

## Financial Results

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## Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	<b>October 8, 2022 (16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022 (40 weeks)</b>	October 9, 2021 (40 weeks)
<b>Revenue</b>	<b>\$ 17,388</b>	\$ 16,050	<b>\$ 42,497</b>	\$ 40,413
<b>Cost of merchandise inventories sold</b>	<b>11,914</b>	11,027	<b>28,941</b>	27,731
<b>Selling, general and administrative expenses</b>	<b>4,483</b>	4,160	<b>11,085</b>	10,450
<b>Operating income</b>	<b>\$ 991</b>	\$ 863	<b>\$ 2,471</b>	\$ 2,232
Net interest expense and other financing charges (note 4)	<b>217</b>	203	<b>511</b>	524
<b>Earnings before income taxes</b>	<b>\$ 774</b>	\$ 660	<b>\$ 1,960</b>	\$ 1,708
Income taxes (note 5)	<b>199</b>	172	<b>484</b>	451
<b>Net earnings</b>	<b>\$ 575</b>	\$ 488	<b>\$ 1,476</b>	\$ 1,257
Attributable to:				
Shareholders of the Company (note 6)	<b>\$ 559</b>	\$ 434	<b>\$ 1,389</b>	\$ 1,128
Non-controlling interests	<b>16</b>	54	<b>87</b>	129
<b>Net earnings</b>	<b>\$ 575</b>	\$ 488	<b>\$ 1,476</b>	\$ 1,257
<b>Net earnings per common share (\$)</b> (note 6)				
Basic	<b>\$ 1.71</b>	\$ 1.28	<b>\$ 4.22</b>	\$ 3.28
Diluted	<b>\$ 1.69</b>	\$ 1.27	<b>\$ 4.17</b>	\$ 3.26
<b>Weighted average common shares outstanding (millions) (note 6)</b>				
Basic	<b>325.7</b>	336.7	<b>327.3</b>	340.6
Diluted	<b>329.6</b>	340.1	<b>331.1</b>	343.1

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 8, 2022</b> <b>(16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022</b> <b>(40 weeks)</b>	October 9, 2021 (40 weeks)
Net earnings	<b>\$ 575</b>	\$ 488	<b>\$ 1,476</b>	\$ 1,257
Other comprehensive income, net of taxes				
Items that are or may be subsequently reclassified to profit or loss:				
Foreign currency translation adjustment (losses) gains	<b>\$ (1)</b>	\$ —	<b>\$ 1</b>	\$ 2
(Losses) gains on cash flow hedges (note 18)	<b>(3)</b>	2	<b>2</b>	3
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial gains (losses) (note 17)	<b>8</b>	25	<b>(160)</b>	217
Other comprehensive income (loss)	<b>\$ 4</b>	\$ 27	<b>\$ (157)</b>	\$ 222
<b>Total comprehensive income, net of taxes</b>	<b>\$ 579</b>	\$ 515	<b>\$ 1,319</b>	\$ 1,479
Attributable to:				
Shareholders of the Company	<b>\$ 563</b>	\$ 461	<b>\$ 1,232</b>	\$ 1,350
Non-controlling interests	<b>16</b>	54	<b>87</b>	129
<b>Total comprehensive income, net of taxes</b>	<b>\$ 579</b>	\$ 515	<b>\$ 1,319</b>	\$ 1,479

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 1, 2022</b>	\$ 6,631	\$ 221	<b>\$ 6,852</b>	<b>\$ 4,591</b>	<b>\$ 116</b>	\$ 39	\$ (29)	\$ 4	<b>\$ 14</b>	<b>\$ 164</b>	<b>\$ 11,737</b>
Net earnings	\$ —	\$ —	\$ —	<b>\$ 1,389</b>	\$ —	\$ —	\$ —	\$ —	\$ —	<b>\$ 87</b>	<b>\$ 1,476</b>
Other comprehensive (loss) income	—	—	—	<b>(160)</b>	—	1	2	—	<b>3</b>	—	<b>(157)</b>
<b>Total comprehensive income</b>	\$ —	\$ —	\$ —	<b>\$ 1,229</b>	\$ —	\$ 1	\$ 2	\$ —	<b>\$ 3</b>	<b>\$ 87</b>	<b>\$ 1,319</b>
Common shares purchased and cancelled (note 15)	(204)	—	<b>(204)</b>	<b>(954)</b>	—	—	—	—	—	—	<b>(1,158)</b>
Net effect of equity-based compensation (notes 15 and 16)	81	—	<b>81</b>	—	—	—	—	—	—	—	<b>81</b>
Shares purchased and held in trust (note 15)	(11)	—	<b>(11)</b>	<b>(52)</b>	—	—	—	—	—	—	<b>(63)</b>
Shares released from trust (notes 15 and 16)	10	—	<b>10</b>	<b>24</b>	—	—	—	—	—	—	<b>34</b>
Dividends declared per common share – \$1.175 (note 15)	—	—	—	<b>(386)</b>	—	—	—	—	—	—	<b>(386)</b>
Dividends declared per preferred share – \$0.99375 (note 15)	—	—	—	<b>(9)</b>	—	—	—	—	—	—	<b>(9)</b>
Net distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	<b>(72)</b>	<b>(72)</b>
	\$ (124)	\$ —	<b>\$ (124)</b>	<b>\$ (148)</b>	\$ —	\$ 1	\$ 2	\$ —	<b>\$ 3</b>	<b>\$ 15</b>	<b>\$ (254)</b>
<b>Balance as at October 8, 2022</b>	<b>\$ 6,507</b>	<b>\$ 221</b>	<b>\$ 6,728</b>	<b>\$ 4,443</b>	<b>\$ 116</b>	<b>\$ 40</b>	<b>\$ (27)</b>	<b>\$ 4</b>	<b>\$ 17</b>	<b>\$ 179</b>	<b>\$ 11,483</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 January 2, 2021</b>	\$ 6,824	\$ 221	<b>\$ 7,045</b>	<b>\$ 3,813</b>	<b>\$ 109</b>	\$ 39	\$ (34)	\$ 16	<b>\$ 21</b>	<b>\$ 131</b>	<b>\$ 11,119</b>
Net earnings	\$ —	\$ —	\$ —	<b>\$ 1,128</b>	\$ —	\$ —	\$ —	\$ —	\$ —	<b>\$ 129</b>	<b>\$ 1,257</b>
Other comprehensive income	—	—	—	<b>217</b>	—	2	3	—	<b>5</b>	—	<b>222</b>
<b>Total comprehensive income</b>	\$ —	\$ —	\$ —	<b>\$ 1,345</b>	\$ —	\$ 2	\$ 3	\$ —	<b>\$ 5</b>	<b>\$ 129</b>	<b>\$ 1,479</b>
Common shares purchased and cancelled (note 15)	(269)	—	<b>(269)</b>	<b>(731)</b>	—	—	—	—	—	—	<b>(1,000)</b>
Net effect of equity-based compensation (notes 15 and 16)	88	—	<b>88</b>	—	<b>1</b>	—	—	—	—	—	<b>89</b>
Shares released from trust (notes 15 and 16)	11	—	<b>11</b>	<b>19</b>	—	—	—	—	—	—	<b>30</b>
Dividends declared per common share – \$1.035 (note 15)	—	—	—	<b>(351)</b>	—	—	—	—	—	—	<b>(351)</b>
Dividends declared per preferred share – \$0.99375 (note 15)	—	—	—	<b>(9)</b>	—	—	—	—	—	—	<b>(9)</b>
Transfer of remeasurement gain on sale of investment properties	—	—	—	<b>12</b>	—	—	—	(12)	<b>(12)</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)	<b>\$ (7)</b>	<b>\$ 65</b>	<b>\$ 174</b>
<b>Balance as at October 9, 2021</b>	<b>\$ 6,654</b>	<b>\$ 221</b>	<b>\$ 6,875</b>	<b>\$ 4,098</b>	<b>\$ 110</b>	<b>\$ 41</b>	<b>\$ (31)</b>	<b>\$ 4</b>	<b>\$ 14</b>	<b>\$ 196</b>	<b>\$ 11,293</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 8, 2022	As at October 9, 2021	As at January 1, 2022
<b>Assets</b>			
Current assets			
Cash and cash equivalents (note 7)	\$ 1,414	\$ 1,780	\$ 1,976
Short term investments (note 7)	294	593	464
Security deposits (note 7)	250	—	—
Accounts receivable	1,164	894	947
Credit card receivables (note 8)	3,679	3,154	3,443
Inventories (note 9)	5,763	5,214	5,166
Income tax recoverable	—	—	301
Prepaid expenses and other assets	349	290	249
Assets held for sale (note 10)	101	85	91
<b>Total current assets</b>	<b>\$ 13,014</b>	<b>\$ 12,010</b>	<b>\$ 12,637</b>
Fixed assets	5,388	5,406	5,447
Right-of-use assets (note 20)	7,455	7,210	7,175
Investment properties	53	110	111
Intangible assets (note 3)	6,605	6,502	6,402
Goodwill (note 3)	4,318	3,949	3,949
Deferred income tax assets	87	99	91
Other assets (note 11)	775	672	802
<b>Total assets</b>	<b>\$ 37,695</b>	<b>\$ 35,958</b>	<b>\$ 36,614</b>
<b>Liabilities</b>			
Current liabilities			
Bank indebtedness	\$ 16	\$ 166	\$ 52
Trade payables and other liabilities	5,785	5,321	5,433
Loyalty liability	236	220	190
Provisions (note 12)	145	119	111
Income taxes payable	191	183	153
Demand deposits from customers	109	59	75
Short term debt (note 8)	600	300	450
Long term debt due within one year (note 13)	798	881	1,002
Lease liabilities due within one year (note 20)	1,391	1,366	1,297
Associate interest	438	387	433
<b>Total current liabilities</b>	<b>\$ 9,709</b>	<b>\$ 9,002</b>	<b>\$ 9,196</b>
Provisions	108	112	114
Long term debt (note 13)	6,978	6,290	6,211
Lease liabilities (note 20)	7,678	7,490	7,542
Deferred income tax liabilities	1,286	1,319	1,346
Other liabilities (note 14)	453	452	468
<b>Total liabilities</b>	<b>\$ 26,212</b>	<b>\$ 24,665</b>	<b>\$ 24,877</b>
<b>Equity</b>			
Share capital (note 15)	\$ 6,728	\$ 6,875	\$ 6,852
Retained earnings	4,443	4,098	4,591
Contributed surplus (note 16)	116	110	116
Accumulated other comprehensive income	17	14	14
<b>Total equity attributable to shareholders of the Company</b>	<b>\$ 11,304</b>	<b>\$ 11,097</b>	<b>\$ 11,573</b>
Non-controlling interests	179	196	164
<b>Total equity</b>	<b>\$ 11,483</b>	<b>\$ 11,293</b>	<b>\$ 11,737</b>
<b>Total liabilities and equity</b>	<b>\$ 37,695</b>	<b>\$ 35,958</b>	<b>\$ 36,614</b>

