

# Financial Results

|   |    |
|---|----|
| Condensed Consolidated Financial Statements                                       | 50 |
| Condensed Consolidated Statements of Earnings                                     | 50 |
| Condensed Consolidated Statements of Comprehensive Income                         | 51 |
| Condensed Consolidated Balance Sheets   | 52 |
| Condensed Consolidated Statements of Changes in Equity                            | 53 |
| Condensed Consolidated Statements of Cash Flows                                   | 54 |
| Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements | 55 |
| Note 1. Nature and Description of the Reporting Entity                            | 55 |
| Note 2. Significant Accounting Policies   | 55 |
| Note 3. Subsidiaries  | 55 |
| Note 4. Business Acquisitions   | 56 |
| Note 5. Discontinued Operations   | 57 |
| Note 6. Net Interest Expense and Other Financing Charges                          | 58 |
| Note 7. Income Taxes  | 59 |
| Note 8. Basic and Diluted Net Earnings per Common Share                           | 59 |
| Note 9. Cash and Cash Equivalents, Short-Term Investments and Security Deposits   | 60 |
| Note 10. Credit Card Receivables  | 60 |
| Note 11. Inventories  | 61 |
| Note 12. Assets Held for Sale   | 61 |
| Note 13. Other Assets   | 61 |
| Note 14. Provisions   | 62 |
| Note 15. Short-Term Debt  | 62 |
| Note 16. Long-Term Debt   | 63 |
| Note 17. Other Liabilities  | 65 |
| Note 18. Share Capital  | 66 |
| Note 19. Loblaw Capital Transactions  | 67 |
| Note 20. Post-Employment and Other Long-Term Employee Benefits                    | 68 |
| Note 21. Equity-Based Compensation  | 69 |
| Note 22. Financial Instruments  | 72 |
| Note 23. Contingent Liabilities   | 75 |
| Note 24. Segment Information  | 77 |
| Note 25. Related Party Transaction  | 79 |

# Condensed Consolidated Statements of Earnings

| (unaudited)<br>(millions of Canadian dollars except where otherwise indicated) | 12 Weeks Ended |                              | 24 Weeks Ended |                             |
|--|----------------|------------------------------|----------------|-----------------------------|
|  | Jun. 18, 2022  | Jun. 19, 2021 <sup>(i)</sup> | Jun. 18, 2022  | Jun 19, 2021 <sup>(i)</sup> |
| <b>Revenue</b>   | \$ 12,979      | \$ 12,637                    | \$ 25,386      | \$ 24,654                   |
| <b>Operating Expenses</b>  |                |                              |                |                             |
| Cost of inventories sold (note 11)   | 8,693          | 8,529                        | 17,027         | 16,704                      |
| Selling, general and administrative expenses                                   | 3,637          | 3,043                        | 6,544          | 6,057                       |
|  | 12,330         | 11,572                       | 23,571         | 22,761                      |
| <b>Operating Income</b>  | 649            | 1,065                        | 1,815          | 1,893                       |
| Net Interest (Income) Expense and Other Financing Charges (note 6)             | (338)          | 503                          | (16)           | 1,048                       |
| <b>Earnings Before Income Taxes</b>  | 987            | 562                          | 1,831          | 845                         |
| Income Taxes (note 7)  | 113            | 201                          | 342            | 366                         |
| <b>Net Earnings from Continuing Operations</b>                                 | 874            | 361                          | 1,489          | 479                         |
| <b>Net Loss from Discontinued Operations</b> (note 5)                          | (6)            | (7)                          | (6)            | (7)                         |
| <b>Net Earnings</b>  | 868            | 354                          | 1,483          | 472                         |
| Attributable to:   |                |                              |                |                             |
| Shareholders of the Company (note 8)   | 644            | 118                          | 1,017          | 66                          |
| Non-Controlling Interests  | 224            | 236                          | 466            | 406                         |
| <b>Net Earnings</b>  | \$ 868         | \$ 354                       | \$ 1,483       | \$ 472                      |
| <b>Net Earnings (Loss) per Common Share - Basic (\$)</b> (note 8)              | \$ 4.35        | \$ 0.71                      | \$ 6.82        | \$ 0.30                     |
| Continuing Operations  | \$ 4.39        | \$ 0.75                      | \$ 6.86        | \$ 0.35                     |
| Discontinued Operations  | \$ (0.04)      | \$ (0.04)                    | \$ (0.04)      | \$ (0.05)                   |
| <b>Net Earnings (Loss) per Common Share - Diluted (\$)</b> (note 8)            | \$ 4.32        | \$ 0.70                      | \$ 6.77        | \$ 0.28                     |
| Continuing Operations  | \$ 4.36        | \$ 0.74                      | \$ 6.81        | \$ 0.33                     |
| Discontinued Operations  | \$ (0.04)      | \$ (0.04)                    | \$ (0.04)      | \$ (0.05)                   |

(i) Comparative figures have been restated (note 5).

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

# Condensed Consolidated Statements of Comprehensive Income

| (unaudited)<br>(millions of Canadian dollars)                         | 12 Weeks Ended |                              | 24 Weeks Ended  |                              |
|---|----------------|------------------------------|-----------------|------------------------------|
|   | Jun. 18, 2022  | Jun. 19, 2021 <sup>(i)</sup> | Jun. 18, 2022   | Jun. 19, 2021 <sup>(i)</sup> |
| Net Earnings from Continuing Operations                               | \$ 874         | \$ 361                       | \$ 1,489        | \$ 479                       |
| Other comprehensive income (loss), net of taxes                       |                |                              |                 |                              |
| Items that are or may be reclassified subsequently to profit or loss: |                |                              |                 |                              |
| Foreign currency translation adjustment (note 22)                     | 4              | (9)                          | 3               | (22)                         |
| Gains on cash flow hedges (note 22)                                   | 11             | 3                            | 17              | 3                            |
| Items that will not be reclassified to profit or loss:                |                |                              |                 |                              |
| Net defined benefit plan actuarial (losses) gains (note 20)           | (181)          | 129                          | (168)           | 196                          |
| Adjustment to fair value of investment properties                     | 30             | (12)                         | 47              | (12)                         |
| Other comprehensive (loss) income from Continuing Operations          | (136)          | 111                          | (101)           | 165                          |
| Comprehensive Income from Continuing Operations                       | 738            | 472                          | 1,388           | 644                          |
| Net Loss from Discontinued Operations (note 5)                        | (6)            | (7)                          | (6)             | (7)                          |
| Other comprehensive income from Discontinued Operations               | –              | 1                            | –               | 1                            |
| Comprehensive Loss from Discontinued Operations                       | (6)            | (6)                          | (6)             | (6)                          |
| <b>Total Comprehensive Income, net of taxes</b>                       | <b>732</b>     | <b>466</b>                   | <b>1,382</b>    | <b>638</b>                   |
| Attributable to:  |                |                              |                 |                              |
| Shareholders of the Company   | 589            | 171                          | 992             | 140                          |
| Non-Controlling Interests   | 143            | 295                          | 390             | 498                          |
| <b>Total Comprehensive Income, net of taxes</b>                       | <b>\$ 732</b>  | <b>\$ 466</b>                | <b>\$ 1,382</b> | <b>\$ 638</b>                |

(i) Comparative figures have been restated (note 5).

