

Financial Results

Condensed Consolidated Statements of Earnings	2
Condensed Consolidated Statements of Comprehensive Income	3
Condensed Consolidated Statements of Changes in Equity	4
Condensed Consolidated Balance Sheets	5
Condensed Consolidated Statements of Cash Flows	6
Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements	7
Note 1. Nature and Description of the Reporting Entity	7
Note 2. Significant Accounting Policies	7
Note 3. Business Acquisitions	8
Note 4. Net Interest Expense and Other Financing Charges	9
Note 5. Income Taxes	9
Note 6. Basic and Diluted Net Earnings per Common Share	10
Note 7. Cash and Cash Equivalents and Short Term Investments	10
Note 8. Credit Card Receivables	11
Note 9. Inventories	11
Note 10. Assets Held for Sale	11
Note 11. Other Assets	12
Note 12. Provisions	12
Note 13. Long Term Debt	12
Note 14. Other Liabilities	14
Note 15. Share Capital	14
Note 16. Equity-Based Compensation	16
Note 17. Post-Employment and Other Long Term Employee Benefits	18
Note 18. Financial Instruments	19
Note 19. Contingent Liabilities	21
Note 20. Related Party Transactions	23
Note 21. Segment Information	24
Financial Summary	27

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Revenue	\$ 12,847	\$ 12,491	\$ 25,109	\$ 24,363
Cost of merchandise inventories sold	8,692	8,530	17,027	16,704
Selling, general and administrative expenses	3,413	3,209	6,602	6,290
Operating income	\$ 742	\$ 752	\$ 1,480	\$ 1,369
Net interest expense and other financing charges (note 4)	152	161	294	321
Earnings before income taxes	\$ 590	\$ 591	\$ 1,186	\$ 1,048
Income taxes (note 5)	162	157	285	279
Net earnings	\$ 428	\$ 434	\$ 901	\$ 769
Attributable to:				
Shareholders of the Company (note 6)	\$ 390	\$ 378	\$ 830	\$ 694
Non-controlling interests	38	56	71	75
Net earnings	\$ 428	\$ 434	\$ 901	\$ 769
Net earnings per common share (\$) (note 6)				
Basic	\$ 1.17	\$ 1.10	\$ 2.48	\$ 2.01
Diluted	\$ 1.16	\$ 1.09	\$ 2.46	\$ 1.99
Weighted average common shares outstanding (millions) (note 6)				
Basic	330.6	340.4	331.8	343.1
Diluted	334.4	342.9	335.5	345.3

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

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Net earnings	\$ 428	\$ 434	\$ 901	\$ 769
Other comprehensive income, net of taxes				
Items that are or may be subsequently reclassified to profit or loss:				
Foreign currency translation adjustment gains	\$ 2	\$ 2	\$ 2	\$ 2
Gains (losses) on cash flow hedges (note 18)	4	(1)	5	1
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial (losses) gains (note 17)	(179)	124	(168)	192
Other comprehensive (loss) income	\$ (173)	\$ 125	\$ (161)	\$ 195
Total comprehensive income, net of taxes	\$ 255	\$ 559	\$ 740	\$ 964
Attributable to:				
Shareholders of the Company	\$ 217	\$ 503	\$ 669	\$ 889
Non-controlling interests	38	56	71	75
Total comprehensive income, net of taxes	\$ 255	\$ 559	\$ 740	\$ 964

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

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at January 1, 2022	\$ 6,631	\$ 221	\$ 6,852	\$ 4,591	\$ 116	\$ 39	\$ (29)	\$ 4	\$ 14	\$ 164	\$ 11,737
Net earnings	\$ —	\$ —	\$ —	\$ 830	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 71	\$ 901
Other comprehensive (loss) income	—	—	—	(168)	—	2	5	—	7	—	(161)
Total comprehensive income	\$ —	\$ —	\$ —	\$ 662	\$ —	\$ 2	\$ 5	\$ —	\$ 7	\$ 71	\$ 740
Common shares purchased and cancelled (note 15)	(148)	—	(148)	(678)	—	—	—	—	—	—	(826)
Net effect of equity-based compensation (notes 15 and 16)	59	—	59	—	(17)	—	—	—	—	—	42
Shares purchased and held in trust (note 15)	(11)	—	(11)	(52)	—	—	—	—	—	—	(63)
Shares released from trust (notes 15 and 16)	10	—	10	23	—	—	—	—	—	—	33
Dividends declared per common share – \$0.770 (note 15)	—	—	—	(255)	—	—	—	—	—	—	(255)
Dividends declared per preferred share – \$0.66250 (note 15)	—	—	—	(6)	—	—	—	—	—	—	(6)
Net distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	(64)	(64)
	\$ (90)	\$ —	\$ (90)	\$ (306)	\$ (17)	\$ 2	\$ 5	\$ —	\$ 7	\$ 7	\$ (399)
Balance as at June 18, 2022	\$ 6,541	\$ 221	\$ 6,762	\$ 4,285	\$ 99	\$ 41	\$ (24)	\$ 4	\$ 21	\$ 171	\$ 11,338