Contingent Liabilities (note 19).

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

## Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	October 8, 2022 (16 weeks)	October 9, 2021 (16 weeks)	October 8, 2022 (40 weeks)	October 9, 2021 (40 weeks)
<b>Operating activities</b>				
Net earnings	\$ 575	\$ 488	\$ 1,476	\$ 1,257
Add (deduct):				
Income taxes (note 5)	199	172	484	451
Net interest expense and other financing charges (note 4)	217	203	511	524
Depreciation and amortization	864	817	2,128	2,041
Asset impairments, net of recoveries	6	7	8	8
Change in allowance for credit card receivables (note 8)	6	—	(3)	(32)
Change in provisions (note 12)	(55)	11	28	18
Change in non-cash working capital	(51)	(66)	(534)	(10)
Change in gross credit card receivables (note 8)	(59)	(121)	(233)	(13)
Net income taxes paid	(227)	(214)	(284)	(482)
Interest received	2	1	28	4
Interest received from finance leases	1	1	3	3
Other	21	17	(5)	34
<b>Cash flows from operating activities</b>	<b>\$ 1,499</b>	<b>\$ 1,316</b>	<b>\$ 3,607</b>	<b>\$ 3,803</b>
<b>Investing activities</b>				
Fixed asset purchases	\$ (303)	\$ (224)	\$ (612)	\$ (517)
Intangible asset additions	(129)	(106)	(308)	(273)
(Purchase) disposal of short term investments (note 7)	(110)	(338)	170	(293)
Acquisition of Lifemark, net of cash acquired (note 3)	—	—	(813)	—
Increase in security deposits (note 7)	(250)	—	(250)	—
Proceeds from disposal of assets	30	35	112	56
Lease payments received from finance leases	6	4	13	9
Other	(165)	1	(264)	(4)
<b>Cash flows used in investing activities</b>	<b>\$ (921)</b>	<b>\$ (628)</b>	<b>\$ (1,952)</b>	<b>\$ (1,022)</b>
<b>Financing activities</b>				
Change in bank indebtedness	\$ (7)	\$ 28	\$ (36)	\$ 80
Change in short term debts (note 8)	100	—	150	(275)
Change in demand deposits from customers	10	9	34	35
Long term debt (note 13)				
Issued	1,323	332	1,514	558
Repayments	(846)	(139)	(946)	(432)
Interest paid	(94)	(91)	(259)	(264)
Cash rent paid on lease liabilities - Interest	(103)	(104)	(252)	(263)
Cash rent paid on lease liabilities - Principal	(357)	(340)	(840)	(798)
Dividends paid on common and preferred shares	(270)	(241)	(395)	(359)
Common share capital				
Issued (note 16)	20	29	72	78
Purchased and held in trust (note 15)	—	—	(63)	—
Purchased and cancelled (note 15)	(402)	(300)	(1,130)	(1,000)
Proceeds from other financing (note 20)	—	—	15	—
Other	(10)	21	(76)	(31)
<b>Cash flows used in financing activities</b>	<b>\$ (636)</b>	<b>\$ (796)</b>	<b>\$ (2,212)</b>	<b>\$ (2,671)</b>
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ (5)	\$ —	\$ (5)	\$ 2
Change in cash and cash equivalents	\$ (63)	\$ (108)	\$ (562)	\$ 112
Cash and cash equivalents, beginning of period	1,477	1,888	1,976	1,668
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,414</b>	<b>\$ 1,780</b>	<b>\$ 1,414</b>	<b>\$ 1,780</b>

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 8, 2022 and October 9, 2021 (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, 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 21).

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 2021 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 2021 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 15, 2022.

**Note 3. Business Acquisitions**

**Acquisition of Lifemark Health Group** On May 10, 2022, the Company acquired all of the outstanding common shares of Lifemark Health Group (“Lifemark”) for total purchase consideration of \$829 million. Lifemark is the Canadian leading provider of outpatient physiotherapy, massage therapy, occupational therapy, chiropractic, mental health, and other ancillary rehabilitation services through its more than 300 clinics across Canada. The acquisition of Lifemark adds to the Company’s growing role as a healthcare service provider, with a network of health and wellness solutions, accessible in-person and digitally.

The Lifemark acquisition was accounted for using the acquisition method in accordance with IFRS 3, “Business Combinations”, with the results of operations consolidated with those of the Company effective May 10, 2022.

In the third quarter of 2022, the Company finalized the purchase price allocation and revised its fair value estimate of the goodwill acquired with Lifemark. The result decreased goodwill by \$5 million to \$365 million and decreased deferred income tax liabilities by \$2 million to \$145 million. The final purchase price allocation is summarized as follows:

(millions of Canadian dollars)

<b>Net Assets Acquired:</b>	
Cash and cash equivalents	\$ 15
Accounts receivable <sup>(i)</sup>	54
Prepaid expenses and other assets	2
Fixed assets	16
Right-of-use assets	75
Intangible assets	564
Goodwill	365
Trade payables and other liabilities	(38)
Lease liabilities	(75)
Deferred income tax liabilities	(145)
Other liabilities	(4)
<b>Total Net Assets Acquired</b>	<b>\$ 829</b>

(i) Trade and other receivables is net of a loss allowance of \$2 million.