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

# Condensed Consolidated Balance Sheets

| (unaudited)<br>(millions of Canadian dollars)                   | As at            |                  |                  |
|---|------------------|------------------|------------------|
|   | Jun. 18, 2022    | Jun. 19, 2021    | Dec. 31, 2021    |
| <b>ASSETS</b>   |                  |                  |                  |
| <b>Current Assets</b>   |                  |                  |                  |
| Cash and cash equivalents (note 9)                              | \$ 2,281         | \$ 2,795         | \$ 2,984         |
| Short-term investments (note 9)                                 | 442              | 612              | 879              |
| Accounts receivable   | 1,217            | 1,038            | 1,010            |
| Credit card receivables (note 10)                               | 3,626            | 3,033            | 3,443            |
| Income taxes recoverable  | –                | –                | 301              |
| Inventories (note 11)   | 5,360            | 5,246            | 5,166            |
| Prepaid expenses and other assets                               | 499              | 575              | 348              |
| Assets held for sale (note 12)                                  | 116              | 102              | 91               |
| <b>Total Current Assets</b>                                     | <b>13,541</b>    | <b>13,401</b>    | <b>14,222</b>    |
| Fixed Assets  | 10,675           | 11,904           | 10,782           |
| Right-of-Use Assets   | 4,207            | 4,067            | 4,059            |
| Investment Properties   | 4,743            | 5,130            | 5,344            |
| Equity Accounted Joint Ventures                                 | 769              | 557              | 564              |
| Intangible Assets   | 6,766            | 6,812            | 6,430            |
| Goodwill  | 4,853            | 4,769            | 4,479            |
| Deferred Income Taxes   | 93               | 121              | 113              |
| Security Deposits (note 9)                                      | 80               | 74               | 75               |
| Other Assets (note 13)  | 1,502            | 1,111            | 1,015            |
| <b>Total Assets</b>   | <b>\$ 47,229</b> | <b>\$ 47,946</b> | <b>\$ 47,083</b> |
| <b>LIABILITIES</b>  |                  |                  |                  |
| <b>Current Liabilities</b>                                      |                  |                  |                  |
| Bank indebtedness   | \$ 23            | \$ 138           | \$ 52            |
| Trade payables and other liabilities                            | 6,091            | 5,972            | 5,923            |
| Loyalty liability   | 224              | 213              | 190              |
| Provisions (note 14)  | 202              | 119              | 119              |
| Income taxes payable  | 172              | 224              | 269              |
| Demand deposits from customers                                  | 99               | 50               | 75               |
| Short-term debt (note 15)                                       | 500              | 1,019            | 450              |
| Long-term debt due within one year (note 16)                    | 1,218            | 1,966            | 1,520            |
| Lease liabilities due within one year                           | 825              | 801              | 742              |
| Associate interest  | 434              | 347              | 433              |
| <b>Total Current Liabilities</b>                                | <b>9,788</b>     | <b>10,849</b>    | <b>9,773</b>     |
| Provisions  | 87               | 92               | 90               |
| Long-Term Debt (note 16)  | 12,965           | 12,419           | 12,490           |
| Lease Liabilities   | 4,317            | 4,239            | 4,242            |
| Trust Unit Liability (note 22)                                  | 3,727            | 4,032            | 4,209            |
| Deferred Income Taxes   | 2,017            | 2,094            | 2,003            |
| Other Liabilities (note 17)                                     | 1,138            | 1,153            | 1,139            |
| <b>Total Liabilities</b>  | <b>34,039</b>    | <b>34,878</b>    | <b>33,946</b>    |
| <b>EQUITY</b>   |                  |                  |                  |
| Share Capital (note 18)   | 3,487            | 3,556            | 3,529            |
| Retained Earnings   | 5,091            | 4,924            | 4,808            |
| Contributed Surplus (notes 19 & 21)                             | (1,699)          | (1,345)          | (1,462)          |
| Accumulated Other Comprehensive Income                          | 148              | 134              | 84               |
| <b>Total Equity Attributable to Shareholders of the Company</b> | <b>7,027</b>     | <b>7,269</b>     | <b>6,959</b>     |
| Non-Controlling Interests                                       | 6,163            | 5,799            | 6,178            |
| <b>Total Equity</b>   | <b>13,190</b>    | <b>13,068</b>    | <b>13,137</b>    |
| <b>Total Liabilities and Equity</b>                             | <b>\$ 47,229</b> | <b>\$ 47,946</b> | <b>\$ 47,083</b> |

Contingent liabilities (note 23).

