation under its current NCIB.

During the third quarter of 2021, 3,410,805 common shares (2020 – 5,045,210) were purchased under the NCIB for cancellation, for aggregate consideration of \$300 million (2020 – \$350 million), including 1,542,706 common shares (2020 – 2,439,210) purchased from Weston, for aggregate consideration of \$136 million (2020 – \$169 million). On a year-to-date basis, 13,588,767 common shares (2020 – 7,802,787) were purchased under the NCIB for cancellation, for aggregate consideration of \$1,000 million (2020 – \$538 million), including 6,479,854 common shares (2020 – 3,794,287) purchased from Weston, for aggregate consideration of \$474 million (2020 – \$261 million).

#### Note 15. Equity-Based Compensation

The Company’s equity-based compensation expense, which includes Stock Option, Restricted Share Unit (“RSU”), Performance Share Unit (“PSU”), Director Deferred Share Unit (“DSU”) and Executive Deferred Share Unit (“EDSU”) plans was \$18 million for the third quarter of 2021 (2020 – \$16 million) and \$46 million year-to-date (2020 – \$38 million). The expense was recognized in selling, general and administrative expenses.

The carrying amounts of the Company’s equity-based compensation arrangements including Stock Option, RSU, PSU, DSU and EDSU plans were recorded on the unaudited interim period condensed consolidated balance sheets as follows:

(millions of Canadian dollars)	<b>As at October 9, 2021</b>	As at October 3, 2020	As at January 2, 2021
Other liabilities (note 13)	<b>\$ 4</b>	\$ 3	\$ 3
Contributed surplus	<b>110</b>	101	109

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

**Stock Option Plan** The following is a summary of the Company's stock option plan activity:

(number of options)	<b>October 9, 2021 (16 weeks)</b>	October 3, 2020 (16 weeks)	<b>October 9, 2021 (40 weeks)</b>	October 3, 2020 (40 weeks)
Outstanding options, beginning of period	<b>7,653,843</b>	7,558,254	<b>7,259,645</b>	6,317,922
Granted	<b>21,019</b>	27,268	<b>1,891,187</b>	1,842,845
Exercised	<b>(500,839)</b>	(107,427)	<b>(1,407,615)</b>	(586,434)
Forfeited/Cancelled	<b>(267,634)</b>	(158,667)	<b>(836,828)</b>	(254,905)
Outstanding options, end of period	<b>6,906,389</b>	7,319,428	<b>6,906,389</b>	7,319,428

During the third quarter of 2021, the Company granted stock options with a weighted average exercise price of \$86.30 (2020 – \$69.86) and \$63.65 year-to-date (2020 – \$70.05). In addition, the Company issued common shares on the exercise of stock options with a weighted average share price during the third quarter of 2021 of \$86.19 (2020 – \$69.18) and \$77.05 year-to-date (2020 – \$68.25) and received cash consideration of \$29 million (2020 – \$5 million) and \$78 million year-to-date (2020 – \$29 million).

The fair value of stock options granted during the third quarter of 2021 was nominal (2020 – nominal) and \$17 million year-to-date (2020 – \$13 million). The assumptions used to measure the fair value of options granted during 2021 and 2020 under the Black-Scholes valuation model at date of grant were as follows:

	<b>October 9, 2021 (16 weeks)</b>	October 3, 2020 (16 weeks)	<b>October 9, 2021 (40 weeks)</b>	October 3, 2020 (40 weeks)
Expected dividend yield	<b>1.6 %</b>	1.8 %	<b>1.8 %</b>	1.8 %
Expected share price volatility	<b>18.3% – 20.3%</b>	18.6% – 19.9%	<b>18.3% – 20.4%</b>	13.5% – 19.9%
Risk-free interest rate	<b>0.7% – 0.9%</b>	0.3%	<b>0.6% – 1.2%</b>	0.3% – 1.2%
Expected life of options	<b>3.8 – 6.2 years</b>	3.7 – 6.2 years	<b>3.8 – 6.2 years</b>	3.7 – 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at October 9, 2021 was 9.0% (October 3, 2020 – 8.0%).