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at January 2, 2021	\$ 6,824	\$ 221	\$ 7,045	\$ 3,813	\$ 109	\$ 39	\$ (34)	\$ 16	\$ 21	\$ 131	\$ 11,119
Net earnings	\$ —	\$ —	\$ —	\$ 694	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 75	\$ 769
Other comprehensive income	—	—	—	192	—	2	1	—	3	—	195
Total comprehensive income	\$ —	\$ —	\$ —	\$ 886	\$ —	\$ 2	\$ 1	\$ —	\$ 3	\$ 75	\$ 964
Common shares purchased and cancelled (note 15)	(201)	—	(201)	(499)	—	—	—	—	—	—	(700)
Net effect of equity-based compensation (notes 15 and 16)	56	—	56	—	(11)	—	—	—	—	—	45
Shares released from trust (notes 15 and 16)	10	—	10	17	—	—	—	—	—	—	27
Dividends declared per common share – \$0.670 (note 15)	—	—	—	(230)	—	—	—	—	—	—	(230)
Dividends declared per preferred share – \$0.66250 (note 15)	—	—	—	(6)	—	—	—	—	—	—	(6)
Net distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	(53)	(53)
	\$ (135)	\$ —	\$ (135)	\$ 168	\$ (11)	\$ 2	\$ 1	\$ —	\$ 3	\$ 22	\$ 47
Balance as at June 19, 2021	\$ 6,689	\$ 221	\$ 6,910	\$ 3,981	\$ 98	\$ 41	\$ (33)	\$ 16	\$ 24	\$ 153	\$ 11,166

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

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	As at June 18, 2022	As at June 19, 2021	As at January 1, 2022
Assets			
Current assets			
Cash and cash equivalents (note 7)	\$ 1,477	\$ 1,888	\$ 1,976
Short term investments (note 7)	184	224	464
Accounts receivable	1,147	870	947
Credit card receivables (note 8)	3,626	3,033	3,443
Inventories (note 9)	5,360	5,060	5,166
Income tax recoverable	—	—	301
Prepaid expenses and other assets	323	205	249
Assets held for sale (note 10)	116	102	91
Total current assets	\$ 12,233	\$ 11,382	\$ 12,637
Fixed assets	5,369	5,445	5,447
Right-of-use assets	7,255	7,101	7,175
Investment properties	63	120	111
Intangible assets	6,743	6,654	6,402
Goodwill (note 3)	4,323	3,949	3,949
Deferred income tax assets	81	106	91
Other assets (note 11)	647	712	802
Total assets	\$ 36,714	\$ 35,469	\$ 36,614
Liabilities			
Current liabilities			
Bank indebtedness	\$ 23	\$ 138	\$ 52
Trade payables and other liabilities	5,584	5,249	5,433
Loyalty liability	224	213	190
Provisions (note 12)	196	109	111
Income taxes payable	140	186	153
Demand deposits from customers	99	50	75
Short term debt (note 8)	500	300	450
Long term debt due within one year (note 13)	485	984	1,002
Lease liabilities due within one year	1,387	1,345	1,297
Associate interest	434	347	433
Total current liabilities	\$ 9,072	\$ 8,921	\$ 9,196
Provisions	112	111	114
Long term debt (note 13)	6,820	5,994	6,211
Lease liabilities	7,530	7,443	7,542
Deferred income tax liabilities	1,359	1,363	1,346
Other liabilities (note 14)	483	471	468
Total liabilities	\$ 25,376	\$ 24,303	\$ 24,877
Equity			
Share capital (note 15)	\$ 6,762	\$ 6,910	\$ 6,852
Retained earnings	4,285	3,981	4,591
Contributed surplus (note 16)	99	98	116
Accumulated other comprehensive income	21	24	14
Total equity attributable to shareholders of the Company	\$ 11,167	\$ 11,013	\$ 11,573
Non-controlling interests	171	153	164
Total equity	\$ 11,338	\$ 11,166	\$ 11,737
Total liabilities and equity	\$ 36,714	\$ 35,469	\$ 36,614

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)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Operating activities				
Net earnings	\$ 428	\$ 434	\$ 901	\$ 769
Add (deduct):				
Income taxes (note 5)	162	157	285	279
Net interest expense and other financing charges (note 4)	152	161	294	321
Depreciation and amortization	633	614	1,264	1,224
Asset impairments, net of recoveries	(1)	—	2	1
Change in allowance for credit card receivables (note 8)	(4)	(12)	(9)	(32)
Change in provisions (note 12)	103	5	83	7
Change in non-cash working capital	28	461	(483)	56
Change in gross credit card receivables (note 8)	(289)	(119)	(174)	108
Net income taxes received (paid)	40	(84)	(57)	(268)
Interest received	13	2	26	3
Interest received from finance leases	1	1	2	2
Other	(21)	15	(26)	17
Cash flows from operating activities	\$ 1,245	\$ 1,635	\$ 2,108	\$ 2,487
Investing activities				
Fixed asset purchases	\$ (204)	\$ (172)	\$ (309)	\$ (293)
Intangible asset additions	(98)	(86)	(179)	(167)
Change in short term investments (note 7)	463	2	280	45
Acquisition of Lifemark, net of cash acquired (note 3)	(813)	—	(813)	—
Proceeds from disposal of assets	41	5	82	21
Lease payments received from finance leases	4	3	7	5
Other	(14)	7	(99)	(5)
Cash flows used in investing activities	\$ (621)	\$ (241)	\$ (1,031)	\$ (394)
Financing activities				
Change in bank indebtedness	\$ (227)	\$ (144)	\$ (29)	\$ 52
Change in short term debt (note 8)	100	—	50	(275)
Change in demand deposits from customers	12	14	24	26
Long term debt (note 13)				
Issued	154	223	191	226
Repayments	(93)	(266)	(100)	(293)
Interest paid	(83)	(87)	(165)	(173)
Cash rent paid on lease liabilities - Interest	(74)	(78)	(149)	(159)
Cash rent paid on lease liabilities - Principal	(273)	(262)	(483)	(458)
Dividends paid on common and preferred shares	(125)	(118)	(125)	(118)
Common share capital				
Issued (note 16)	9	42	52	49
Purchased and held in trust (note 15)	(35)	—	(63)	—
Purchased and cancelled (note 15)	(603)	(379)	(728)	(700)
Proceeds from other financing (note 20)	13	—	15	—
Other	5	(1)	(66)	(52)
Cash flows used in financing activities	\$ (1,220)	\$ (1,056)	\$ (1,576)	\$ (1,875)
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ (1)	\$ 1	\$ —	\$ 2
Change in cash and cash equivalents	\$ (597)	\$ 339	\$ (499)	\$ 220
Cash and cash equivalents, beginning of period	2,074	1,549	1,976	1,668
Cash and cash equivalents, end of period	\$ 1,477	\$ 1,888	\$ 1,477	\$ 1,888

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 June 18, 2022 and June 19, 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 July 26, 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 \$832 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.