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 Shares | Preferred Shares | Total Share Capital | Retained Earnings | Contributed Surplus | Foreign Currency Translation Adjustment | Cash Flow Hedges | Adjustment to Fair Value on Transfer of Investment Properties | Total Accumulated Other Comprehensive Income | Non-Controlling Interests | Total Equity |
|---|---------------|------------------|---------------------|-------------------|---------------------|---|------------------|---|--|---------------------------|--------------|
| Balance as at Dec. 31, 2021   | \$ 2,712      | \$ 817           | \$ 3,529            | \$ 4,808          | \$ (1,462)          | \$ 25                                   | \$ (14)          | \$ 73   | \$ 84  | \$ 6,178                  | \$ 13,137    |
| Net earnings  | -             | -                | -                   | 1,017             | -                   | -                                       | -                | -   | -  | 466                       | 1,483        |
| Other comprehensive income (loss) <sup>(i)</sup>                            | -             | -                | -                   | (89)              | -                   | 2                                       | 15               | 47  | 64   | (76)                      | (101)        |
| Comprehensive income (loss)   | \$ -          | \$ -             | \$ -                | \$ 928            | \$ -                | \$ 2                                    | \$ 15            | \$ 47   | \$ 64  | \$ 390                    | \$ 1,382     |
| Effect of equity-based compensation (notes 18 & 21)                         | 20            | -                | 20                  | (2)               | (18)                | -                                       | -                | -   | -  | (8)                       | (8)          |
| Shares purchased and cancelled (note 18)                                    | (63)          | -                | (63)                | (446)             | -                   | -                                       | -                | -   | -  | -                         | (509)        |
| Net effect of shares held in trusts (notes 18 & 21)                         | 1             | -                | 1                   | 9                 | -                   | -                                       | -                | -   | -  | -                         | 10           |
| Loblaw capital transactions and dividends (notes 19 & 21)                   | -             | -                | -                   | -                 | (219)               | -                                       | -                | -   | -  | (397)                     | (616)        |
| Dividends declared  |               |                  |                     |                   |                     |   |                  |   |  |                           |              |
| Per common share (\$) (note 18)   |               |                  |                     |                   |                     |   |                  |   |  |                           |              |
| - \$1.260   | -             | -                | -                   | (184)             | -                   | -                                       | -                | -   | -  | -                         | (184)        |
| Per preferred share (\$) (note 18)  |               |                  |                     |                   |                     |   |                  |   |  |                           |              |
| - Series I - \$0.7250   | -             | -                | -                   | (7)               | -                   | -                                       | -                | -   | -  | -                         | (7)          |
| - Series III - \$0.6500   | -             | -                | -                   | (5)               | -                   | -                                       | -                | -   | -  | -                         | (5)          |
| - Series IV - \$0.6500  | -             | -                | -                   | (5)               | -                   | -                                       | -                | -   | -  | -                         | (5)          |
| - Series V - \$0.593750   | -             | -                | -                   | (5)               | -                   | -                                       | -                | -   | -  | -                         | (5)          |
|   | \$ (42)       | \$ -             | \$ (42)             | \$ (645)          | \$ (237)            | \$ -                                    | \$ -             | \$ -  | \$ -   | \$ (405)                  | \$ (1,329)   |
| Balance as at Jun. 18, 2022   | \$ 2,670      | \$ 817           | \$ 3,487            | \$ 5,091          | \$ (1,699)          | \$ 27                                   | \$ 1             | \$ 120  | \$ 148                                       | \$ 6,163                  | \$ 13,190    |

| (millions of Canadian dollars except where otherwise indicated) (unaudited) | Common Shares | Preferred Shares | Total Share Capital | Retained Earnings | Contributed Surplus | Foreign Currency Translation Adjustment | Cash Flow Hedges | Adjustment to Fair Value on Transfer of Investment Properties | Total Accumulated Other Comprehensive Income | Non-Controlling Interests | Total Equity |
|---|---------------|------------------|---------------------|-------------------|---------------------|---|------------------|---|--|---------------------------|--------------|
| Balance as at Dec. 31, 2020   | \$ 2,782      | \$ 817           | \$ 3,599            | \$ 5,226          | \$ (1,180)          | \$ 153                                  | \$ (22)          | \$ 35   | \$ 166                                       | \$ 5,607                  | \$ 13,418    |
| Net earnings  | -             | -                | -                   | 66                | -                   | -                                       | -                | -   | -  | 406                       | 472          |
| Other comprehensive income (loss) <sup>(i)</sup>                            | -             | -                | -                   | 106               | -                   | (23)                                    | 3                | (12)  | (32)   | 92                        | 166          |
| Comprehensive income (loss)   | \$ -          | \$ -             | \$ -                | \$ 172            | \$ -                | \$ (23)                                 | \$ 3             | \$ (12)   | \$ (32)                                      | \$ 498                    | \$ 638       |
| Effect of equity-based compensation (notes 18 & 21)                         | 11            | -                | 11                  | -                 | (9)                 | -                                       | -                | -   | -  | (6)                       | (4)          |
| Shares purchased and cancelled (note 18)                                    | (55)          | -                | (55)                | (292)             | -                   | -                                       | -                | -   | -  | -                         | (347)        |
| Net effect of shares held in trusts (notes 18 & 21)                         | 1             | -                | 1                   | 6                 | -                   | -                                       | -                | -   | -  | -                         | 7            |
| Loblaw capital transactions and dividends (notes 19 & 21)                   | -             | -                | -                   | -                 | (156)               | -                                       | -                | -   | -  | (300)                     | (456)        |
| Dividends declared  |               |                  |                     |                   |                     |   |                  |   |  |                           |              |
| Per common share (\$) (note 18)   |               |                  |                     |                   |                     |   |                  |   |  |                           |              |
| - \$1.100   | -             | -                | -                   | (166)             | -                   | -                                       | -                | -   | -  | -                         | (166)        |
| Per preferred share (\$) (note 18)  |               |                  |                     |                   |                     |   |                  |   |  |                           |              |
| - Series I - \$0.7250   | -             | -                | -                   | (7)               | -                   | -                                       | -                | -   | -  | -                         | (7)          |
| - Series III - \$0.6500   | -             | -                | -                   | (5)               | -                   | -                                       | -                | -   | -  | -                         | (5)          |
| - Series IV - \$0.6500  | -             | -                | -                   | (5)               | -                   | -                                       | -                | -   | -  | -                         | (5)          |
| - Series V - \$0.593750   | -             | -                | -                   | (5)               | -                   | -                                       | -                | -   | -  | -                         | (5)          |
|   | \$ (43)       | \$ -             | \$ (43)             | \$ (474)          | \$ (165)            | \$ -                                    | \$ -             | \$ -  | \$ -   | \$ (306)                  | \$ (988)     |
| Balance as at Jun. 19, 2021   | \$ 2,739      | \$ 817           | \$ 3,556            | \$ 4,924          | \$ (1,345)          | \$ 130                                  | \$ (19)          | \$ 23   | \$ 134                                       | \$ 5,799                  | \$ 13,068    |

- (i) Other comprehensive income (loss) includes an actuarial loss of \$168 million (2021 - gain of \$197 million), of which \$89 million (2021 - gain of \$106 million) is presented in retained earnings, and \$79 million (2021 - gain of \$91 million) in non-controlling interests. Also included in non-controlling interests was a gain of \$1 million on foreign currency translation adjustments (2021 - gain of \$1 million) and a gain of \$2 million on cash flow hedges (2021 - nil).