Goodwill is attributable to expected growth in customers and expansion of the Lifemark footprint. The goodwill arising from this acquisition is not deductible for tax purposes.

Intangible assets are comprised of the following:

(millions of Canadian dollars)

		<b>Estimated Useful Life</b>
<b>Intangible Assets:</b>		
Brand	\$ 265	Indefinite
Customer relationships	295	10-20 years
Computer software	4	3 years
<b>Total Intangible Assets</b>	<b>\$ 564</b>	

Year-to-date selling, general and administrative expense include \$16 million of transaction costs related to the acquisition.

Included in the unaudited interim period condensed consolidated statement of earnings in the third quarter is \$120 million of revenue and nominal net earnings contributed by Lifemark. Since the date of acquisition, \$169 million of revenue and nominal net earnings were contributed by Lifemark. Net earnings for the third quarter include amortization related to the acquired intangible assets of \$3 million (year-to-date – \$5 million). On a combined pro forma basis, the Company’s year-to-date revenue and net earnings available to common shareholders would have amounted to \$42,639 million and \$1,382 million, respectively. This pro forma information incorporates the effect of the final purchase price equation as if Lifemark had been acquired on January 2, 2022. Included in the pro forma net earnings is the amortization related to the acquired intangible assets of \$10 million year-to-date.

#### 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 8, 2022 (16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022 (40 weeks)</b>	October 9, 2021 (40 weeks)
<b>Interest expense and other financing charges</b>				
Lease liabilities	\$ 103	\$ 104	\$ 252	\$ 263
Long term debt <sup>(i)</sup>	93	86	228	221
Borrowings related to credit card receivables	19	10	36	27
Post-employment and other long term employee benefits (note 17)	(1)	2	(2)	6
Independent funding trusts	8	4	15	10
Financial liabilities (note 20)	2	1	4	2
Bank indebtedness	—	1	1	3
	<b>\$ 224</b>	<b>\$ 208</b>	<b>\$ 534</b>	<b>\$ 532</b>
<b>Interest income</b>				
Accretion income	\$ (1)	\$ (1)	\$ (3)	\$ (3)
Short term interest income	(6)	(4)	(9)	(5)
	<b>\$ (7)</b>	<b>\$ (5)</b>	<b>\$ (12)</b>	<b>\$ (8)</b>
Recovery related to Glenhuron Bank Limited (note 5)	\$ —	\$ —	\$ (11)	\$ —
Net interest expense and other financing charges	<b>\$ 217</b>	<b>\$ 203</b>	<b>\$ 511</b>	<b>\$ 524</b>

(i) Includes an early repayment premium charge of \$7 million recorded in the third quarter of 2022 related to the early redemption of \$800 million debenture bearing interest at 4.86% with an original maturity date of September 12, 2023.

#### Note 5. Income Taxes

Income tax expense in the third quarter of 2022 was \$199 million (2021 – \$172 million) and the effective tax rate was 25.7% (2021 – 26.1%). The decrease in the effective tax rate was primarily attributable to the impact of certain recoveries realized for prior taxation periods. Year-to-date income tax expense was \$484 million (2021 – \$451 million) and the effective tax rate was 24.7% (2021 – 26.4%). The decrease to the year-to-date effective tax rate was primarily attributable to the recovery of income taxes related to Glenhuron Bank Limited (“Glenhuron”) in the first quarter of 2022.

The Company was 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. In 2021, the Supreme Court of Canada (“Supreme Court”) ruled in favour of the Company on the Glenhuron matter. As a result of the related reassessments received during the first quarter of 2022, the Company reversed \$35 million of previously recorded charges in the year, of which \$33 million was recorded as income tax recovery and \$2 million was recorded as interest income. In addition, interest of \$9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds (see note 19).

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

(millions of Canadian dollars except where otherwise indicated)	<b>October 8, 2022 (16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022 (40 weeks)</b>	October 9, 2021 (40 weeks)
Net earnings attributable to shareholders of the Company	\$ 559	\$ 434	\$ 1,389	\$ 1,128
Dividends on Preferred Shares in equity (note 15)	(3)	(3)	(9)	(9)
Net earnings available to common shareholders	\$ 556	\$ 431	\$ 1,380	\$ 1,119
Weighted average common shares outstanding (in millions) (note 15)	325.7	336.7	327.3	340.6
Dilutive effect of equity-based compensation (in millions)	3.2	2.6	3.1	1.7
Dilutive effect of certain other liabilities (in millions)	0.7	0.8	0.7	0.8
Diluted weighted average common shares outstanding (in millions)	329.6	340.1	331.1	343.1
Basic net earnings per common share (\$)	\$ 1.71	\$ 1.28	\$ 4.22	\$ 3.28
Diluted net earnings per common share (\$)	\$ 1.69	\$ 1.27	\$ 4.17	\$ 3.26

In the third quarter of 2022 and year-to-date, 39,495 (2021 – 20,816) and 1,129,776 (2021 – 1,553,237), 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, Short Term Investments, and Security Deposits**

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

**Cash and Cash Equivalents**

(millions of Canadian dollars)	<b>As at October 8, 2022</b>	As at October 9, 2021	As at January 1, 2022
Cash	\$ 933	\$ 844	\$ 849
Cash equivalents			
Government treasury bills	355	397	560
Bankers' acceptances	124	532	543
Corporate commercial paper	—	3	3
Guaranteed investment certificates	—	—	21
Other	2	4	—
Total cash and cash equivalents	\$ 1,414	\$ 1,780	\$ 1,976

## Short Term Investments

(millions of Canadian dollars)	As at October 8, 2022	As at October 9, 2021	As at January 1, 2022
Government treasury bills	\$ 260	\$ 547	\$ 361
Bankers' acceptances	12	12	97
Corporate commercial paper	—	2	1
Guaranteed investment certificates	21	27	5
Other	1	5	—
<b>Total short term investments</b>	<b>\$ 294</b>	<b>\$ 593</b>	<b>\$ 464</b>

**Security Deposits** During the third quarter of 2022, a repayment accumulation process was triggered due to the upcoming maturity of the Eagle Credit Card Trust® (“Eagle”) \$250 million senior and subordinated term notes due October 17, 2022. These notes have a weighted average interest rate of 2.71%. As at October 8, 2022, \$250 million had been accumulated and was recorded in security deposits.

## Note 8. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	As at October 8, 2022	As at October 9, 2021	As at January 1, 2022
Gross credit card receivables	\$ 3,881	\$ 3,359	\$ 3,648
Allowance for credit card receivables	(202)	(205)	(205)
Credit card receivables	\$ 3,679	\$ 3,154	\$ 3,443
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> ® (note 13)	\$ 1,600	\$ 1,350	\$ 1,350
Securitized to Other Independent Securitization Trusts	600	300	450
<b>Total securitized to independent securitization trusts</b>	<b>\$ 2,200</b>	<b>\$ 1,650</b>	<b>\$ 1,800</b>

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* and Other Independent Securitization Trusts, in accordance with its financing requirements.

The associated liability of *Eagle* is recorded in long term debt (see note 13). 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 2022, *Eagle* issued \$250 million of senior and subordinated term notes with a maturity date of July 17, 2027. These notes have a weighted average interest rate of 4.89%. In connection with this issuance, \$140 million of bond forward agreements were settled during the third quarter of 2022. This resulted in a realized fair value gain of \$8 million before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to the settlement of the agreement. The gain will be reclassified to net earnings over the life of the *Eagle* notes. This settlement resulted in a net effective interest rate of 4.24% on the *Eagle* notes issued.

During the second quarter of 2022, *Eagle* filed a Short Form Base Shelf Prospectus, which allows for the issuance of up to \$1.25 billion of notes over a 25-month period.

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 net 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.