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

(number of awards)	<b>October 9, 2021 (16 weeks)</b>	October 3, 2020 (16 weeks)	<b>October 9, 2021 (40 weeks)</b>	October 3, 2020 (40 weeks)
Restricted share units, beginning of period	<b>888,056</b>	1,024,518	<b>894,272</b>	1,032,832
Granted	<b>20,998</b>	8,857	<b>350,685</b>	241,641
Reinvested	<b>7,472</b>	9,136	<b>11,994</b>	18,804
Settled	<b>(49,244)</b>	(88,136)	<b>(328,617)</b>	(321,642)
Forfeited	<b>(38,058)</b>	(12,972)	<b>(99,110)</b>	(30,232)
Restricted share units, end of period	<b>829,224</b>	941,403	<b>829,224</b>	941,403

The fair value of RSUs granted during the third quarter of 2021 was \$2 million (2020 – \$1 million) and \$23 million year-to-date (2020 – \$17 million).

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

(number of awards)	<b>October 9, 2021 (16 weeks)</b>	October 3, 2020 (16 weeks)	<b>October 9, 2021 (40 weeks)</b>	October 3, 2020 (40 weeks)
Performance share units, beginning of period	<b>654,532</b>	704,645	<b>666,400</b>	662,695
Granted	<b>3,251</b>	3,847	<b>272,862</b>	235,473
Reinvested	<b>5,586</b>	6,450	<b>8,974</b>	12,768
Settled	<b>(6,460)</b>	(19,013)	<b>(224,215)</b>	(200,340)
Forfeited	<b>(24,003)</b>	(10,711)	<b>(91,115)</b>	(25,378)
Performance share units, end of period	<b>632,906</b>	685,218	<b>632,906</b>	685,218

The fair value of PSUs granted during the third quarter of 2021 was nominal (2020 – \$1 million) and \$17 million year-to-date (2020 – \$17 million).

**Settlement of Awards from Shares Held in Trust** During the third quarter of 2021, the Company settled RSUs and PSUs totaling 55,704 (2020 – 107,149) and 552,832 year-to-date (2020 – 521,982), of which 55,338 (2020 – 106,692) and 552,466 (2020 – 521,525), respectively, were settled through the trusts established for settlement of each of the RSU and PSU plans (see note 14).

The settlements in the third quarter of 2021 and year-to-date resulted in a \$2 million (2020 – \$3 million) and \$19 million (2020 – \$19 million) increase to retained earnings, respectively and a \$1 million (2020 – \$2 million) and \$11 million (2020 – \$10 million) increase to common share capital, respectively.

#### **Note 16. Post-Employment and Other Long Term Employee Benefits**

The costs and actuarial gains (losses) related to the Company's post-employment and other long term employee benefits during the periods were as follows:

(millions of Canadian dollars)	<b>October 9, 2021 (16 weeks)</b>	October 3, 2020 (16 weeks)	<b>October 9, 2021 (40 weeks)</b>	October 3, 2020 (40 weeks)
Post-employment benefit costs recognized in operating income <sup>(i)</sup>	<b>\$ 54</b>	\$ 54	<b>\$ 141</b>	\$ 130
Other long term employee benefits costs recognized in operating income <sup>(ii)</sup>	<b>12</b>	7	<b>29</b>	21
Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 4)	<b>2</b>	3	<b>6</b>	6
Actuarial gains (losses) before income taxes recognized in other comprehensive income	<b>34</b>	(36)	<b>295</b>	(50)

(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 gains recognized in the third quarter and year-to-date of 2021 were primarily driven by an increase in discount rates, partially offset by lower than expected returns on assets. The actuarial losses recognized in the third quarter and year-to-date of 2020 were primarily driven by a decrease in discount rates, partially offset by higher than expected return on assets.

**Note 17. Financial Instruments**

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

(millions of Canadian dollars)	As at October 9, 2021				As at October 3, 2020				As at January 2, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>												
Fair value through other comprehensive income:												
Certain long term investments and other assets <sup>(i)</sup>	\$ 116	\$ —	\$ —	\$ 116	\$ 117	\$ —	\$ —	\$ 117	\$ 117	\$ —	\$ —	\$ 117
Derivatives included in prepaid expenses and other assets	—	1	—	1	—	—	—	—	—	—	—	—
Fair value through profit and loss:												
Certain other assets <sup>(i)</sup>	—	—	19	19	—	—	7	7	—	—	6	6
Derivatives included in prepaid expenses and other assets	10	—	1	11	—	2	1	3	—	—	3	3
<b>Financial liabilities</b>												
Amortized cost:												
Long term debt	\$ —	\$8,057	\$ —	\$8,057	\$ —	\$8,461	\$ —	\$8,461	\$ —	\$8,292	\$ —	\$8,292
Certain other liabilities <sup>(i)</sup>	—	—	46	46	—	—	5	5	—	—	48	48
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	—	—	—	—	—	1	—	1	—	—	—	—
Fair value through profit and loss:												
Derivatives included in trade payables and other liabilities	—	1	—	1	15	1	—	16	4	7	—	11

(i) Certain other assets, certain long term investments and other assets, and certain other liabilities are included in the consolidated balance sheets in other assets and other liabilities, respectively.