The preliminary purchase equation is based on management’s current best estimates of fair value. The amount allocated to certain identifiable net assets could vary as the purchase equation is finalized. Management has one year from the date of acquisition to finalize the purchase equation. The preliminary purchase price allocation as at May 10, 2022 is as follows:

(millions of Canadian dollars)

Net Assets Acquired:	
Cash and cash equivalents	\$ 15
Accounts receivable ⁽ⁱ⁾	54
Prepaid expenses and other assets	2
Fixed assets	16
Right-of-use assets	75
Intangible assets	564
Goodwill	370
Trade payables and other liabilities	(38)
Lease liabilities	(75)
Deferred income tax liabilities	(147)
Other liabilities	(4)
Total Net Assets Acquired	\$ 832

(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)

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

Included in selling, general and administrative expenses in the second quarter and year-to-date are transaction costs relating to the acquisition of \$13 million and \$16 million, respectively.

Included in the unaudited interim period condensed consolidated statement of earnings in the second quarter and year-to-date is approximately \$49 million of revenue and nominal net earnings contributed by Lifemark since the date of acquisition. Net earnings includes amortization related to the acquired intangible assets of \$3 million. On a combined pro forma basis, the Company’s year-to-date revenue and net earnings would have amounted to approximately \$25,266 million and \$991 million, respectively. This pro forma information incorporates the effect of the preliminary purchase equation as if Lifemark had been acquired on January 2, 2022 and the pro forma net earnings includes amortization related to the acquired intangible assets of \$8 million.

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)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Interest expense and other financing charges				
Lease liabilities	\$ 74	\$ 78	\$ 149	\$ 159
Long term debt	70	69	135	135
Borrowings related to credit card receivables	7	8	17	17
Post-employment and other long term employee benefits (note 17)	(1)	2	(1)	4
Independent funding trusts	4	3	7	6
Financial liabilities (note 20)	1	—	2	1
Bank indebtedness	—	2	1	2
	\$ 155	\$ 162	\$ 310	\$ 324
Interest income				
Accretion income	\$ (1)	\$ (1)	\$ (2)	\$ (2)
Short term interest income	(2)	—	(3)	(1)
	\$ (3)	\$ (1)	\$ (5)	\$ (3)
Recovery related to Glenhuron Bank Limited (note 5)	\$ —	\$ —	\$ (11)	\$ —
Net interest expense and other financing charges	\$ 152	\$ 161	\$ 294	\$ 321

Note 5. Income Taxes

Income tax expense in the second quarter of 2022 was \$162 million (2021 – \$157 million) and the effective tax rate was 27.4% (2021 – 26.6%). The increase to the effective tax rate was primarily attributable to the impact of certain non-deductible items. Year-to-date income tax expense was \$285 million (2021 – \$279 million) and the effective tax rate was 24.0% (2021 – 26.6%). 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 assessments 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)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Net earnings attributable to shareholders of the Company	\$ 390	\$ 378	\$ 830	\$ 694
Dividends on Preferred Shares in equity (note 15)	(3)	(3)	(6)	(6)
Net earnings available to common shareholders	\$ 387	\$ 375	\$ 824	\$ 688
Weighted average common shares outstanding (in millions) (note 15)	330.6	340.4	331.8	343.1
Dilutive effect of equity-based compensation (in millions)	3.1	1.6	3.0	1.3
Dilutive effect of certain other liabilities (in millions)	0.7	0.9	0.7	0.9
Diluted weighted average common shares outstanding (in millions)	334.4	342.9	335.5	345.3
Basic net earnings per common share (\$)	\$ 1.17	\$ 1.10	\$ 2.48	\$ 2.01
Diluted net earnings per common share (\$)	\$ 1.16	\$ 1.09	\$ 2.46	\$ 1.99

In the second quarter of 2022 and year-to-date, 1,134,655 (2021 – 1,790,388) and 1,170,419 (2021 – 4,422,321), 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)	As at June 18, 2022	As at June 19, 2021	As at January 1, 2022
Cash	\$ 776	\$ 687	\$ 849
Cash equivalents			
Government treasury bills	230	692	560
Bankers' acceptances	471	502	543
Corporate commercial paper	—	7	3
Guaranteed investment certificates	—	—	21
Total cash and cash equivalents	\$ 1,477	\$ 1,888	\$ 1,976

Short Term Investments

(millions of Canadian dollars)	As at June 18, 2022	As at June 19, 2021	As at January 1, 2022
Government treasury bills	\$ 163	\$ 195	\$ 361
Bankers' acceptances	—	—	97
Corporate commercial paper	—	—	1
Guaranteed investment certificates	21	29	5
Total short term investments	\$ 184	\$ 224	\$ 464

Note 8. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	As at June 18, 2022	As at June 19, 2021	As at January 1, 2022
Gross credit card receivables	\$ 3,822	\$ 3,238	\$ 3,648
Allowance for credit card receivables	(196)	(205)	(205)
Credit card receivables	\$ 3,626	\$ 3,033	\$ 3,443
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> [®] (note 13)	\$ 1,350	\$ 1,050	\$ 1,350
Securitized to Other Independent Securitization Trusts	500	300	450
Total securitized to independent securitization trusts	\$ 1,850	\$ 1,350	\$ 1,800

The Company, through President's Choice Bank ("PC Bank"), participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors a co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle Credit Card Trust*[®] ("*Eagle*") and Other Independent Securitization Trusts, in accordance with its financing requirements.