On a year-to-date basis in 2022, PC Bank recorded a \$150 million net increase of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

As at October 8, 2022, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was \$54 million (October 9, 2021 – \$27 million; January 1, 2022 – \$41 million), which represented 9% (October 9, 2021 – 9%; January 1, 2022 – 9%) of the securitized credit card receivables amount.

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at October 8, 2022 and throughout the first three quarters of 2022.

#### Note 9. Inventories

For inventories recorded as at October 8, 2022, the Company has an inventory provision of \$55 million (October 9, 2021 – \$56 million; January 1, 2022 – \$67 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 first three quarters of 2022 and 2021.

#### 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 2022, the Company recorded a net gain of \$4 million (2021 – net gain of \$7 million) from the sale of these assets. On a year-to-date basis, the Company recorded a net gain of \$27 million (2021 – net gain of \$12 million). No fair value changes or impairment charges were recognized on assets held for sale in the first three quarters of 2022 and 2021.

#### Note 11. Other Assets

The components of other assets were as follows:

(millions of Canadian dollars)	As at October 8, 2022	As at October 9, 2021	As at January 1, 2022
Sundry investments and other receivables	\$ 78	\$ 23	\$ 54
Accrued benefit plan asset	173	375	463
Finance lease receivable	78	81	78
Investments accounted for under the equity method <sup>(i)</sup>	89	73	73
Other <sup>(ii)</sup>	357	120	134
<b>Total other assets</b>	<b>\$ 775</b>	<b>\$ 672</b>	<b>\$ 802</b>

- (i) During the third quarter of 2022, the Company agreed to invest a total of \$42 million in Rapid Retail Canada Inc. ("Rapid"). Rapid will provide on-demand grocery and convenience items to customers in Canada. As at October 8, 2022, the Company has invested \$18 million in exchange for a minority ownership interest in Rapid.
- (ii) Includes \$35 million related to Venture Fund I as at October 8, 2022 (October 9, 2021 – \$19 million; January 1, 2022 – \$29 million) (see note 20).

## Note 12. Provisions

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. On September 29th, 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal. Although, the Company believes in the merits of its position, the Company recorded a charge of \$111 million, inclusive of interest, in the second quarter of 2022. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

## Note 13. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	<b>As at October 8, 2022</b>	As at October 9, 2021	As at January 1, 2022
Debentures	<b>\$ 4,311</b>	\$ 4,314	\$ 4,313
Guaranteed investment certificates	<b>1,311</b>	949	996
Independent securitization trusts (note 8)	<b>1,600</b>	1,350	1,350
Independent funding trusts	<b>573</b>	574	570
Transaction costs and other	<b>(19)</b>	(16)	(16)
Total long term debt	<b>\$ 7,776</b>	\$ 7,171	\$ 7,213
Long term debt due within one year	<b>798</b>	881	1,002
Long term debt	<b>\$ 6,978</b>	\$ 6,290	\$ 6,211

The Company is required to comply with certain financial covenants for various debt instruments. As at October 8, 2022 and throughout the first three quarters of 2022 and 2021, the Company was in compliance with the financial covenants.

**Debentures** In the third quarter of 2022, the Company completed a dual-tranche issuance of \$800 million aggregate principal amount of senior unsecured notes. The issuance included \$400 million aggregate principal amount of senior unsecured notes bearing interest at 5.008% per annum with a maturity date of September 13, 2032 and \$400 million aggregate principal amount of senior unsecured notes bearing interest at 5.336% per annum with a maturity date of September 13, 2052. The Company used the net proceeds of the issuance to redeem the \$800 million outstanding principal amount of its Series 2023 senior unsecured notes with original maturity date of September 12, 2023 on September 21, 2022. The Company recorded an early repayment premium charge of \$7 million in net interest expense and other financing charges.

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

**Guaranteed Investment Certificates** The following table summarizes PC Bank’s Guaranteed Investment Certificates (“GICs”) activity, before commissions:

(millions of Canadian dollars)	<b>October 8, 2022 (16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022 (40 weeks)</b>	October 9, 2021 (40 weeks)
Balance, beginning of period	<b>\$ 1,075</b>	\$ 1,048	<b>\$ 996</b>	\$ 1,185
GICs issued	<b>282</b>	40	<b>461</b>	196
GICs matured	<b>(46)</b>	(139)	<b>(146)</b>	(432)
Balance, end of period	<b>\$ 1,311</b>	\$ 949	<b>\$ 1,311</b>	\$ 949

**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 9, 2021 and January 1, 2022 – \$64 million), representing not less than 10% (October 9, 2021 and January 1, 2022 – not less than 10%) of the principal amount of loans outstanding.

The revolving committed credit facility that is the source of funding to the independent funding trusts has a maturity date of April 14, 2025. The Company extended the maturity date during the second quarter of 2022 with all other terms and conditions remaining substantially the same.

**Committed Credit Facility** The Company has a \$1.0 billion committed credit facility with a maturity date of July 15, 2027, provided by a syndicate of lenders. The Company extended the maturity date during the third quarter of 2022 with all other terms and conditions remaining substantially the same. This committed credit facility contains certain financial covenants. As at October 8, 2022, there were no amounts drawn under this facility (October 9, 2021 and January 1, 2022 – 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)	As at October 8, 2022	As at October 9, 2021	As at January 1, 2022
Guaranteed investment certificates	\$ 298	\$ 307	\$ 182
Independent securitization trusts	500	—	250
Independent funding trusts	—	574	570
Long term debt due within one year	\$ 798	\$ 881	\$ 1,002

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

(millions of Canadian dollars)	October 8, 2022 (16 weeks)	October 9, 2021 (16 weeks)	October 8, 2022 (40 weeks)	October 9, 2021 (40 weeks)
Long term debt, beginning of period	\$ 7,305	\$ 6,978	\$ 7,213	\$ 7,046
Long term debt issuances <sup>(i)</sup>	\$ 1,323	\$ 332	\$ 1,514	\$ 558
Long term debt repayments	(846)	(139)	(946)	(432)
Total cash flow from long term debt financing activities	\$ 477	\$ 193	\$ 568	\$ 126
Other non-cash changes	\$ (6)	\$ —	\$ (5)	\$ (1)
Long term debt, end of period	\$ 7,776	\$ 7,171	\$ 7,776	\$ 7,171

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

#### Note 14. Other Liabilities

The components of other liabilities were as follows:

(millions of Canadian dollars)	As at October 8, 2022	As at October 9, 2021	As at January 1, 2022
Net defined benefit plan obligation	\$ 257	\$ 275	\$ 289
Other long term employee benefit obligation	110	122	115
Financial liabilities (note 20)	68	43	54
Equity-based compensation liabilities (note 16)	3	4	3
Other	15	8	7
Total other liabilities	\$ 453	\$ 452	\$ 468

## Note 15. 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:

(millions of Canadian dollars except where otherwise indicated)	October 8, 2022 (16 weeks)		October 9, 2021 (16 weeks)		October 8, 2022 (40 weeks)		October 9, 2021 (40 weeks)	
	Number of Common Shares	Common Share Capital						
Issued and outstanding, beginning of period	<b>327,698,167</b>	<b>\$ 6,554</b>	338,090,294	\$ 6,692	<b>333,527,369</b>	<b>\$ 6,643</b>	347,361,480	\$ 6,837
Issued for settlement of stock options (note 16)	<b>328,215</b>	<b>22</b>	500,839	32	<b>1,207,639</b>	<b>81</b>	1,407,615	88
Purchased and cancelled	<b>(3,429,543)</b>	<b>(56)</b>	(3,426,200)	(68)	<b>(10,138,169)</b>	<b>(204)</b>	(13,604,162)	(269)
Issued and outstanding, end of period	<b>324,596,839</b>	<b>\$ 6,520</b>	335,164,933	\$ 6,656	<b>324,596,839</b>	<b>\$ 6,520</b>	335,164,933	\$ 6,656
Shares held in trust, beginning of period	<b>(671,450)</b>	<b>\$ (13)</b>	(175,656)	\$ (3)	<b>(595,495)</b>	<b>\$ (12)</b>	(672,784)	\$ (13)
Purchased for future settlement of RSUs and PSUs	—	—	—	—	<b>(557,000)</b>	<b>(11)</b>	—	—
Released for settlement of RSUs and PSUs (note 16)	<b>32,980</b>	—	55,338	1	<b>514,025</b>	<b>10</b>	552,466	11
Shares held in trust, end of period	<b>(638,470)</b>	<b>\$ (13)</b>	(120,318)	\$ (2)	<b>(638,470)</b>	<b>\$ (13)</b>	(120,318)	\$ (2)
Issued and outstanding, net of shares held in trust, end of period	<b>323,958,369</b>	<b>\$ 6,507</b>	335,044,615	\$ 6,654	<b>323,958,369</b>	<b>\$ 6,507</b>	335,044,615	\$ 6,654
Weighted average outstanding, net of shares held in trust (note 6)	<b>325,716,594</b>		336,670,985		<b>327,260,645</b>		340,554,074	