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

During the third quarter of 2021, the Company recognized nil loss (2020 – loss of \$1 million) and a loss of \$2 million (2020 – gain of \$2 million) year-to-date in operating income on financial instruments designated as amortized cost. In addition, during the third quarter of 2021, a net gain of \$8 million (2020 – net loss of \$6 million) and a net gain of \$13 million (2020 – net loss of \$19 million) year-to-date were recorded in earnings before income taxes related to financial instruments required to be classified as fair value through profit or loss.

**Embedded Derivatives** The Company's level 3 financial instruments classified as fair value through profit or loss consist of embedded derivatives on purchase orders placed in neither Canadian dollars nor the functional currency of the vendor. These derivatives are valued using a market approach based on the differential in exchange rates and timing of settlement. The significant unobservable input used in the fair value measurement is the cost of purchase orders. Significant increases (decreases) in any one of the inputs could result in a significantly higher (lower) fair value measurement.

During the third quarter of 2021, a loss of \$1 million (2020 – gain of \$2 million) and a loss of \$2 million (2020 – nominal gain) year-to-date were recorded in operating income related to these derivatives. In addition, a corresponding \$1 million asset was included in prepaid expense and other assets as at October 9, 2021 (October 3, 2020 – \$1 million asset; January 2, 2021 – \$3 million asset). As at October 9, 2021, a 1% increase (decrease) in foreign currency exchange rates would result in a gain (loss) in fair value of \$1 million.

**Securities Investments** PC Bank holds investments which are considered part of the liquid securities required to be held to meet its Liquidity Coverage Ratio. As at October 9, 2021, the fair value through other comprehensive income securities of \$116 million (October 3, 2020 – \$117 million; January 2, 2021 – \$117 million) was included in other assets and short term investments. During the third quarter of 2021, PC Bank recorded a nominal unrealized fair value loss (2020 – nominal unrealized fair value gain) and a nominal unrealized fair value loss (2020 – nominal unrealized fair value gain) year-to-date in other comprehensive income related to these investments.

**Other Derivatives** The Company uses bond forwards and interest rate swaps to manage its anticipated exposure to fluctuations in interest rates on future debt issuances. The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. The following is a summary of the fair values recognized 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:

	(16 weeks)			October 9, 2021 (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	
<b>Derivatives designated as cash flow hedges</b>						
Foreign Exchange Forwards <sup>(i)</sup>	\$ —	\$ —	\$ —	\$ —	\$ —	(1)
Bond Forwards <sup>(ii)</sup>	—	2	(2)	5		(5)
<b>Total derivatives designated as cash flow hedges</b>	<b>\$ —</b>	<b>\$ 2</b>	<b>\$ (2)</b>	<b>\$ 5</b>	<b>\$</b>	<b>(6)</b>
<b>Derivatives not designated in a formal hedging relationship</b>						
Foreign Exchange and Other Forwards	\$ (1)	\$ —	\$ 2	\$ —	\$	(4)
Other Non-Financial Derivatives	10	—	7	—		19
<b>Total derivatives not designated in a formal hedging relationship</b>	<b>\$ 9</b>	<b>\$ —</b>	<b>\$ 9</b>	<b>\$ —</b>	<b>\$</b>	<b>15</b>
<b>Total derivatives</b>	<b>\$ 9</b>	<b>\$ 2</b>	<b>\$ 7</b>	<b>\$ 5</b>	<b>\$</b>	<b>9</b>

(i) PC Bank uses foreign exchange forwards, with a notional value of \$29 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 \$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.