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

# Condensed Consolidated Statements of Cash Flows

| (unaudited)<br>(millions of Canadian dollars)                                 | 12 Weeks Ended  |                              | 24 Weeks Ended  |                              |
|---|-----------------|------------------------------|-----------------|------------------------------|
|   | Jun. 18, 2022   | Jun. 19, 2021 <sup>(i)</sup> | Jun. 18, 2022   | Jun. 19, 2021 <sup>(i)</sup> |
| <b>Operating Activities</b>   |                 |                              |                 |                              |
| Net earnings  | \$ 868          | \$ 354                       | \$ 1,483        | \$ 472                       |
| Add (deduct):   |                 |                              |                 |                              |
| Net interest (income) expense and other financing charges (note 6)            | (338)           | 503                          | (16)            | 1,049                        |
| Income taxes (note 7)   | 113             | 199                          | 342             | 365                          |
| Depreciation and amortization   | 552             | 573                          | 1,101           | 1,133                        |
| Loss on sale of discontinued operations, after income taxes (note 5)          | 6               | –                            | 6               | –                            |
| Asset impairments, net of recoveries  | (1)             | –                            | 2               | 1                            |
| Adjustment to fair value of investment properties and assets held for sale    | 102             | (149)                        | (189)           | (195)                        |
| Adjustment to fair value of investment in real estate securities (note 22)    | 159             | –                            | 159             | –                            |
| Change in allowance for credit card receivables (note 10)                     | (4)             | (12)                         | (9)             | (32)                         |
| Change in provisions (note 14)  | 101             | 3                            | 80              | 1                            |
| Change in gross credit card receivables (note 10)                             | (289)           | (119)                        | (174)           | 108                          |
| Change in non-cash working capital  | (157)           | 424                          | (759)           | (27)                         |
| Income taxes recovered (paid)   | 6               | (87)                         | (185)           | (283)                        |
| Interest received   | 15              | 6                            | 33              | 11                           |
| Interest received from finance leases   | –               | –                            | 1               | 1                            |
| Other   | (15)            | 7                            | –               | 9                            |
| <b>Cash Flows from Operating Activities</b>                                   | <b>1,118</b>    | <b>1,702</b>                 | <b>1,875</b>    | <b>2,613</b>                 |
| <b>Investing Activities</b>   |                 |                              |                 |                              |
| Fixed asset and investment properties purchases                               | (264)           | (213)                        | (390)           | (364)                        |
| Intangible asset additions  | (98)            | (91)                         | (179)           | (175)                        |
| Acquisition of Lifemark, net of cash acquired (note 4)                        | (813)           | –                            | (813)           | –                            |
| Proceeds from disposal of assets  | 37              | 10                           | 84              | 51                           |
| Lease payments received from finance leases                                   | 3               | 2                            | 6               | 4                            |
| Change in short-term investments (note 9)                                     | 520             | (298)                        | 437             | (37)                         |
| Other   | (54)            | (123)                        | (160)           | (69)                         |
| <b>Cash Flows used in Investing Activities</b>                                | <b>(669)</b>    | <b>(713)</b>                 | <b>(1,015)</b>  | <b>(590)</b>                 |
| <b>Financing Activities</b>   |                 |                              |                 |                              |
| Change in bank indebtedness   | (227)           | (144)                        | (29)            | 52                           |
| Change in short-term debt (note 15)   | 100             | 9                            | 50              | (256)                        |
| Change in demand deposits from customers                                      | 12              | 14                           | 24              | 26                           |
| Change in other financing   | (1)             | (1)                          | 6               | (1)                          |
| Interest paid   | (184)           | (195)                        | (398)           | (439)                        |
| Change in net debt associated with equity forward sale agreement              | –               | (53)                         | –               | (53)                         |
| Long-term debt – Issued (note 16)   | 437             | 279                          | 534             | 309                          |
| – Repayments (note 16)  | (170)           | (276)                        | (346)           | (331)                        |
| Cash rent paid on lease liabilities – Interest                                | (41)            | (43)                         | (83)            | (89)                         |
| Cash rent paid on lease liabilities – Principal                               | (165)           | (160)                        | (269)           | (257)                        |
| Share capital – Issued (notes 18 & 21)  | –               | 2                            | 17              | 9                            |
| – Purchased and cancelled (note 18)   | (278)           | (141)                        | (325)           | (166)                        |
| Loblaw common share capital – Issued (notes 19 & 21)                          | 9               | 42                           | 52              | 49                           |
| – Purchased and held in trusts (note 19)                                      | (35)            | –                            | (63)            | –                            |
| – Purchased and cancelled (note 19)   | (294)           | (207)                        | (409)           | (362)                        |
| Dividends – To common shareholders  | (88)            | (84)                         | (169)           | (163)                        |
| – To preferred shareholders   | (11)            | (11)                         | (22)            | (22)                         |
| – To minority shareholders  | (61)            | (57)                         | (61)            | (57)                         |
| Other   | –               | 6                            | (74)            | (57)                         |
| <b>Cash Flows used in Financing Activities</b>                                | <b>(997)</b>    | <b>(1,020)</b>               | <b>(1,565)</b>  | <b>(1,808)</b>               |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | 1               | (1)                          | 2               | (1)                          |
| Change in Cash and Cash Equivalents   | (547)           | (32)                         | (703)           | 214                          |
| Cash and Cash Equivalents, Beginning of Period                                | 2,828           | 2,827                        | 2,984           | 2,581                        |
| <b>Cash and Cash Equivalents, End of Period</b>                               | <b>\$ 2,281</b> | <b>\$ 2,795</b>              | <b>\$ 2,281</b> | <b>\$ 2,795</b>              |

(i) Comparative figures have been restated to conform with current year presentation. See accompanying notes to the unaudited interim period condensed consolidated financial statements. See note 5. Discontinued Operations for additional cash flow information.

# Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

## Note 1. Nature and Description of the Reporting Entity

George Weston Limited ("GWL" or the "Company") is a Canadian public company incorporated in 1928, with its registered office located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S5. The Company's parent is Wittington Investments, Limited ("Wittington").

The Company operates through its two reportable operating segments, Loblaw Companies Limited ("Loblaw") and Choice Properties Real Estate Investment Trust ("Choice Properties"). Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation and cash and short-term investments held by the Company. All other company level activities that are not allocated to the reportable operating segments, such as interest expense, corporate activities and administrative costs are included in Other and Intersegment.

Loblaw has two reportable operating segments, retail and financial services. Loblaw's retail segment consists primarily of food retail and drug retail. Loblaw provides Canadians with grocery, pharmacy and healthcare services, health and beauty, apparel, general merchandise and financial services.