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

	<b>October 8, 2022<sup>(i)</sup></b> <b>(16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022</b> <b>(40 weeks)</b>	October 9, 2021 (40 weeks)
<b>Dividends declared per share (\$)</b>				
Common Share	<b>\$ 0.405</b>	\$ 0.365	<b>\$ 1.175</b>	\$ 1.035
Second Preferred Share, Series B	<b>\$ 0.33125</b>	\$ 0.33125	<b>\$ 0.99375</b>	\$ 0.99375

- (i) The Common Share dividends declared in the third quarter of 2022 of \$0.405 per share had a payment date of October 1, 2022. The Second Preferred Shares, Series B dividends declared in the third quarter of 2022 of \$0.33125 per share had a payment date of September 30, 2022.

(millions of Canadian dollars)	<b>October 8, 2022</b> <b>(16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022</b> <b>(40 weeks)</b>	October 9, 2021 (40 weeks)
<b>Dividends declared</b>				
Common Share	<b>\$ 131</b>	\$ 121	<b>\$ 386</b>	\$ 351
Second Preferred Share, Series B (note 6)	<b>3</b>	3	<b>9</b>	9
<b>Total dividends declared</b>	<b>\$ 134</b>	\$ 124	<b>\$ 395</b>	\$ 360

Subsequent to the end of the third quarter of 2022, the Board declared a quarterly dividend of \$0.405 per common share, payable on December 30, 2022 to shareholders of record on December 15, 2022 and a quarterly dividend of \$0.33125 per share on the Second Preferred Shares, Series B payable on December 31, 2022 to shareholders of record on December 15, 2022.

**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 8, 2022</b> <b>(16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022</b> <b>(40 weeks)</b>	October 9, 2021 (40 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares) <sup>(i)</sup>	<b>3,429,543</b>	3,410,805	<b>10,138,169</b>	13,588,767
Cash consideration paid <sup>(ii)</sup>	<b>\$ 402</b>	\$ 300	<b>\$ 1,130</b>	\$ 1,000
Premium charged to retained earnings	<b>276</b>	232	<b>954</b>	731
Reduction in common share capital	<b>56</b>	68	<b>204</b>	269
Common shares repurchased under the NCIB and held in trust (number of shares)	—	—	<b>557,000</b>	—
Cash consideration paid	<b>\$ —</b>	\$ —	<b>\$ 63</b>	\$ —
Premium charged to retained earnings	—	—	<b>52</b>	—
Reduction in common share capital	—	—	<b>11</b>	—

- (i) Common shares repurchased and cancelled as at October 8, 2022 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) \$28 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the third quarter of 2022 was paid in the fourth quarter of 2022.

In the second quarter of 2022, the Company renewed its NCIB to purchase on the Toronto Stock Exchange (“TSX”) or through alternative trading systems up to 16,647,384 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. As at October 8, 2022, the Company had purchased 8,798,918 common shares for cancellation under its current NCIB.

During 2020, the 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, 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 2022, 3,429,543 common shares (2021 – 3,410,805) were purchased under the NCIB program for cancellation, for aggregate consideration of \$403 million (2021 – \$300 million), including 1,632,756 common shares (2021 – 1,542,706) purchased from Weston, for aggregate consideration of \$191 million (2021 – \$136 million). On a year-to-date basis, 10,138,169 common shares (2021 – 13,588,767) were purchased under the NCIB for cancellation, for aggregate consideration of \$1,158 million (2021 – \$1,000 million), including 4,584,521 common shares (2021 – 6,479,854) purchased from Weston, for aggregate consideration of \$523 million (2021 – \$474 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.

#### Note 16. 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 \$22 million for the third quarter of 2022 (2021 – \$18 million) and \$55 million year-to-date (2021 – \$46 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 8, 2022</b>	As at October 9, 2021	As at January 1, 2022
Other liabilities (note 14)	<b>\$ 3</b>	\$ 4	\$ 3
Contributed surplus	<b>116</b>	110	116

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 8, 2022 (16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022 (40 weeks)</b>	October 9, 2021 (40 weeks)
Outstanding options, beginning of period	<b>6,532,669</b>	7,653,843	<b>6,431,449</b>	7,259,645
Granted	<b>13,037</b>	21,019	<b>1,152,257</b>	1,891,187
Exercised (note 15)	<b>(328,215)</b>	(500,839)	<b>(1,207,639)</b>	(1,407,615)
Forfeited/Cancelled	<b>(66,884)</b>	(267,634)	<b>(225,460)</b>	(836,828)
Outstanding options, end of period	<b>6,150,607</b>	6,906,389	<b>6,150,607</b>	6,906,389

During the third quarter of 2022, the Company granted stock options with a weighted average exercise price of \$117.67 (2021 – \$86.30) and \$99.92 year-to-date (2021 – \$63.65). In addition, the Company issued common shares on the exercise of stock options with a weighted average share price during the third quarter of 2022 of \$120.68 (2021 – \$86.19) and \$112.61 year-to-date (2021 – \$77.05) and received cash consideration of \$20 million (2021 – \$29 million) and \$72 million year-to-date (2021 – \$78 million).

The fair value of stock options granted during the third quarter of 2022 was nominal (2021 – nominal) and \$20 million year-to-date (2021 – \$17 million). The assumptions used to measure the fair value of options granted during 2022 and 2021 under the Black-Scholes valuation model at date of grant were as follows:

	<b>October 8, 2022 (16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022 (40 weeks)</b>	October 9, 2021 (40 weeks)
Expected dividend yield	<b>1.4 %</b>	1.6 %	<b>1.4 %</b>	1.8 %
Expected share price volatility	<b>18.9% – 21.7%</b>	18.3% – 20.3%	<b>18.4% – 21.7%</b>	18.3% – 20.4%
Risk-free interest rate	<b>2.7% – 3.0%</b>	0.7% – 0.9%	<b>1.6% – 3.0%</b>	0.6% – 1.2%
Expected life of options	<b>3.7 – 6.2 years</b>	3.8 – 6.2 years	<b>3.7 – 6.2 years</b>	3.8 – 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at October 8, 2022 was 11.0% (October 9, 2021 – 9.0%).

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

(number of awards)	<b>October 8, 2022 (16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022 (40 weeks)</b>	October 9, 2021 (40 weeks)
Restricted share units, beginning of period	<b>735,587</b>	888,056	<b>799,345</b>	894,272
Granted	<b>13,489</b>	20,998	<b>214,526</b>	350,685
Reinvested	<b>5,181</b>	7,472	<b>7,730</b>	11,994
Settled	<b>(26,410)</b>	(49,244)	<b>(271,894)</b>	(328,617)
Forfeited	<b>(10,885)</b>	(38,058)	<b>(32,745)</b>	(99,110)
Restricted share units, end of period	<b>716,962</b>	829,224	<b>716,962</b>	829,224

The fair value of RSUs granted during the third quarter of 2022 was \$2 million (2021 – \$2 million) and \$22 million year-to-date (2021 – \$23 million).