October 3, 2020

	(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	
<b>Derivatives designated as cash flow hedges</b>						
Bond Forwards <sup>(i)</sup>	\$ —	\$ 1	\$ (2)	\$ (42)	\$ (3)	
Interest Rate Swaps <sup>(ii)</sup>	(1)	2	(1)	—	(3)	
Total derivatives designated as cash flow hedges	\$ (1)	\$ 3	\$ (3)	\$ (42)	\$ (6)	
<b>Derivatives not designated in a formal hedging relationship</b>						
Foreign Exchange and Other Forwards	\$ 1	\$ —	\$ (7)	\$ —	\$ 11	
Other Non-Financial Derivatives	(15)	—	(1)	—	(31)	
Total derivatives not designated in a formal hedging relationship	\$ (14)	\$ —	\$ (8)	\$ —	\$ (20)	
<b>Total derivatives</b>	<b>\$ (15)</b>	<b>\$ 3</b>	<b>\$ (11)</b>	<b>\$ (42)</b>	<b>\$ (26)</b>	

- (i) PC Bank settled \$200 million of bond forward in the third quarter of 2020 (see note 8). The purpose of the bond forward was to hedge the interest rate risk for the \$300 million *Eagle* notes issued during the third quarter of 2020.
- (ii) PC Bank uses interest rate swaps, with a notional value of \$300 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.

### Note 18. 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 has been served with an Amended Statement of Claim in a class action proceeding that has been filed in the Ontario Superior Court of Justice ("Superior Court") by two licensed Associates, claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement, in the amount of \$500 million. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who are 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. The Superior Court imposed a class closing date based on the date of certification. New Associates after July 9, 2013 are not members of the class. The Company believes this claim is without merit and is vigorously defending it. The Company does not currently have any significant accruals or provisions for this matter recorded in the unaudited interim period condensed consolidated financial statements.

In 2017, the Company and Weston announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits have been commenced against the Company and Weston as well as a number of other major grocery retailers and another bread wholesaler. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Weston believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's cash balances far exceed any realistic damages scenario and therefore it does not anticipate any impacts on its dividend, dividend policy or share buyback plan. The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2021 or prior on the basis that a reliable estimate of the liability cannot be determined at this time. The Company will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated and will record an amount in the period at the earlier of when a reliable estimate of liability can be determined or the matter is ultimately resolved. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Weston will not face criminal charges or penalties.

In 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 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 by Peter Ballantyne Cree Nation and Lac La Ronge Indian Band on behalf of all Indigenous, Metis, First Nation and Inuit communities and governments in Canada to recover costs they have incurred as a result of the opioid crisis, including healthcare costs, policing costs and societal costs. The Company believes these proceedings are without merit and is vigorously defending them. The Company does not currently have any significant accruals or provisions for these matters recorded in the unaudited interim period condensed consolidated financial statements.

The Company has been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of the Company that was wound up in 2013, should be treated, and taxed, as income in Canada. The reassessments, which were received between 2015 and 2019, are for the 2000 to 2013 taxation years. On September 7, 2018, the Tax Court released its decision relating to the 2000 to 2010 taxation years. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation. On October 4, 2018, the Company filed a Notice of Appeal with the Federal Court of Appeal. On October 15, 2019, the matter was heard by the Federal Court of Appeal, and on April 23, 2020, the Federal Court of Appeal released its decision and reversed the decision of the Tax Court. On October 29, 2020, the Supreme Court granted the Crown leave to appeal and on May 13, 2021, the Supreme Court heard the Crown's appeal, reserving judgment for a later date. The Company has not reversed any portion of the \$367 million of charges recorded during the third quarter of 2018, of which \$176 million was recorded in interest and \$191 million was recorded in income taxes.

**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 19. Related Party Transactions**

**Venture Fund** During 2020, Loblaw, Weston and a wholly owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington (“Venture Fund”). The wholly owned subsidiary of Wittington is the general partner of the Venture Fund, which hired an external fund manager to oversee the Venture Fund. The purpose of the Venture Fund is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have 33% interest in the Venture Fund. The Company has a total capital commitment of \$33 million over a 10-year period. To date, the Company has invested \$14 million in the Venture Fund, of which \$2 million (2020 – \$6 million) and \$8 million (2020 – \$6 million) were invested in the third quarter and year-to-date of 2021, respectively (see note 11).

**Sale of Weston Foods** Subsequent to the end of the third quarter of 2021, Weston announced that it had signed separate definitive agreements to sell each of its Weston Foods fresh and frozen bakery business and its ambient bakery business. The Company has committed that upon closing of each of these sales, it will enter into a supply agreement with the purchasers of each of those businesses.