Choice Properties owns, manages and develops a high-quality portfolio of commercial retail, industrial, mixed-use and residential properties across Canada.

In December 2021, the Company completed the sale of the entire Weston Foods bakery business. Refer to note 5, "Discontinued Operations" for details.

Quarterly net earnings are affected by seasonality and the timing of holidays, relative to the Company's interim periods. Accordingly, quarterly performance is not necessarily indicative of annual performance. Historically, Loblaw has earned more revenue in the fourth quarter relative to the preceding quarters in its 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 on July 28, 2022.

## Note 3. Subsidiaries

The table below summarizes the Company's principal subsidiaries. The proportion of ownership interests held equals the voting rights held by the Company. GWL's ownership in Loblaw and Choice Properties is impacted by changes in Loblaw's common share equity and Choice Properties' trust units, respectively.

|                          |                                  | As at                         |                    |                               |                    |                               |                    |
|--------------------------|----------------------------------|-------------------------------|--------------------|-------------------------------|--------------------|-------------------------------|--------------------|
|                          |                                  | Jun. 18, 2022                 |                    | Jun. 19, 2021                 |                    | Dec. 31, 2021                 |                    |
|                          |                                  | Number of shares / units held | Ownership interest | Number of shares / units held | Ownership interest | Number of shares / units held | Ownership interest |
| <b>Loblaw</b>            | Common shares <sup>(i)</sup>     | 172,523,254                   | 52.6%              | 177,937,308                   | 52.6%              | 175,475,019                   | 52.6%              |
|                          | Class B LP Units <sup>(ii)</sup> | 395,786,525                   | n/a                | 395,786,525                   | n/a                | 395,786,525                   | n/a                |
|                          | Trust Units                      | 50,661,415                    | n/a                | 50,661,415                    | n/a                | 50,661,415                    | n/a                |
| <b>Choice Properties</b> |                                  | <b>446,447,940</b>            | <b>61.7%</b>       | <b>446,447,940</b>            | <b>61.7%</b>       | <b>446,447,940</b>            | <b>61.7%</b>       |

- (i) In 2021, GWL settled the equity forward sale agreement, releasing all Loblaw common shares pledged under the equity forward sale agreement (June 19, 2021 - 8.85 million Loblaw common shares pledged). Additionally, GWL participates in Loblaw's Normal Course Issuer Bid ("NCIB") program, in order to maintain its proportionate percentage ownership (see note 19).
- (ii) Class B LP Units ("Exchangeable Units") are economically equivalent to Trust Units, receive distributions equal to the distributions paid on Trust Units and are exchangeable, at the holder's option, into Trust Units.

# Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

## Note 4. Business Acquisitions

**ACQUISITION OF LIFEMARK HEALTH GROUP** On May 10, 2022, Loblaw 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 Loblaw'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 Loblaw 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)                        | As at<br>May 10, 2022 |
|--------------------------------------|-----------------------|
| <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                             | 370                   |
| Trade payables and other liabilities | (38)                  |
| Lease liabilities                    | (75)                  |
| Deferred income tax liabilities      | (147)                 |
| Other liabilities                    | (4)                   |
| <b>Total Net Assets Acquired</b>     | <b>\$ 832</b>         |

(i) Trade and other receivables is net of 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)                  | Estimated Useful Life |             |
|--------------------------------|-----------------------|-------------|
| <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>         |             |

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 Loblaw'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 5. Discontinued Operations

**WESTON FOODS** On December 10, 2021, the Company completed the sale of Weston Foods' fresh and frozen bakery business to FGF Brands Inc. and on December 29, 2021, the Company completed the sale of Weston Foods' ambient business to affiliated entities of Hearthside Foods Solution, LLC. In the second quarter of 2022, final closing adjustments of \$6 million, after income taxes, were recorded in discontinued operations within the consolidated statement of earnings.

Unless otherwise specified, all other notes to the consolidated financial statements include amounts from both continuing and discontinued operations.

The results of Discontinued Operations presented in the consolidated statements of earnings is as follows:

| (\$ millions)  | 12 Weeks Ended |                           |                         |               |                           |                         |
|--|----------------|---------------------------|-------------------------|---------------|---------------------------|-------------------------|
|  | Jun. 18, 2022  |                           |                         | Jun. 19, 2021 |                           |                         |
|  | Weston Foods   | Intersegment Eliminations | Discontinued Operations | Weston Foods  | Intersegment Eliminations | Discontinued Operations |
| <b>Revenue</b>   | \$ -           | \$ -                      | \$ -                    | \$ 431        | \$ (137)                  | \$ 294                  |
| <b>Operating Expenses</b>  |                |                           |                         |               |                           |                         |
| Cost of inventories sold   | -              | -                         | -                       | 313           | (135)                     | 178                     |
| Selling, general and administrative expenses   | -              | -                         | -                       | 124           | 1                         | 125                     |
|  | \$ -           | \$ -                      | \$ -                    | \$ 437        | \$ (134)                  | \$ 303                  |
| <b>Operating Loss</b>  |                |                           | \$ -                    |               |                           | \$ (9)                  |
| Net interest expense and other financing charges   |                |                           | -                       |               |                           | -                       |
| <b>Loss before Income Taxes</b>  |                |                           | \$ -                    |               |                           | \$ (9)                  |
| Income tax recovery  |                |                           | -                       |               |                           | (2)                     |
| <b>Net Loss after Income Taxes</b>   |                |                           | \$ -                    |               |                           | \$ (7)                  |
| Adjustment of previously reported loss on sale of discontinued operations, after income taxes <sup>(i)</sup> |                |                           | (6)                     |               |                           | -                       |
| <b>Net Loss from Discontinued Operations</b>   |                |                           | \$ (6)                  |               |                           | \$ (7)                  |

(i) Includes final working capital adjustments, transaction and other related costs.