The associated liability of *Eagle* is recorded in long term debt (see note 13). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt.

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.

On a year-to-date basis in 2022, PC Bank recorded a \$50 million net increase of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

As at June 18, 2022, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was \$45 million (June 19, 2021 – \$27 million; January 1, 2022 – \$41 million), which represented 9% (June 19, 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 June 18, 2022 and throughout the first half of 2022.

Note 9. Inventories

For inventories recorded as at June 18, 2022, the Company has an inventory provision of \$64 million (June 19, 2021 – \$42 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 half 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 second quarter of 2022, the Company recorded a gain of \$4 million (2021 – nominal gain) from the sale of these assets. On a year-to-date basis, the Company recorded a net gain of \$23 million (2021 – net gain of \$5 million). No fair value changes or impairment charges were recognized on assets held for sale in the first half of 2022 and 2021.

Note 11. Other Assets

The components of other assets were as follows:

(millions of Canadian dollars)	As at June 18, 2022	As at June 19, 2021	As at January 1, 2022
Sundry investments and other receivables	\$ 44	\$ 40	\$ 54
Accrued benefit plan asset	200	372	463
Finance lease receivable	82	86	78
Investment accounted for under the equity method	72	60	73
Other ⁽ⁱ⁾	249	154	134
Total other assets	\$ 647	\$ 712	\$ 802

(i) Includes \$33 million related to the Venture Fund as at June 18, 2022 (June 19, 2021 – \$17 million; January 1, 2022 – \$29 million) (see note 20).

Note 12. Provisions

On July 19, 2022, the Tax Court of Canada (“Tax Court”) released its 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 Loblaw Inc. in respect of redemptions of loyalty points. PC Bank is planning to appeal the decision.

Although the Company believes in the merits of its position, it recorded a charge during the second quarter of \$111 million, inclusive of interest. The Company believes that this provision is sufficient to cover its liability from the initial reassessment period in 2009 through to the end of the second quarter of 2022, if the appeal is ultimately unsuccessful.

Note 13. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	As at June 18, 2022	As at June 19, 2021	As at January 1, 2022
Debentures	\$ 4,312	\$ 4,314	\$ 4,313
Guaranteed investment certificates	1,075	1,048	996
Independent securitization trusts (note 8)	1,350	1,050	1,350
Independent funding trusts	582	582	570
Transaction costs and other	(14)	(16)	(16)
Total long term debt	\$ 7,305	\$ 6,978	\$ 7,213
Long term debt due within one year	485	984	1,002
Long term debt	\$ 6,820	\$ 5,994	\$ 6,211

The Company is required to comply with certain financial covenants for various debt instruments. As at June 18, 2022 and throughout the first half of 2022, the Company was in compliance with the financial covenants.

Debentures There were no debentures issued or repaid on a year-to-date basis in 2022 and 2021.

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions:

(millions of Canadian dollars)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Balance, beginning of period	\$ 1,023	\$ 1,159	\$ 996	\$ 1,185
GICs issued	145	155	179	156
GICs matured	(93)	(266)	(100)	(293)
Balance, end of period	\$ 1,075	\$ 1,048	\$ 1,075	\$ 1,048

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 (June 19, 2021 and January 1, 2022 – \$64 million), representing not less than 10% (June 19, 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 October 7, 2023, provided by a syndicate of lenders. Subsequent to the end of the second quarter of 2022, the Company extended the maturity date to July 15, 2027 with all other terms and conditions remaining substantially the same. This committed credit facility contains certain financial covenants. As at June 18, 2022, there were no amounts drawn under this facility (June 19, 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 June 18, 2022	As at June 19, 2021	As at January 1, 2022
Guaranteed investment certificates	\$ 235	\$ 402	\$ 182
Independent securitization trusts	250	—	250
Independent funding trusts	—	582	570
Long term debt due within one year	\$ 485	\$ 984	\$ 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)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Long term debt, beginning of period	\$ 7,243	\$ 7,023	\$ 7,213	\$ 7,046
Long term debt issuances ⁽ⁱ⁾	\$ 154	\$ 223	\$ 191	\$ 226
Long term debt repayments	(93)	(266)	(100)	(293)
Total cash flow from/(used in) long term debt	\$ 61	\$ (43)	\$ 91	\$ (67)
Other non-cash changes	\$ 1	\$ (2)	\$ 1	\$ (1)
Long term debt, end of period	\$ 7,305	\$ 6,978	\$ 7,305	\$ 6,978

(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 June 18, 2022	As at June 19, 2021	As at January 1, 2022
Net defined benefit plan obligation	\$ 280	\$ 288	\$ 289
Other long term employee benefit obligation	114	126	115
Financial liabilities (note 20)	68	43	54
Equity-based compensation liabilities (note 16)	3	3	3
Other	18	11	7
Total other liabilities	\$ 483	\$ 471	\$ 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)	June 18, 2022 (12 weeks)		June 19, 2021 (12 weeks)		June 18, 2022 (24 weeks)		June 19, 2021 (24 weeks)	
	Number of Common Shares	Common Share Capital						
Issued and outstanding, beginning of period	332,921,473	\$ 6,638	342,114,290	\$ 6,739	333,527,369	\$ 6,643	347,361,480	\$ 6,837
Issued for settlement of stock options (note 16)	146,069	10	782,102	48	879,424	59	906,776	56
Purchased and cancelled	(5,369,375)	(94)	(4,806,098)	(95)	(6,708,626)	(148)	(10,177,962)	(201)
Issued and outstanding, end of period	327,698,167	\$ 6,554	338,090,294	\$ 6,692	327,698,167	\$ 6,554	338,090,294	\$ 6,692
Shares held in trust, beginning of period	(410,157)	\$ (8)	(241,689)	\$ (5)	(595,495)	\$ (12)	(672,784)	\$ (13)
Purchased for future settlement of RSUs and PSUs	(305,000)	(6)	—	—	(557,000)	(11)	—	—
Released for settlement of RSUs and PSUs (note 16)	43,707	1	66,033	2	481,045	10	497,128	10
Shares held in trust, end of period	(671,450)	\$ (13)	(175,656)	\$ (3)	(671,450)	\$ (13)	(175,656)	\$ (3)
Issued and outstanding, net of shares held in trust, end of period	327,026,717	\$ 6,541	337,914,638	\$ 6,689	327,026,717	\$ 6,541	337,914,638	\$ 6,689
Weighted average outstanding, net of shares held in trust (note 6)	330,554,680		340,395,307		331,801,608		343,142,800	