## Note 20. 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. The Retail segment also includes in-store pharmacies and other health and beauty products, apparel and other general merchandise and supports the *PC Optimum™* Program. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base; and
- The Financial Services segment provides credit card and everyday banking services, the *PC Optimum™* Program, insurance brokerage services, and telecommunication services.

The Company's chief operating decision maker evaluates segment performance on the basis of adjusted EBITDA<sup>(2)</sup> and adjusted operating income<sup>(2)</sup>, as reported to internal management, on a periodic basis.

Information for each reportable operating segment is included below:

(millions of Canadian dollars)	October 9, 2021 (16 weeks)				October 3, 2020 <sup>(iii)</sup> (16 weeks)			
	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total
<b>Revenue<sup>(ii)</sup></b>	<b>\$15,831</b>	<b>\$ 297</b>	<b>\$ (78)</b>	<b>\$16,050</b>	\$15,464	\$ 278	\$ (71)	\$15,671
Operating income	\$ 816	\$ 47	\$ —	\$ 863	\$ 674	\$ 44	\$ —	\$ 718
Net interest expense and other financing charges	187	16	—	203	205	23	—	228
<b>Earnings before income taxes</b>	<b>\$ 629</b>	<b>\$ 31</b>	<b>\$ —</b>	<b>\$ 660</b>	\$ 469	\$ 21	\$ —	\$ 490
<b>Operating income</b>	<b>\$ 816</b>	<b>\$ 47</b>	<b>\$ —</b>	<b>\$ 863</b>	\$ 674	\$ 44	\$ —	\$ 718
Depreciation and amortization	807	10	—	817	789	6	—	795
Adjusting items <sup>(iii)</sup>	149	—	—	149	160	—	—	160
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(155)	—	—	(155)	(155)	—	—	(155)
Adjusted EBITDA <sup>(iii)</sup>	\$ 1,617	\$ 57	\$ —	\$ 1,674	\$ 1,468	\$ 50	\$ —	\$ 1,518
Depreciation and amortization <sup>(iv)</sup>	652	10	—	662	634	6	—	640
<b>Adjusted operating income</b>	<b>\$ 965</b>	<b>\$ 47</b>	<b>\$ —</b>	<b>\$ 1,012</b>	\$ 834	\$ 44	\$ —	\$ 878

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

(ii) Included in Financial Services revenue is \$108 million (2020 – \$107 million) of interest income.

(iii) Certain items are excluded from operating income to derive adjusted EBITDA<sup>(2)</sup>. Adjusted EBITDA<sup>(2)</sup> is used internally by management when analyzing segment underlying performance. The comparative figures have been restated to conform with current year's new non-GAAP financial measures policy beginning in 2021. Under the new policy, the Company will no longer adjust for fixed asset and other related impairments (net of recoveries), certain restructuring and other related costs, pension settlement costs, statutory income tax rate changes or other items. For non-GAAP financial measures policy change, refer to the Company's 2020 Annual Report - Financial Review.

(iv) Depreciation and amortization for the calculation of adjusted EBITDA<sup>(2)</sup> excludes \$155 million (2020 – \$155 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

	October 9, 2021 (40 weeks)				October 3, 2020 <sup>(iii)</sup> (40 weeks)			
(millions of Canadian dollars)	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total
<b>Revenue<sup>(ii)</sup></b>	<b>\$ 39,783</b>	<b>\$ 822</b>	<b>\$ (192)</b>	<b>\$ 40,413</b>	\$ 38,816	\$ 777	\$ (165)	\$ 39,428
Operating income	\$ 2,077	\$ 155	\$ —	\$ 2,232	\$ 1,582	\$ 81	\$ —	\$ 1,663
Net interest expense and other financing charges	476	48	—	524	509	67	—	576
<b>Earnings before income taxes</b>	<b>\$ 1,601</b>	<b>\$ 107</b>	<b>\$ —</b>	<b>\$ 1,708</b>	\$ 1,073	\$ 14	\$ —	\$ 1,087
<b>Operating income</b>	<b>\$ 2,077</b>	<b>\$ 155</b>	<b>\$ —</b>	<b>\$ 2,232</b>	\$ 1,582	\$ 81	\$ —	\$ 1,663
Depreciation and amortization	2,011	30	—	2,041	1,971	16	—	1,987
Adjusting items <sup>(iii)</sup>	379	—	—	379	433	—	—	433
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(389)	—	—	(389)	(392)	—	—	(392)
Adjusted EBITDA <sup>(iii)</sup>	\$ 4,078	\$ 185	\$ —	\$ 4,263	\$ 3,594	\$ 97	\$ —	\$ 3,691
Depreciation and amortization <sup>(iv)</sup>	1,622	30	—	1,652	1,579	16	—	1,595
<b>Adjusted operating income</b>	<b>\$ 2,456</b>	<b>\$ 155</b>	<b>\$ —</b>	<b>\$ 2,611</b>	\$ 2,015	\$ 81	\$ —	\$ 2,096