| (\$ millions)  | 24 Weeks Ended |                           |                         |               |                           |                         |
|--|----------------|---------------------------|-------------------------|---------------|---------------------------|-------------------------|
|  | Jun. 18, 2022  |                           |                         | Jun. 19, 2021 |                           |                         |
|  | Weston Foods   | Intersegment Eliminations | Discontinued Operations | Weston Foods  | Intersegment Eliminations | Discontinued Operations |
| <b>Revenue</b>   | \$ -           | \$ -                      | \$ -                    | \$ 903        | \$ (274)                  | \$ 629                  |
| <b>Operating Expenses</b>  |                |                           |                         |               |                           |                         |
| Cost of inventories sold   | -              | -                         | -                       | 658           | (269)                     | 389                     |
| Selling, general and administrative expenses   | -              | -                         | -                       | 251           | (4)                       | 247                     |
|  | \$ -           | \$ -                      | \$ -                    | \$ 909        | \$ (273)                  | \$ 636                  |
| <b>Operating Loss</b>  |                |                           | \$ -                    |               |                           | \$ (7)                  |
| Net interest expense and other financing charges   |                |                           | -                       |               |                           | 1                       |
| <b>Loss before Income Taxes</b>  |                |                           | \$ -                    |               |                           | \$ (8)                  |
| Income tax recovery  |                |                           | -                       |               |                           | (1)                     |
| <b>Net Loss after Income Taxes</b>   |                |                           | \$ -                    |               |                           | \$ (7)                  |
| Adjustment of previously reported loss on sale of discontinued operations, after income taxes <sup>(i)</sup> |                |                           | (6)                     |               |                           | -                       |
| <b>Net Loss from Discontinued Operations</b>   |                |                           | \$ (6)                  |               |                           | \$ (7)                  |

(i) Includes final working capital adjustments, transaction and other related costs.

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

The net cash flows used in Discontinued Operations are as follows:

| (\$ millions)  | 12 Weeks Ended |               | 24 Weeks Ended |               |
|--|----------------|---------------|----------------|---------------|
|  | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Cash flows from operating activities                                 | \$ –           | \$ 19         | \$ –           | \$ 16         |
| Cash flows used in investing activities                              | \$ –           | \$ (26)       | \$ –           | \$ (39)       |
| Cash flows used in financing activities                              | \$ –           | \$ (3)        | \$ –           | \$ (4)        |
| Effect of foreign currency rate changes on cash and cash equivalents | \$ –           | \$ 1          | \$ –           | \$ 2          |
| Cash flows used in Discontinued Operations                           | \$ –           | \$ (9)        | \$ –           | \$ (25)       |

### Note 6. Net Interest Expense and Other Financing Charges

The components of net interest expense and other financing charges from continuing operations were as follows:

| (\$ millions)  | 12 Weeks Ended |                              | 24 Weeks Ended |                              |
|--|----------------|------------------------------|----------------|------------------------------|
|  | Jun. 18, 2022  | Jun. 19, 2021 <sup>(i)</sup> | Jun. 18, 2022  | Jun. 19, 2021 <sup>(i)</sup> |
| Interest expense:  |                |                              |                |                              |
| Long-term debt   | \$ 135         | \$ 147                       | \$ 265         | \$ 287                       |
| Lease liabilities  | 41             | 43                           | 83             | 88                           |
| Borrowings related to credit card receivables  | 7              | 8                            | 17             | 17                           |
| Trust Unit distributions   | 52             | 51                           | 103            | 102                          |
| Independent funding trusts   | 4              | 3                            | 7              | 6                            |
| Post-employment and other long-term employee benefits (note 20)                      | (1)            | 2                            | (1)            | 4                            |
| Bank indebtedness  | –              | 2                            | 1              | 2                            |
| Financial liabilities (note 17)  | 11             | 11                           | 22             | 23                           |
| Capitalized interest   | –              | –                            | (1)            | (1)                          |
|  | \$ 249         | \$ 267                       | \$ 496         | \$ 528                       |
| Interest income:   |                |                              |                |                              |
| Accretion income   | \$ (1)         | \$ (2)                       | \$ (2)         | \$ (3)                       |
| Short-term interest income   | (10)           | (4)                          | (16)           | (8)                          |
|  | \$ (11)        | \$ (6)                       | \$ (18)        | \$ (11)                      |
| Fair value adjustment of the Trust Unit liability (note 22)                          | (576)          | 188                          | (483)          | 427                          |
| Recovery related to Glenhuron Bank Limited (note 7)                                  | –              | –                            | (11)           | –                            |
| Forward sale agreement <sup>(ii)</sup>   | –              | 54                           | –              | 104                          |
| Net interest (income) expense and other financing charges from Continuing Operations | \$ (338)       | \$ 503                       | \$ (16)        | \$ 1,048                     |

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

(ii) In the second quarter of 2021, the Company began to settle the net debt associated with the equity forward sale agreement, which was fully settled in the fourth quarter of 2021. Included in the second quarter of 2021 and year-to-date is a charge of \$58 million and \$111 million, respectively, related to the fair value adjustment of the forward sale agreement for the Loblaw common shares. The fair value adjustment of the forward sale agreement results from changes in the value of the underlying Loblaw common shares. Also included in the second quarter of 2021 and year-to-date is forward accretion income of \$9 million and \$17 million, respectively, and the forward fee of \$5 million and \$10 million, respectively, associated with the forward sale agreement.

## Note 7. Income Taxes

For the second quarter of 2022, income tax expense from continuing operations was \$113 million (2021 – \$201 million) and the effective tax rate was 11.4% (2021 – 35.8%). The decrease in the effective tax rate was primarily attributable to the year-over-year impact to the non-taxable fair value adjustment of the Trust Unit liability, the remeasurement of deferred tax balances as a result of Choice Properties' disposition of six office assets (see note 13), and the impact of certain non-deductible items.

On a year-to-date basis, income tax expense was \$342 million (2021 – \$366 million) and the effective tax rate was 18.7% (2021 – 43.3%). The decrease in the effective tax rate was primarily attributable to the year-over-year impact of the non-taxable fair value adjustment of the Trust Unit liability, the remeasurement of deferred tax balances as a result of Choice Properties' disposition of six office assets (see note 13), the recovery of income taxes related to Glenhuron Bank Limited ("Glenhuron") in the first quarter of 2022, and the impact of certain non-deductible items.

Loblaws 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 Loblaws 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 Loblaws on the Glenhuron matter. As a result of related assessments received during the first quarter of 2022, Loblaws 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 23).