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

	June 18, 2022⁽ⁱ⁾ (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Dividends declared per share (\$)				
Common Share	\$ 0.405	\$ 0.335	\$ 0.770	\$ 0.670
Second Preferred Share, Series B	\$ 0.33125	\$ 0.33125	\$ 0.66250	\$ 0.66250

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

(millions of Canadian dollars)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Dividends declared				
Common Share	\$ 133	\$ 112	\$ 255	\$ 230
Second Preferred Share, Series B (note 6)	3	3	6	6
Total dividends declared	\$ 136	\$ 115	\$ 261	\$ 236

Subsequent to the end of the second quarter of 2022, the Board declared a quarterly dividend of \$0.405 per common share, payable on October 1, 2022 to shareholders of record on September 15, 2022 and a quarterly dividend of \$0.33125 per share on the Second Preferred Shares, Series B payable on September 30, 2022 to shareholders of record on September 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)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares) ⁽ⁱ⁾	5,369,375	4,806,098	6,708,626	10,177,962
Cash consideration paid ⁽ⁱⁱ⁾	\$ 603	\$ 379	\$ 728	\$ 700
Premium charged to retained earnings ⁽ⁱⁱⁱ⁾	434	255	678	499
Reduction in common share capital ^(iv)	94	95	148	201
Common shares repurchased under the NCIB and held in trust (number of shares)	305,000	—	557,000	—
Cash consideration paid	\$ 35	\$ —	\$ 63	\$ —
Premium charged to retained earnings	29	—	52	—
Reduction in common share capital	6	—	11	—

(i) Common shares repurchased and cancelled as at June 18, 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) \$27 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the second quarter of 2022 was paid in the third quarter of 2022.

(iii) Includes \$58 million related to the automatic share purchase plan, as described below.

(iv) Includes \$13 million related to the automatic share purchase plan, as described below.

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 June 18, 2022, the Company had purchased 5,369,375 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 second quarter of 2022, 5,369,375 common shares (2021 – 4,806,098) were purchased under the NCIB program for cancellation, for aggregate consideration of \$607 million (2021 – \$350 million), including 2,749,914 common shares (2021 – 2,159,071) purchased from Weston, for aggregate consideration of \$310 million (2021 – \$157 million). On a year-to-date basis, 6,708,626 common shares (2021 – 10,177,962) were purchased under the NCIB for cancellation, for aggregate consideration of \$755 million (2021 – \$700 million), including 2,951,765 common shares (2021 – 4,937,148) purchased from Weston, for aggregate consideration of \$332 million (2021 – \$338 million).

The Company participates in an automatic share purchase plan (“ASPP”) with a broker in order to facilitate the repurchase of the Company’s common shares under its NCIB. During the effective period of the ASPP, the Company’s broker may purchase common shares at times when the Company would not be active in the market. As at June 18, 2022, an obligation to repurchase shares of \$71 million was recognized under the ASPP in trade payables and other liabilities.

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 \$16 million for the second quarter of 2022 (2021 – \$11 million) and \$33 million year-to-date (2021 – \$28 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)	As at June 18, 2022	As at June 19, 2021	As at January 1, 2022
Other liabilities (note 14)	\$ 3	\$ 3	\$ 3
Contributed surplus	99	98	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)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Outstanding options, beginning of period	6,741,204	8,824,395	6,431,449	7,259,645
Granted	26,458	156,115	1,139,220	1,870,168
Exercised (note 15)	(146,069)	(782,102)	(879,424)	(906,776)
Forfeited/Cancelled	(88,924)	(544,565)	(158,576)	(569,194)
Outstanding options, end of period	6,532,669	7,653,843	6,532,669	7,653,843

During the second quarter of 2022, the Company granted stock options with a weighted average exercise price of \$115.84 (2021 – \$71.32) and \$99.71 year-to-date (2021 – \$63.39). In addition, the Company issued common shares on the exercise of stock options with a weighted average share price during the second quarter of 2022 of \$114.86 (2021 – \$72.98) and \$109.59 year-to-date (2021 – \$72.01) and received cash consideration of \$9 million (2021 – \$42 million) and \$52 million year-to-date (2021 – \$49 million).

The fair value of stock options granted during the second quarter of 2022 was nominal (2021 – \$2 million) 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:

	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Expected dividend yield	1.5 %	1.9 %	1.4 %	2.0 %
Expected share price volatility	18.6% – 21.3%	18.4% – 20.4%	18.4% – 21.3%	18.4% – 20.4%
Risk-free interest rate	2.7% – 2.8%	0.7% – 1.2%	1.6% – 2.8%	0.6% – 1.2%
Expected life of options	3.7 – 6.2 years	3.8 – 6.2 years	3.7 – 6.2 years	3.8 – 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at June 18, 2022 was 11.0% (June 19, 2021 – 9.0%).