(i) Eliminations includes the reclassification of revenue related to President's Choice Financial<sup>®</sup> Mastercard<sup>®</sup> loyalty awards in the Financial Services segment.

(ii) Included in Financial Services revenue is \$316 million (2020 – \$349 million) of interest income.

(iii) Certain items are excluded from operating income to derive adjusted EBITDA<sup>(2)</sup>. Adjusted EBITDA<sup>(2)</sup> is used internally by management when analyzing segment underlying performance. The comparative figures have been restated to conform with current year's new non-GAAP financial measures policy beginning in 2021. Under the new policy, the Company will no longer adjust for fixed asset and other related impairments (net of recoveries), certain restructuring and other related costs, pension settlement costs, statutory income tax rate changes or other items. For non-GAAP financial measures policy change, refer to the Company's 2020 Annual Report - Financial Review.

(iv) Depreciation and amortization for the calculation of adjusted EBITDA<sup>(2)</sup> excludes \$389 million (2020 – \$392 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

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

(millions of Canadian dollars)	October 9, 2021 (16 weeks)	October 3, 2020 (16 weeks)	October 9, 2021 (40 weeks)	October 3, 2020 (40 weeks)
Food retail	\$ 11,382	\$ 11,215	\$ 28,739	\$ 28,294
Drug retail				
Pharmacy	\$ 2,226	\$ 2,128	\$ 5,496	\$ 5,052
Front store	2,223	2,121	5,548	5,470
	\$ 4,449	\$ 4,249	\$ 11,044	\$ 10,522
Retail total	\$ 15,831	\$ 15,464	\$ 39,783	\$ 38,816
Financial Services	297	278	822	777
Eliminations <sup>(i)</sup>	(78)	(71)	(192)	(165)
Total	\$ 16,050	\$ 15,671	\$ 40,413	\$ 39,428

(i) Eliminations include the reclassification of revenue related to *President's Choice Financial* Mastercard® loyalty awards in the Financial Services segment.

(millions of Canadian dollars)	As at October 9, 2021	As at October 3, 2020	As at January 2, 2021
<b>Total assets</b>			
Retail	\$ 31,490	\$ 31,284	\$ 31,297
Financial Services	4,468	4,584	4,573
	\$ 35,958	\$ 35,868	\$ 35,870

(millions of Canadian dollars)	October 9, 2021 (16 weeks)	October 3, 2020 (16 weeks)	October 9, 2021 (40 weeks)	October 3, 2020 (40 weeks)
<b>Additions to fixed assets and intangible assets</b>				
Retail <sup>(i)</sup>	\$ 324	\$ 389	\$ 773	\$ 781
Financial Services	6	7	18	25
	\$ 330	\$ 396	\$ 791	\$ 806

(i) During 2021, additions to fixed assets in the retail segment included prepayments that were made in 2020 and transferred from other assets of nil in the third quarter of 2021 and \$1 million year-to-date of 2021. During 2020, additions to fixed assets in the retail segment included prepayments that were made in 2019 and transferred from other assets of \$16 million in the third quarter of 2020 and \$66 million year-to-date of 2020.

## Note 21. Subsequent Event

Subsequent to the end of the third quarter of 2021, the Company finalized network optimization plans that will result in banner conversions, closures and right-sizing of approximately 20 unprofitable retail locations across a range of banners and formats, the majority of which will be banner conversions and 3 will be closures within Food retail. The Company expects to record charges of approximately \$25 million to \$35 million resulting from this network optimization.