## Note 8. Basic and Diluted Net Earnings per Common Share

| (\$ millions except where otherwise indicated)  | 12 Weeks Ended |                              | 24 Weeks Ended |                              |
|---|----------------|------------------------------|----------------|------------------------------|
|   | Jun. 18, 2022  | Jun. 19, 2021 <sup>(i)</sup> | Jun. 18, 2022  | Jun. 19, 2021 <sup>(i)</sup> |
| Net earnings attributable to shareholders of the Company  | \$ 644         | \$ 118                       | \$ 1,017       | \$ 66                        |
| Less: Discontinued Operations (note 5)  | (6)            | (7)                          | (6)            | (7)                          |
| Net earnings from continuing operations attributable to shareholders of the Company                     | 650            | 125                          | 1,023          | 73                           |
| Prescribed dividends on preferred shares in share capital   | (10)           | (10)                         | (20)           | (20)                         |
| Net earnings from continuing operations available to common shareholders of the Company                 | \$ 640         | \$ 115                       | \$ 1,003       | \$ 53                        |
| Reduction in net earnings due to dilution at Loblaws  | (2)            | (2)                          | (4)            | (3)                          |
| Net earnings from continuing operations available to common shareholders for diluted earnings per share | \$ 638         | \$ 113                       | \$ 999         | \$ 50                        |
| Weighted average common shares outstanding (in millions) (note 18)                                      | 145.7          | 151.5                        | 146.2          | 151.8                        |
| Dilutive effect of equity-based compensation <sup>(ii)</sup> (in millions)                              | 0.6            | 0.3                          | 0.6            | 0.2                          |
| Diluted weighted average common shares outstanding (in millions)  | 146.3          | 151.8                        | 146.8          | 152.0                        |
| Net earnings (loss) per common share - Basic (\$)   |                |                              |                |                              |
| Continuing Operations   | \$ 4.39        | \$ 0.75                      | \$ 6.86        | \$ 0.35                      |
| Discontinued Operations   | \$ (0.04)      | \$ (0.04)                    | \$ (0.04)      | \$ (0.05)                    |
| Net earnings (loss) per common share - Diluted (\$)   |                |                              |                |                              |
| Continuing Operations   | \$ 4.36        | \$ 0.74                      | \$ 6.81        | \$ 0.33                      |
| Discontinued Operations   | \$ (0.04)      | \$ (0.04)                    | \$ (0.04)      | \$ (0.05)                    |

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

(ii) In the second quarter of 2022 and year-to-date, nominal (2021 – nominal) and nominal (2021 – 1.5 million) potentially dilutive instruments, respectively, were excluded from the computation of diluted net earnings (loss) per common share as they were anti-dilutive.

# Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

## Note 9. 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)                      | Jun. 18, 2022 | As at         |               |
|------------------------------------|---------------|---------------|---------------|
|                                    |               | Jun. 19, 2021 | Dec. 31, 2021 |
| Cash                               | \$ 852        | \$ 1,067      | \$ 1,255      |
| Cash equivalents:                  |               |               |               |
| Government treasury bills          | 490           | 992           | 632           |
| Bankers' acceptances               | 898           | 729           | 1,073         |
| Corporate commercial paper         | 41            | 7             | 3             |
| Guaranteed investment certificates | –             | –             | 21            |
| Cash and cash equivalents          | \$ 2,281      | \$ 2,795      | \$ 2,984      |

### SHORT-TERM INVESTMENTS

| (\$ millions)                      | Jun. 18, 2022 | As at         |               |
|------------------------------------|---------------|---------------|---------------|
|                                    |               | Jun. 19, 2021 | Dec. 31, 2021 |
| Government treasury bills          | \$ 366        | \$ 553        | \$ 776        |
| Bankers' acceptances               | 55            | 30            | 97            |
| Corporate commercial paper         | –             | –             | 1             |
| Guaranteed Investment Certificates | 21            | 29            | 5             |
| Short-term investments             | \$ 442        | \$ 612        | \$ 879        |

### SECURITY DEPOSITS

| (\$ millions)             | Jun. 18, 2022 | As at         |               |
|---------------------------|---------------|---------------|---------------|
|                           |               | Jun. 19, 2021 | Dec. 31, 2021 |
| Cash                      | \$ 50         | \$ 62         | \$ 46         |
| Government treasury bills | 30            | 12            | 29            |
| Security Deposits         | \$ 80         | \$ 74         | \$ 75         |

## Note 10. Credit Card Receivables

The components of credit card receivables were as follows:

| (\$ millions)  | Jun. 18, 2022 | As at         |               |
|--|---------------|---------------|---------------|
|  |               | Jun. 19, 2021 | Dec. 31, 2021 |
| 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> <sup>®</sup> (note 16) | \$ 1,350      | \$ 1,050      | \$ 1,350      |
| Securitized to Other Independent Securitization Trusts (note 15)     | 500           | 300           | 450           |
| Total securitized to independent securitization trusts               | \$ 1,850      | \$ 1,350      | \$ 1,800      |

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

The associated liability of *Eagle* is recorded in long-term debt (see note 16). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short-term debt (see note 15).

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 the end of the second quarter of 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; December 31, 2021 – \$41 million), which represented 9% (June 19, 2021 – 9%; December 31, 2021 – 9%) of the securitized credit card receivables amount.

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

## Note 11. Inventories

The components of inventories were as follows:

| (\$ millions)              | Jun. 18, 2022 | As at         |               |
|----------------------------|---------------|---------------|---------------|
|                            |               | Jun. 19, 2021 | Dec. 31, 2021 |
| Finished goods             | \$ 5,360      | \$ 5,153      | \$ 5,166      |
| Raw materials and supplies | –             | 93            | –             |
| Inventories                | \$ 5,360      | \$ 5,246      | \$ 5,166      |

As at the end of the second quarter of 2022, Loblaw has an inventory provision of \$64 million (June 19, 2021 – \$42 million; December 31, 2021 – \$67 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of inventories sold. There were no reversals of previously recorded write-downs of inventories during the first half of 2022 and 2021.

## Note 12. Assets Held for Sale

Loblaw 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 Loblaw's retail business segment or held in investment properties. In the second quarter of 2022, Loblaw recorded a gain of \$4 million (2021 – nominal gain) from the sale of these assets. On a year-to-date basis, Loblaw recorded a net gain of \$23 million (2021 – net gain of \$5 million) from the sale of these assets. On consolidation, the gain recognized in the first quarter of 2022 of \$19 million was reversed as it was an intercompany transaction. No fair value changes or impairment charges were recognized on assets held for sale in the first half of 2022 and 2021.