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

(number of awards)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Restricted share units, beginning of period	762,460	932,506	799,345	894,272
Granted	19,715	51,570	201,037	329,687
Reinvested	2,549	4,522	2,549	4,522
Settled	(34,907)	(44,936)	(245,484)	(279,373)
Forfeited	(14,230)	(55,606)	(21,860)	(61,052)
Restricted share units, end of period	735,587	888,056	735,587	888,056

The fair value of RSUs granted during the second quarter of 2022 was \$2 million (2021 – \$4 million) and \$20 million year-to-date (2021 – \$21 million).

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

(number of awards)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Performance share units, beginning of period	595,891	701,328	616,417	666,400
Granted	22,222	23,737	242,566	269,611
Reinvested	1,977	3,388	1,977	3,388
Settled	(8,800)	(21,097)	(242,869)	(217,755)
Forfeited	(9,437)	(52,824)	(16,238)	(67,112)
Performance share units, end of period	601,853	654,532	601,853	654,532

The fair value of PSUs granted during the second quarter of 2022 was \$2 million (2021 – \$2 million) and \$18 million year-to-date (2021 – \$17 million).

Settlement of Awards from Shares Held in Trust During the second quarter of 2022, the Company settled RSUs and PSUs totaling 43,707 (2021 – 66,033) and 488,353 year-to-date (2021 – 497,128), of which 43,707 (2021 – 66,033) and 481,045 (2021 – 497,128) were settled through the trusts established for settlement of each of the RSU and PSU plans (see note 15).

The settlements in the second quarter of 2022 and year-to-date resulted in a \$2 million (2021 – \$2 million) and \$23 million (2021 – \$17 million) increase to retained earnings, respectively and a \$1 million (2021 – \$2 million) and \$10 million (2021 – \$10 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)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Current service cost				
Post-employment benefit costs ⁽ⁱ⁾	\$ 37	\$ 42	\$ 80	\$ 87
Other long term employee benefit costs ⁽ⁱⁱ⁾	—	9	8	17
Interest cost on net defined benefit plan obligations	(1)	2	(1)	4
Total post-employment defined benefit cost	\$ 36	\$ 53	\$ 87	\$ 108

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

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

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

(millions of Canadian dollars)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Loss (Return) on plan assets, excluding amounts included in net interest expense and other financing charges	\$ 305	\$ (143)	\$ 695	\$ 64
Actuarial gains from change in financial assumptions ⁽ⁱ⁾	(182)	(26)	(588)	(325)
Change in liability arising from asset ceiling ⁽ⁱ⁾	121	—	122	—
Total net actuarial losses (gains) recognized in other comprehensive income (loss) before income taxes	\$ 244	\$ (169)	\$ 229	\$ (261)
Income tax (recoveries) expenses on actuarial losses (gains)	(65)	45	(61)	69
Actuarial losses (gains) net of income tax (recoveries) expenses	\$ 179	\$ (124)	\$ 168	\$ (192)

(i) The actuarial gains and the change in liability arising from asset ceiling were primarily driven by an increase in discount rates.

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 June 18, 2022				As at June 19, 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
Financial assets												
Fair value through other comprehensive income:												
Certain long term investments and other assets ⁽ⁱ⁾	\$134	\$ —	\$ —	\$ 134	\$ 117	\$ —	\$ —	\$ 117	\$ 96	\$ —	\$ —	\$ 96
Derivatives included in prepaid expenses and other assets	—	14	—	14	—	—	—	—	—	1	—	1
Fair value through profit and loss:												
Certain other assets ⁽ⁱ⁾	—	—	33	33	—	—	17	17	—	—	29	29
Derivatives included in prepaid expenses and other assets	10	12	—	22	7	1	2	10	3	2	—	5
Financial liabilities												
Amortized cost:												
Long term debt	\$ —	\$7,336	\$ —	\$7,336	\$ —	\$ 7,981	\$ —	\$ 7,981	\$ —	\$8,106	\$ —	\$8,106
Certain other liabilities ⁽ⁱ⁾	—	—	72	72	—	—	48	48	—	—	57	57
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	—	8	—	8	—	—	—	—	—	1	—	1
Fair value through profit and loss:												
Derivatives included in trade payables and other liabilities	—	—	4	4	—	5	—	5	—	—	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 second quarter of 2022, the Company recognized a gain of \$1 million (2021 – loss of \$1 million) and a nominal gain (2021 – loss of \$2 million) year-to-date in operating income on financial instruments designated as amortized cost. In addition, during the second quarter of 2022, the Company recognized a net gain of \$12 million (2021 – \$1 million) and a net gain of \$28 million (2021 – \$5 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 second quarter of 2022, a loss of \$6 million (2021 – loss of \$1 million) and a loss of \$3 million (2021 – loss of \$1 million) year-to-date were recorded in operating income related to these derivatives. In addition, a corresponding liability of \$4 million was included in trade payables and other liabilities as at June 18, 2022 (June 19, 2021 – \$2 million asset; January 1, 2022 – \$1 million liability). As at June 18, 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 June 18, 2022, the fair value through other comprehensive income securities of \$134 million (June 19, 2021 – \$117 million; January 1, 2022 – \$96 million) was included in short term investments and other assets on the consolidated balance sheets. During the second quarter of 2022, PC Bank recorded a nominal unrealized fair value loss (2021 – nominal unrealized fair value loss) and an unrealized fair value loss of \$1 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:

			(12 weeks)		June 18, 2022 (24 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	
(millions of Canadian dollars)						
Derivatives designated as cash flow hedges						
Foreign Exchange Forwards ⁽ⁱ⁾	\$ (8)	\$ —	\$ —	\$ (8)	\$ —	
Bond Forwards ⁽ⁱⁱ⁾	11	7	(2)	16	(3)	
Interest Rate Swaps ⁽ⁱⁱⁱ⁾	3	1	—	2	—	
Total derivatives designated as cash flow hedges	\$ 6	\$ 8	\$ (2)	\$ 10	\$ (3)	
Derivatives not designated in a formal hedging relationship						
Foreign Exchange and Other Forwards	\$ 12	\$ —	\$ 19	\$ —	\$ 15	
Other Non-Financial Derivatives	10	—	(2)	—	15	
Total derivatives not designated in a formal hedging relationship	\$ 22	\$ —	\$ 17	\$ —	\$ 30	
Total derivatives	\$ 28	\$ 8	\$ 15	\$ 10	\$ 27	

- (i) PC Bank uses foreign exchange forwards, with a notional value of \$24 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 uses bond forwards, with a notional value of \$185 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in prepaid expenses and other assets.
- (iii) PC Bank uses interest rate swaps, with notional value of \$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.