## Financial Summary<sup>(1)</sup>

As at or for the periods ended October 9, 2021 and October 3, 2020  
(millions of Canadian dollars except where otherwise indicated)

	<b>2021</b> <b>(16 weeks)</b>	2020 <sup>(3)</sup> (16 weeks)
<b>Consolidated Results of Operations</b>		
Revenue	<b>\$ 16,050</b>	\$ 15,671
Revenue growth	<b>2.4 %</b>	6.9 %
Operating income	<b>\$ 863</b>	\$ 718
Adjusted EBITDA <sup>(2)</sup>	<b>1,674</b>	1,518
Adjusted EBITDA margin <sup>(2)</sup>	<b>10.4 %</b>	9.7 %
Net interest expense and other financing charges	<b>\$ 203</b>	\$ 228
Adjusted net interest expense and other financing charges <sup>(2)</sup>	<b>203</b>	228
Net earnings	<b>488</b>	360
Net earnings attributable to shareholders of the Company	<b>434</b>	345
Net earnings available to common shareholders of the Company	<b>431</b>	342
Adjusted net earnings available to common shareholders of the Company <sup>(2)</sup>	<b>540</b>	459
<b>Consolidated Per Common Share (\$)</b>		
Diluted net earnings	<b>\$ 1.27</b>	\$ 0.96
Adjusted diluted net earnings <sup>(2)</sup>	<b>\$ 1.59</b>	\$ 1.28
<b>Consolidated Financial Position and Cash Flows</b>		
Cash and cash equivalents and short term investments	<b>\$ 2,373</b>	\$ 1,844
Cash flows from operating activities	<b>1,316</b>	1,063
Capital investments	<b>330</b>	396
Free cash flow <sup>(2)</sup>	<b>455</b>	121
<b>Financial Measures</b>		
Retail debt to rolling year retail adjusted EBITDA <sup>(2)</sup>	<b>2.6 x</b>	2.9 x
Rolling year adjusted return on equity <sup>(2)</sup>	<b>16.7 %</b>	12.7 %
Rolling year adjusted return on capital <sup>(2)</sup>	<b>9.8 %</b>	7.5 %

## Financial Summary<sup>(1)</sup>

As at or for the periods ended October 9, 2021 and October 3, 2020  
(millions of Canadian dollars except where otherwise indicated)

	<b>2021</b> <b>(16 weeks)</b>	2020 <sup>(3)</sup> (16 weeks)
<b>Retail Results of Operations</b>		
Sales	<b>\$ 15,831</b>	\$ 15,464
Operating income	<b>816</b>	674
Adjusted gross profit <sup>(2)</sup>	<b>4,856</b>	4,534
Adjusted gross profit % <sup>(2)</sup>	<b>30.7 %</b>	29.3 %
Adjusted EBITDA <sup>(2)</sup>	<b>\$ 1,617</b>	\$ 1,468
Adjusted EBITDA margin <sup>(2)</sup>	<b>10.2 %</b>	9.5 %
Depreciation and amortization	<b>\$ 807</b>	\$ 789
<b>Retail Operating Statistics</b>		
Food retail same-store sales growth	<b>0.2 %</b>	6.9 %
Drug retail same-store sales growth	<b>4.4 %</b>	6.1 %
Total retail square footage (in millions)	<b>71.2</b>	70.9
Number of corporate stores	<b>550</b>	551
Number of franchise stores	<b>546</b>	540
Number of Associate-owned drug stores	<b>1,343</b>	1,347
<b>Financial Services Results of Operations</b>		
Revenue	<b>\$ 297</b>	\$ 278
Earnings before income taxes	<b>31</b>	21
<b>Financial Services Operating Measures and Statistics</b>		
Average quarterly net credit card receivables	<b>\$ 3,050</b>	\$ 3,179
Credit card receivables	<b>3,154</b>	3,008
Allowance for credit card receivables	<b>205</b>	247
Annualized yield on average quarterly gross credit card receivables	<b>12.8 %</b>	13.4 %
Annualized credit loss rate on average quarterly gross credit card receivables	<b>2.7 %</b>	3.7 %

### Financial Results and Financial Summary Endnotes

- (1) For financial definitions and ratios refer to the Glossary of Terms on page 127 of the Company's 2020 Annual Report - Financial Review.
- (2) See Section 11 "Non-GAAP Financial Measures" of the Company's Management's Discussion and Analysis for the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.
- (3) Certain comparative figures have been restated to conform with current year presentation.