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

(number of awards)	<b>October 8, 2022 (16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022 (40 weeks)</b>	October 9, 2021 (40 weeks)
Performance share units, beginning of period	<b>601,853</b>	654,532	<b>616,417</b>	666,400
Granted	<b>51,613</b>	3,251	<b>294,179</b>	272,862
Reinvested	<b>4,450</b>	5,586	<b>6,427</b>	8,974
Settled	<b>(6,570)</b>	(6,460)	<b>(249,439)</b>	(224,215)
Forfeited	<b>(6,358)</b>	(24,003)	<b>(22,596)</b>	(91,115)
Performance share units, end of period	<b>644,988</b>	632,906	<b>644,988</b>	632,906

The fair value of PSUs granted during the third quarter of 2022 was \$6 million (2021 – nominal) and \$24 million year-to-date (2021 – \$17 million).

**Settlement of Awards from Shares Held in Trust** During the third quarter of 2022, the Company settled RSUs and PSUs totaling 32,980 (2021 – 55,704) and 521,333 year-to-date (2021 – 552,832), of which 32,980 (2021 – 55,338) and 514,025 (2021 – 552,466) were settled through the trusts established for settlement of each of the RSU and PSU plans (see note 15).

The settlements in the third quarter of 2022 and year-to-date resulted in a \$1 million (2021 – \$2 million) and \$24 million (2021 – \$19 million) increase to retained earnings, respectively and a nominal (2021 – \$1 million) and \$10 million (2021 – \$11 million) increase to common share capital, respectively.

#### Note 17. 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)	<b>October 8, 2022</b> <b>(16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022</b> <b>(40 weeks)</b>	October 9, 2021 (40 weeks)
Current service cost				
Post-employment benefit costs <sup>(i)</sup>	<b>\$ 50</b>	\$ 54	<b>\$ 130</b>	\$ 141
Other long term employee benefit costs <sup>(ii)</sup>	<b>10</b>	12	<b>18</b>	29
Net interest (income) cost on net defined benefit plan obligations	<b>(1)</b>	2	<b>(2)</b>	6
Total post-employment defined benefit cost	<b>\$ 59</b>	\$ 68	<b>\$ 146</b>	\$ 176

(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 (losses) recognized in other comprehensive income (loss) net of taxes for defined benefit plans during the periods were as follows:

(millions of Canadian dollars)	<b>October 8, 2022</b> <b>(16 weeks)</b>	October 9, 2021 (16 weeks)	<b>October 8, 2022</b> <b>(40 weeks)</b>	October 9, 2021 (40 weeks)
Return (loss) on plan assets, excluding amounts included in net interest expense and other financing charges	<b>\$ 10</b>	\$ (69)	<b>\$ (685)</b>	\$ (133)
Actuarial (losses) gains from change in financial assumptions <sup>(i)</sup>	<b>(9)</b>	103	<b>579</b>	428
Change in liability arising from asset ceiling <sup>(i)</sup>	<b>11</b>	—	<b>(111)</b>	—
Total net actuarial gains (losses) recognized in other comprehensive income (loss) before income taxes	<b>\$ 12</b>	\$ 34	<b>\$ (217)</b>	\$ 295
Income tax (expenses) recoveries on actuarial gains (losses)	<b>(4)</b>	(9)	<b>57</b>	(78)
Actuarial gains (losses) net of income tax (expenses) recoveries	<b>\$ 8</b>	\$ 25	<b>\$ (160)</b>	\$ 217

(i) The actuarial gains and the change in liability arising from asset ceiling were primarily driven by an increase in discount rates, while the losses were mainly due to lower than expected returns on assets.

**Note 18. 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 8, 2022				As at October 9, 2021				As at January 1, 2022			
	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>	\$221	\$ —	\$ —	\$ 221	\$116	\$ —	\$ —	\$ 116	\$ 96	\$ —	\$ —	\$ 96
Derivatives included in prepaid expenses and other assets	—	5	—	5	—	1	—	1	—	1	—	1
Fair value through profit and loss:												
Certain other assets <sup>(i)</sup>	—	—	35	35	—	—	19	19	—	—	29	29
Security deposits	250	—	—	250	—	—	—	—	—	—	—	—
Derivatives included in prepaid expenses and other assets	7	21	—	28	10	—	1	11	3	2	—	5
<b>Financial liabilities</b>												
Amortized cost:												
Long term debt	\$ —	\$7,763	\$ —	\$7,763	\$ —	\$8,057	\$ —	\$8,057	\$ —	\$8,106	\$ —	\$8,106
Certain other liabilities <sup>(i)</sup>	—	—	73	73	—	—	46	46	—	—	57	57
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	—	13	—	13	—	—	—	—	—	1	—	1
Fair value through profit and loss:												
Derivatives included in trade payables and other liabilities	—	—	7	7	—	1	—	1	—	—	1	1

(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 years presented.

During the third quarter of 2022, the Company recognized a gain of \$5 million (2021 – nil loss) and a gain of \$5 million (2021 – loss of \$2 million) year-to-date in operating income on financial instruments designated as amortized cost. In addition, during the third quarter of 2022, the Company recognized a net gain of \$24 million (2021 – net gain of \$8 million) and a net gain of \$52 million (2021 – net gain of \$13 million) year-to-date in operating income on 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 2022, a loss of \$3 million (2021 – loss of \$1 million) and a loss of \$6 million (2021 – loss of \$2 million) year-to-date were recorded in operating income related to these derivatives. In addition, a corresponding liability of \$7 million was included in trade payables and other liabilities as at October 8, 2022 (October 9, 2021 – \$1 million asset; January 1, 2022 – \$1 million liability). As at October 8, 2022, 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 8, 2022, the fair value through other comprehensive income securities of \$221 million (October 9, 2021 – \$116 million; January 1, 2022 – \$96 million) was included in short term investments and other assets on the consolidated balance sheets. During the third quarter of 2022, PC Bank recorded an unrealized fair value loss of \$1 million (2021 – nominal unrealized fair value loss) and an unrealized fair value loss of \$2 million (2021 – nominal unrealized fair value loss) year-to-date in other comprehensive income related to these investments.

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

			(16 weeks)		October 8, 2022 (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>	\$ (10)	\$ 9	\$ 1	\$ 1	\$ 1	\$ 1
Bond Forwards <sup>(ii)</sup>	—	1	(1)	17	(4)	
Interest Rate Swaps <sup>(iii)</sup>	2	(1)	2	1	2	
<b>Total derivatives designated as cash flow hedges</b>	<b>\$ (8)</b>	<b>\$ 9</b>	<b>\$ 2</b>	<b>\$ 19</b>	<b>\$ (1)</b>	
<b>Derivatives not designated in a formal hedging relationship</b>						
Foreign Exchange and Other Forwards	\$ 21	\$ —	\$ 22	\$ —	\$ 37	
Other Non-Financial Derivatives	\$ 7	\$ —	\$ 5	\$ —	\$ 20	
<b>Total derivatives not designated in a formal hedging relationship</b>	<b>\$ 28</b>	<b>\$ —</b>	<b>\$ 27</b>	<b>\$ —</b>	<b>\$ 57</b>	
<b>Total derivatives</b>	<b>\$ 20</b>	<b>\$ 9</b>	<b>\$ 29</b>	<b>\$ 19</b>	<b>\$ 56</b>	

- (i) PC Bank uses foreign exchange forwards, with a notional value of \$30 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in trade payables and other liabilities. During the first quarter of 2022, the Company entered into foreign exchange forwards, as described below.
- (ii) PC Bank settled \$140 million of bond forwards in the third quarter of 2022 (see note 8). The purpose of the bond forward was to hedge the interest rate risk for the \$250 million *Eagle* notes issued in the third quarter of 2022. The Company has concluded that the hedge was effective as at the settlement date which resulted in a \$8 million fair value gain being reclassified to net earnings over the life of the *Eagle* notes.
- (iii) PC Bank uses interest rate swaps, with notional value of \$225 million to mitigate the impact of increases in interest rate. The fair value of the derivatives is included in prepaid expenses and other assets.