During the second quarter of 2022, the Company did not enter into foreign exchange forwards. On a year-to-date basis, 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)	(12 weeks)			June 19, 2021 (24 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	
Derivatives designated as cash flow hedges						
Foreign Exchange Forwards ⁽ⁱ⁾	\$ —	\$ —	\$ (1)	\$ —	\$ (1)	
Bond Forwards ⁽ⁱⁱ⁾	—	1	(1)	3	(3)	
Total derivatives designated as cash flow hedges	\$ —	\$ 1	\$ (2)	\$ 3	\$ (4)	
Derivatives not designated in a formal hedging relationship						
Foreign Exchange and Other Forwards	\$ (4)	\$ —	\$ (2)	\$ —	\$ (6)	
Other Non-Financial Derivatives	7	—	4	—	12	
Total derivatives not designated in a formal hedging relationship	\$ 3	\$ —	\$ 2	\$ —	\$ 6	
Total derivatives	\$ 3	\$ 1	\$ —	\$ 3	\$ 2	

(i) PC Bank uses foreign exchange forwards, with a notional value of \$20 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in trade payables and other liabilities.

(ii) PC Bank settled \$175 million of bond forward in the second quarter of 2021 (see note 8). The purpose of the bond forward was to hedge the interest rate risk for the \$300 million *Eagle* notes issued subsequent to the end of the second quarter of 2021. The Company had concluded that this hedge was effective as at the settlement date, which resulted in the nominal fair value loss being reclassified to the statement of earnings over the life of the *Eagle* notes.

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 requires the approval of the court, which is pending. 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.

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 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 a 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 \$17 million in the Venture Fund, of which \$1 million was invested in the second quarter of 2022 (2021 – \$3 million) and \$2 million year-to-date (2021 – \$6 million) (see note 11).

Disposition of Properties to Choice Properties Real Estate Investment Trust During the second quarter of 2022, the Company did not dispose of any properties to Choice Properties Real Estate Investment Trust (“Choice Properties”). On a year-to-date basis, 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 half of 2021.

Leases with Choice Properties Subsequent to the end of the second quarter, the Company renewed 42 of 44 retail leases from the initial public offering portfolio expiring in 2023, comprising 2.9 million of 3.1 million square feet, at a weighted extension term of 7.7 years.

Financial Liabilities In the second quarter of 2022, the Company disposed of one retail property to Choice Properties for total proceeds of \$13 million. 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 June 18, 2022, \$4 million (June 19, 2021 – \$3 million; January 1, 2022 – \$3 million) was recorded in trade payables and other liabilities and \$68 million (June 19, 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 second quarter of 2022, \$1 million (2021 – nominal) 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, \$2 million (2021 – \$1 million) of interest expense was recognized in net interest expense and other financing charges (see note 4) and \$2 million (2021 – \$1 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*[™] 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⁽²⁾ and adjusted operating income⁽²⁾, as reported to internal management, on a periodic basis.

Information for each reportable operating segment is included below:

(millions of Canadian dollars)	June 18, 2022 (12 weeks)				June 19, 2021 (12 weeks)			
	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total
Revenue⁽ⁱⁱ⁾	\$12,623	\$ 297	\$ (73)	\$ 12,847	\$12,282	\$ 272	\$ (63)	\$12,491
Operating income (loss)	\$ 811	\$ (69)	\$ —	\$ 742	\$ 708	\$ 44	\$ —	\$ 752
Net interest expense and other financing charges	135	17	—	152	145	16	—	161
Earnings (losses) before income taxes	\$ 676	\$ (86)	\$ —	\$ 590	\$ 563	\$ 28	\$ —	\$ 591
Operating income (loss)	\$ 811	\$ (69)	\$ —	\$ 742	\$ 708	\$ 44	\$ —	\$ 752
Depreciation and amortization	621	12	—	633	603	11	—	614
Adjusting items	127	111	—	238	122	—	—	122
Less: amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(114)	—	—	(114)	(117)	—	—	(117)
Adjusted EBITDA	\$ 1,445	\$ 54	\$ —	\$ 1,499	\$ 1,316	\$ 55	\$ —	\$ 1,371
Depreciation and amortization ⁽ⁱⁱⁱ⁾	507	12	—	519	486	11	—	497
Adjusted operating income	\$ 938	\$ 42	\$ —	\$ 980	\$ 830	\$ 44	\$ —	\$ 874

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

(ii) Included in Financial Services revenue is \$117 million (2021 – \$100 million) of interest income.

(iii) Depreciation and amortization for the calculation of adjusted EBITDA⁽²⁾ excludes \$114 million (2021 – \$117 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark.