In the first quarter of 2022, the Company entered into foreign exchange forwards. The purpose of these forward exchange forwards was to hedge the risk that the future cash flows of an anticipated fixed asset purchase transaction will fluctuate because of changes in foreign exchange rates. The Company concluded that these hedges were effective and accordingly, the gains or losses on these foreign exchange forwards are recognized in other comprehensive income. Upon settlement of these foreign exchange forwards, the accumulated other comprehensive income will be included in the initial cost of the fixed asset.

(millions of Canadian dollars)	(16 weeks)			October 9, 2021 (40 weeks)		
	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)
Total derivatives designated as cash flow hedges	\$ —	\$ 2	\$ (2)	\$ 5		\$ (6)
<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
Total derivatives not designated in a formal hedging relationship	\$ 9	\$ —	\$ 9	\$ —		\$ 15
<b>Total derivatives</b>	<b>\$ 9</b>	<b>\$ 2</b>	<b>\$ 7</b>	<b>\$ 5</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 trade payables and other liabilities.

(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.

## Note 19. 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 2022 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 February 2022, the plaintiff and Sanis Health Inc. agreed to settle the Quebec action for a nominal amount, with no admission of liability and for the express purpose of avoiding the delays, disruption, and expenses associated with the litigation. The settlement has been approved by the court and is now final. In December 2019, a further opioid-related class action was commenced in British Columbia against a large group of defendants, including Sanis Health Inc., Shoppers Drug Mart Inc. and the Company. The allegations in the Ontario, Quebec, and the civil British Columbia class actions are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that these May 2019 and December 2019 claims seek recovery of damages on behalf of opioid users directly. In April 2021, the Company, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with another opioid-related class action that was started in Alberta against multiple defendants. The claim seeks damages on behalf of municipalities and local governments in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. In September 2021, the Company, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with a class action started in Saskatchewan by Peter Ballantyne Cree Nation and Lac La Ronge Indian Band on behalf of all Indigenous, Metis, First Nation and Inuit communities and governments in Canada to recover costs they have incurred as a result of the opioid crisis, including healthcare costs, policing costs and societal costs. The Company believes these proceedings are without merit and is vigorously defending them. The Company does not currently have any significant accruals or provisions for these matters recorded in the unaudited interim period condensed consolidated financial statements.

The Company had 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. In 2021, the Supreme Court ruled in favour of the Company on the Glenhuron matter. As a result of related reassessments received during the first quarter of 2022, the Company reversed \$35 million of previously recorded charges, of which \$33 million was recorded as income tax recovery and \$2 million was recorded as interest income.

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. On September 29th, 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal. Although, the Company believes in the merits of its position, the Company recorded a charge of \$111 million, inclusive of interest, in the second quarter of 2022. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

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

## **Note 20. Related Party Transactions**

**Venture Funds** During 2020, Loblaw, Weston and a wholly owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington (“Venture Fund I”). A wholly owned subsidiary of Wittington is the general partner of Venture Fund I, which hired an external fund manager to oversee it. The purpose of Venture Fund I is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have a 33% interest in Venture Fund I. The Company has a total capital commitment of \$33 million over a 10-year period. To date, the Company has invested \$21 million in Venture Fund I, of which \$4 million was invested in the third quarter of 2022 (2021 – \$2 million) and \$6 million year-to-date (2021 – \$8 million) (see note 11).

During the third quarter of 2022, Loblaw became a limited partner in another limited partnership formed by Wittington (“Venture Fund II”). A wholly owned subsidiary of Wittington is also the general partner of Venture Fund II, and the general purpose of Venture Fund II is consistent with Venture Fund I. The Company has a 50% interest in Venture Fund II and has a total capital commitment of \$60 million over a 10-year period. No investments were made in the third quarter of 2022.

**Disposition of Properties to Choice Properties Real Estate Investment Trust** During the third quarter of 2022, the Company did not dispose of any properties to Choice Properties Real Estate Investment Trust (“Choice Properties”). In the first quarter of 2022, the Company disposed of a property to Choice Properties for proceeds of \$26 million and recognized a gain of \$19 million. This property was not leased back by the Company. There were no dispositions of property to Choice Properties in the first three quarters of 2021.

**Leases with Choice Properties** During the third quarter of 2022, the Company renewed 42 of the 44 retail leases which would have expired in 2023. Upon renewal, the Company recorded right-of-use assets and lease liabilities of \$133 million.

In the second quarter of 2022, the Company announced that it intends to build an industrial facility on part of a property in East Gwillimbury, Ontario owned by a joint venture in which Choice Properties has an ownership interest. The Company expects to bring the industrial facility into its operations in the first quarter of 2024. For the first phase of the development, the Company entered into a 25-year land lease with the joint venture. The Company took possession of the land on October 1, 2022, and as a result recorded a right-of-use asset and lease liability of \$120 million. The land lease includes a 15-month construction period with lease payments commencing in 2024.

**Financial Liabilities** In the third quarter of 2022, the Company did not dispose of any retail property to Choice Properties. On a year-to-date basis, the Company disposed of two retail properties to Choice Properties for total proceeds of \$15 million. The properties were leased back by the Company. These transactions did not meet the criteria for sale of asset in accordance with IFRS 15, "Revenue from Contracts with Customers" as the Company did not relinquish control of the properties under the terms of the leases. Total proceeds were recognized as financial liabilities. As at October 8, 2022, \$4 million (October 9, 2021 – \$3 million; January 1, 2022 – \$3 million) was recorded in trade payables and other liabilities and \$68 million (October 9, 2021 – \$43 million; January 1, 2022 – \$54 million) was recorded in other liabilities (see note 14) for all properties sold to date that did not meet the criteria for sale of asset. During the third quarter of 2022, \$2 million (2021 – \$1 million) of interest expense was recognized in net interest expense and other financing charges (see note 4) and \$1 million (2021 – \$1 million) of repayment was made on the financial liabilities to Choice Properties. On a year-to-date basis, \$4 million (2021 – \$2 million) of interest expense was recognized in net interest expense and other financing charges (see note 4) and \$3 million (2021 – \$2 million) of repayment was made on the financial liabilities to Choice Properties.

## Note 21. 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 healthcare services and other health and beauty products, apparel and other general merchandise and supports the *PC Optimum*<sup>™</sup> 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*<sup>™</sup> 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 8, 2022 (16 weeks)				October 9, 2021 (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>\$ 17,130</b>	<b>\$ 350</b>	<b>\$ (92)</b>	<b>\$ 17,388</b>	\$ 15,831	\$ 297	\$ (78)	\$ 16,050
Operating income	\$ 949	\$ 42	\$ —	\$ 991	\$ 816	\$ 47	\$ —	\$ 863
Net interest expense and other financing charges	194	23	—	217	187	16	—	203
<b>Earnings before income taxes</b>	<b>\$ 755</b>	<b>\$ 19</b>	<b>\$ —</b>	<b>\$ 774</b>	\$ 629	\$ 31	\$ —	\$ 660
<b>Operating income</b>	<b>\$ 949</b>	<b>\$ 42</b>	<b>\$ —</b>	<b>\$ 991</b>	\$ 816	\$ 47	\$ —	\$ 863
Depreciation and amortization	851	13	—	864	807	10	—	817
Adjusting items	142	—	—	142	149	—	—	149
Less: amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(151)	—	—	(151)	(155)	—	—	(155)
Adjusted EBITDA	\$ 1,791	\$ 55	\$ —	\$ 1,846	\$ 1,617	\$ 57	\$ —	\$ 1,674
Depreciation and amortization <sup>(iii)</sup>	700	13	—	713	652	10	—	662
<b>Adjusted operating income</b>	<b>\$ 1,091</b>	<b>\$ 42</b>	<b>\$ —</b>	<b>\$ 1,133</b>	\$ 965	\$ 47	\$ —	\$ 1,012

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

(ii) Included in Financial Services revenue is \$136 million (2021 – \$108 million) of interest income.