	June 18, 2022 (24 weeks)				June 19, 2021 (24 weeks)			
(millions of Canadian dollars)	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total
Revenue⁽ⁱⁱ⁾	\$24,668	\$ 571	\$ (130)	\$ 25,109	\$23,952	\$ 525	\$ (114)	\$24,363
Operating income (loss)	\$ 1,501	\$ (21)	\$ —	\$ 1,480	\$ 1,261	\$ 108	\$ —	\$ 1,369
Net interest expense and other financing charges	261	33	—	294	289	32	—	321
Earnings (losses) before income taxes	\$ 1,240	\$ (54)	\$ —	\$ 1,186	\$ 972	\$ 76	\$ —	\$ 1,048
Operating income (loss)	\$ 1,501	\$ (21)	\$ —	\$ 1,480	\$ 1,261	\$ 108	\$ —	\$ 1,369
Depreciation and amortization	1,242	22	—	1,264	1,204	20	—	1,224
Adjusting items	218	111	—	329	230	—	—	230
Less: amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(231)	—	—	(231)	(234)	—	—	(234)
Adjusted EBITDA	\$ 2,730	\$ 112	\$ —	\$ 2,842	\$ 2,461	\$ 128	\$ —	\$ 2,589
Depreciation and amortization ⁽ⁱⁱⁱ⁾	1,011	22	—	1,033	970	20	—	990
Adjusted operating income	\$ 1,719	\$ 90	\$ —	\$ 1,809	\$ 1,491	\$ 108	\$ —	\$ 1,599

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

(ii) Included in Financial Services revenue is \$235 million (2021 – \$208 million) of interest income.

(iii) Depreciation and amortization for the calculation of adjusted EBITDA⁽²⁾ excludes \$231 million (2021 – \$234 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)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Food retail	\$ 8,981	\$ 8,878	\$ 17,663	\$ 17,357
Drug retail				
Pharmacy and healthcare services	\$ 1,813	\$ 1,656	\$ 3,537	\$ 3,270
Front store	1,829	1,748	3,468	3,325
	\$ 3,642	\$ 3,404	\$ 7,005	\$ 6,595
Retail total	\$ 12,623	\$ 12,282	\$ 24,668	\$ 23,952
Financial Services	297	272	571	525
Eliminations ⁽ⁱ⁾	(73)	(63)	(130)	(114)
Total	\$ 12,847	\$ 12,491	\$ 25,109	\$ 24,363

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

(millions of Canadian dollars)	As at June 18, 2022	As at June 19, 2021	As at January 1, 2022
Total assets			
Retail	\$ 31,876	\$ 31,283	\$ 31,613
Financial Services	4,838	4,186	5,001
	\$ 36,714	\$ 35,469	\$ 36,614

(millions of Canadian dollars)	June 18, 2022 (12 weeks)	June 19, 2021 (12 weeks)	June 18, 2022 (24 weeks)	June 19, 2021 (24 weeks)
Additions to fixed assets and intangible assets				
Retail ⁽ⁱ⁾	\$ 293	\$ 252	\$ 475	\$ 449
Financial Services	9	6	13	12
	\$ 302	\$ 258	\$ 488	\$ 461

(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 second quarter of 2021 and \$1 million year-to-date 2021.

Financial Summary⁽¹⁾

As at or for the periods ended June 18, 2022 and June 19, 2021
(millions of Canadian dollars except where otherwise indicated)

	2022 (12 weeks)	2021 (12 weeks)
Consolidated Results of Operations		
Revenue	\$ 12,847	\$ 12,491
Revenue growth	2.9 %	4.5 %
Operating income	\$ 742	\$ 752
Adjusted EBITDA ⁽²⁾	1,499	1,371
Adjusted EBITDA margin ⁽²⁾	11.7 %	11.0 %
Net interest expense and other financing charges	\$ 152	\$ 161
Adjusted net interest expense and other financing charges ⁽²⁾	152	161
Net earnings	428	434
Net earnings attributable to shareholders of the Company	390	378
Net earnings available to common shareholders of the Company	387	375
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	566	464
Consolidated Per Common Share (\$)		
Diluted net earnings	\$ 1.16	\$ 1.09
Adjusted diluted net earnings ⁽²⁾	\$ 1.69	\$ 1.35
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents and short term investments	\$ 1,661	\$ 2,112
Cash flows from operating activities	1,245	1,635
Capital investments	302	258
Free cash flow ⁽²⁾	517	953
Financial Measures		
Retail debt to rolling year retail adjusted EBITDA ⁽²⁾	2.5 x	2.7 x
Rolling year adjusted return on equity ⁽²⁾	19.1 %	16.0 %
Rolling year adjusted return on capital ⁽²⁾	10.4 %	9.4 %

Financial Summary⁽¹⁾

As at or for the periods ended June 18, 2022 and June 19, 2021
(millions of Canadian dollars except where otherwise indicated)

	2022 (12 weeks)	2021 (12 weeks)
Retail Results of Operations		
Sales	\$ 12,623	\$ 12,282
Operating income	811	708
Adjusted gross profit ⁽²⁾	3,962	3,793
Adjusted gross profit % ⁽²⁾	31.4 %	30.9 %
Adjusted EBITDA ⁽²⁾	\$ 1,445	\$ 1,316
Adjusted EBITDA margin ⁽²⁾	11.4 %	10.7 %
Depreciation and amortization	\$ 621	\$ 603
Retail Operating Statistics		
Food retail same-store sales growth (decline)	0.9 %	(0.1)%
Drug retail same-store sales growth	5.6 %	9.6 %
Total retail square footage (in millions)	71.2	71.2
Number of corporate stores	539	548
Number of franchise stores	552	548
Number of Associate-owned drug stores	1,346	1,346
Financial Services Results of Operations		
Revenue	\$ 297	\$ 272
(Losses) Earnings before income taxes	(86)	28
Financial Services Operating Measures and Statistics		
Average quarterly net credit card receivables	\$ 3,467	\$ 3,015
Credit card receivables	3,626	3,033
Allowance for credit card receivables	196	205
Annualized yield on average quarterly gross credit card receivables	12.8 %	12.9 %
Annualized credit loss rate on average quarterly gross credit card receivables	2.5 %	2.9 %

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.