(iii) Depreciation and amortization for the calculation of adjusted EBITDA<sup>(2)</sup> excludes \$151 million (2021 – \$155 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark.

	October 8, 2022 (40 weeks)				October 9, 2021 (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>\$41,798</b>	<b>\$ 921</b>	<b>\$ (222)</b>	<b>\$42,497</b>	\$39,783	\$ 822	\$ (192)	\$40,413
Operating income	\$ 2,450	\$ 21	\$ —	\$ 2,471	\$ 2,077	\$ 155	\$ —	\$ 2,232
Net interest expense and other financing charges	455	56	—	511	476	48	—	524
<b>Earnings (losses) before income taxes</b>	<b>\$ 1,995</b>	<b>\$ (35)</b>	<b>\$ —</b>	<b>\$ 1,960</b>	\$ 1,601	\$ 107	\$ —	\$ 1,708
<b>Operating income</b>	<b>\$ 2,450</b>	<b>\$ 21</b>	<b>\$ —</b>	<b>\$ 2,471</b>	\$ 2,077	\$ 155	\$ —	\$ 2,232
Depreciation and amortization	2,093	35	—	2,128	2,011	30	—	2,041
Adjusting items	360	111	—	471	379	—	—	379
Less: amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(382)	—	—	(382)	(389)	—	—	(389)
Adjusted EBITDA	\$ 4,521	\$ 167	\$ —	\$ 4,688	\$ 4,078	\$ 185	\$ —	\$ 4,263
Depreciation and amortization <sup>(iii)</sup>	1,711	35	—	1,746	1,622	30	—	1,652
<b>Adjusted operating income</b>	<b>\$ 2,810</b>	<b>\$ 132</b>	<b>\$ —</b>	<b>\$ 2,942</b>	\$ 2,456	\$ 155	\$ —	\$ 2,611

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

(ii) Included in Financial Services revenue is \$371 million (2021 – \$316 million) of interest income.

(iii) Depreciation and amortization for the calculation of adjusted EBITDA<sup>(2)</sup> excludes \$382 million (2021 – \$389 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark.

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

(millions of Canadian dollars)	October 8, 2022 (16 weeks)	October 9, 2021 (16 weeks)	October 8, 2022 (40 weeks)	October 9, 2021 (40 weeks)
Food retail	\$ 12,221	\$ 11,382	\$ 29,884	\$ 28,739
Drug retail				
Pharmacy and healthcare services	\$ 2,466	\$ 2,226	\$ 6,003	\$ 5,496
Front store	2,443	2,223	5,911	5,548
	\$ 4,909	\$ 4,449	\$ 11,914	\$ 11,044
Retail total	\$ 17,130	\$ 15,831	\$ 41,798	\$ 39,783
Financial Services	350	297	921	822
Eliminations <sup>(i)</sup>	(92)	(78)	(222)	(192)
Total	\$ 17,388	\$ 16,050	\$ 42,497	\$ 40,413

(i) Eliminations include the reclassification of revenue related to PC<sup>®</sup> Mastercard<sup>®</sup> loyalty awards in the Financial Services segment.

(millions of Canadian dollars)	As at October 8, 2022	As at October 9, 2021	As at January 1, 2022
<b>Total assets</b>			
Retail	\$ 32,254	\$ 31,490	\$ 31,613
Financial Services	5,441	4,468	5,001
	\$ 37,695	\$ 35,958	\$ 36,614

(millions of Canadian dollars)	October 8, 2022 (16 weeks)	October 9, 2021 (16 weeks)	October 8, 2022 (40 weeks)	October 9, 2021 (40 weeks)
<b>Additions to fixed assets and intangible assets</b>				
Retail <sup>(i)</sup>	\$ 423	\$ 324	\$ 898	\$ 773
Financial Services	9	6	22	18
	\$ 432	\$ 330	\$ 920	\$ 791

(i) During 2022, there were no additions to fixed assets in the retail segment related to prepayments that were made in 2021 and transferred from other assets. 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 2021.

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

As at or for the periods ended October 8, 2022 and October 9, 2021  
(millions of Canadian dollars except where otherwise indicated)

	<b>2022</b> <b>(16 weeks)</b>	2021 (16 weeks)
<b>Consolidated Results of Operations</b>		
Revenue	<b>\$ 17,388</b>	\$ 16,050
Revenue growth	<b>8.3 %</b>	2.4 %
Operating income	<b>\$ 991</b>	\$ 863
Adjusted EBITDA <sup>(2)</sup>	<b>1,846</b>	1,674
Adjusted EBITDA margin <sup>(2)</sup>	<b>10.6 %</b>	10.4 %
Net interest expense and other financing charges	<b>\$ 217</b>	\$ 203
Adjusted net interest expense and other financing charges <sup>(2)</sup>	<b>217</b>	203
Net earnings	<b>575</b>	488
Net earnings attributable to shareholders of the Company	<b>559</b>	434
Net earnings available to common shareholders of the Company	<b>556</b>	431
Adjusted net earnings available to common shareholders of the Company <sup>(2)</sup>	<b>663</b>	540
<b>Consolidated Per Common Share (\$)</b>		
Diluted net earnings	<b>\$ 1.69</b>	\$ 1.27
Adjusted diluted net earnings <sup>(2)</sup>	<b>\$ 2.01</b>	\$ 1.59
<b>Consolidated Financial Position and Cash Flows</b>		
Cash and cash equivalents and short term investments	<b>\$ 1,708</b>	\$ 2,373
Cash flows from operating activities	<b>1,499</b>	1,316
Capital investments	<b>432</b>	330
Free cash flow <sup>(2)</sup>	<b>519</b>	455
<b>Financial Measures</b>		
Retail debt to rolling year retail adjusted EBITDA <sup>(2)</sup>	<b>2.4 x</b>	2.6 x
Rolling year adjusted return on equity <sup>(2)</sup>	<b>20.1 %</b>	16.7 %
Rolling year adjusted return on capital <sup>(2)</sup>	<b>10.6 %</b>	9.8 %

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

As at or for the periods ended October 8, 2022 and October 9, 2021  
(millions of Canadian dollars except where otherwise indicated)

	<b>2022</b> <b>(16 weeks)</b>	2021 (16 weeks)
<b>Retail Results of Operations</b>		
Sales	<b>\$ 17,130</b>	\$ 15,831
Operating income	<b>949</b>	816
Adjusted gross profit <sup>(2)</sup>	<b>5,272</b>	4,856
Adjusted gross profit % <sup>(2)</sup>	<b>30.8 %</b>	30.7 %
Adjusted EBITDA <sup>(2)</sup>	<b>\$ 1,791</b>	\$ 1,617
Adjusted EBITDA margin <sup>(2)</sup>	<b>10.5 %</b>	10.2 %
Depreciation and amortization	<b>\$ 851</b>	\$ 807
<b>Retail Operating Statistics</b>		
Food retail same-store sales growth	<b>6.9 %</b>	0.2 %
Drug retail same-store sales growth	<b>7.7 %</b>	4.4 %
Total retail square footage (in millions)	<b>70.9</b>	71.2
Number of corporate stores	<b>542</b>	550
Number of franchise stores	<b>550</b>	546
Number of Associate-owned drug stores	<b>1,344</b>	1,343
<b>Financial Services Results of Operations</b>		
Revenue	<b>\$ 350</b>	\$ 297
Earnings before income taxes	<b>19</b>	31
<b>Financial Services Operating Measures and Statistics</b>		
Average quarterly net credit card receivables	<b>\$ 3,520</b>	\$ 3,050
Credit card receivables	<b>3,679</b>	3,154
Allowance for credit card receivables	<b>202</b>	205
Annualized yield on average quarterly gross credit card receivables	<b>13.0 %</b>	12.8 %
Annualized credit loss rate on average quarterly gross credit card receivables	<b>2.6 %</b>	2.7 %

### Financial Results and Financial Summary Endnotes

- (1) For financial definitions and ratios refer to the Glossary of Terms on page 147 of the Company's 2021 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.