## Note 13. Other Assets

The components of other assets were as follows:

| (\$ millions)  | Jun. 18, 2022 | As at                        |                              |
|--|---------------|------------------------------|------------------------------|
|  |               | Jun. 19, 2021 <sup>(i)</sup> | Dec. 31, 2021 <sup>(i)</sup> |
| Investment in real estate securities   | \$ 392        | \$ –                         | \$ –                         |
| Sundry investments and other receivables   | 197           | 156                          | 206                          |
| Net accrued benefit plan asset <sup>(note 20)</sup>                                    | 221           | 395                          | 495                          |
| Finance lease receivable   | 67            | 75                           | 70                           |
| Mortgages, loans and notes receivable <sup>(ii)</sup>                                  | 472           | 143                          | 187                          |
| Other  | 258           | 165                          | 137                          |
| Fair value of equity forward   | –             | 491                          | –                            |
| Total Other Assets   | \$ 1,607      | \$ 1,425                     | \$ 1,095                     |
| Current portion of mortgages, loans, note and finance lease receivable <sup>(ii)</sup> | (105)         | (52)                         | (80)                         |
| Current portion of fair value of equity forward <sup>(iii)</sup>                       | –             | (262)                        | –                            |
| Other Assets   | \$ 1,502      | \$ 1,111                     | \$ 1,015                     |

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

(ii) Current portion of mortgages, loans, note and finance lease receivable is included in prepaid expenses and other assets in the consolidated balance sheets.

(iii) Current portion of fair value of equity forward is included in prepaid expenses and other assets in the consolidated balance sheets.

# Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

**Strategic Disposition** In the second quarter of 2022, on March 31, 2022, Choice Properties disposed of its interests in a portfolio of six office assets to Allied Properties Real Estate Investment Trust (“Allied”). The consideration received consisted of 11,809,145 exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership (“Allied Class B Units”), an affiliated entity of Allied, with a fair value of \$551 million on the transaction date, and a promissory note with a fair value of \$193 million (face value of \$200 million). Following the transaction, Choice Properties holds approximately an 8.5% effective interest in Allied through its ownership of the Allied Class B Units. Choice Properties does not have significant influence over Allied.

The Allied Class B Units are exchangeable into, and are economically equivalent to, the publicly traded trust units of Allied (“Allied Units”), and were accompanied by a corresponding number of special voting units of Allied. There are no restrictions on the exchange of Allied Class B Units into Allied Units, but the Allied Units (if exchanged) are subject to a lock-up from the closing of the transaction, such that 25% of the Allied Class B Units or Allied Units, as applicable, will be released from lock up every three months following the first anniversary of closing of the transaction. As a holder of the Allied Class B Units, Choice Properties is entitled to distributions paid by Allied.

The Allied Class B Units are recorded at their fair value based on market trading prices of Allied’s publicly traded trust units. As at quarter-end, Choice Properties held 11,809,145 Allied Class B Units with a fair value of \$392 million, which are included in investment in real estate securities in the table above.

The promissory note is secured by the six office assets and bears interest at a rate of 1% for the remainder of the 2022 calendar year and 2% subsequently until its maturity on December 31, 2023. The promissory note is included in mortgages, loans and notes receivables in the table above.

## Note 14. Provisions

**LOBLAW** On July 19, 2022, the Tax Court of Canada (“Tax Court”) released its decision relating to PC Bank, a subsidiary of Loblaw. The Tax Court ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaws Inc. in respect of redemptions of loyalty points. PC Bank is planning to appeal the decision.

Although Loblaw believes in the merits of its position, it recorded a charge during the second quarter of \$111 million, inclusive of interest. Loblaw 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 15. Short-Term Debt

The components of short-term debt were as follows:

| (\$ millions)                                     | As at         |               |               |
|---|---------------|---------------|---------------|
|   | Jun. 18, 2022 | Jun. 19, 2021 | Dec. 31, 2021 |
| Other Independent Securitization Trusts (note 10) | \$ 500        | \$ 300        | \$ 450        |
| Series B Debentures                               | –             | 719           | –             |
| Short-term debt                                   | \$ 500        | \$ 1,019      | \$ 450        |

**OTHER INDEPENDENT SECURITIZATION TRUSTS** The outstanding short-term debt balances relate to credit card receivables securitized to the Other Independent Securitization Trusts with recourse (see note 10).

## Note 16. Long-Term Debt

The components of long-term debt were as follows:

| (\$ millions)                               | As at         |               |               |
|---|---------------|---------------|---------------|
|   | Jun. 18, 2022 | Jun. 19, 2021 | Dec. 31, 2021 |
| Debentures                                  | \$ 9,890      | \$ 10,468     | \$ 9,888      |
| Long-term debt secured by mortgage          | 972           | 1,214         | 1,112         |
| Construction loans                          | 18            | 8             | 13            |
| Guaranteed Investment Certificates          | 1,075         | 1,048         | 996           |
| Independent Securitization Trusts (note 10) | 1,350         | 1,050         | 1,350         |
| Independent funding trusts                  | 582           | 582           | 570           |
| Committed credit facilities                 | 335           | 55            | 121           |
| Transaction costs and other                 | (39)          | (40)          | (40)          |
| Total long-term debt                        | \$ 14,183     | \$ 14,385     | \$ 14,010     |
| Long-term debt due within one year          | (1,218)       | (1,966)       | (1,520)       |
| Long-term debt                              | \$ 12,965     | \$ 12,419     | \$ 12,490     |

The Company, Loblaw and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at the end of and throughout the first half of 2022, the Company, Loblaw and Choice Properties were in compliance with the financial covenants.

**DEBENTURES** There were no debentures issued on a year-to-date basis in 2022 and 2021. The following table summarizes the debentures repaid in the periods ended as indicated:

| (\$ millions)                      | Interest Rate | Maturity Date                    | 12 Weeks Ended |               | 24 Weeks Ended |               |
|------------------------------------|---------------|----------------------------------|----------------|---------------|----------------|---------------|
|                                    |               |                                  | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| George Weston debenture - Series A | 7.00%         | November 10, 2031 <sup>(i)</sup> | \$ -           | \$ 36         | \$ -           | \$ 36         |
| Total debentures repaid            |               |                                  | \$ -           | \$ 36         | \$ -           | \$ 36         |

- (i) In the second quarter of 2021, the Company partially settled the net debt associated with the equity forward sale agreement by paying \$53 million net of the \$43 million gain on the settlement of 0.75 million of the 9.6 million shares under the equity forward sale agreement (note 13) to redeem 7.8% of the Series A Debentures and Series B Debentures, including accrued interest. As a result of the transaction, the Company redeemed \$36 million of the Series A Debentures and \$60 million of the Series B Debentures (note 15).

Subsequent to the end of the second quarter of 2022, Choice Properties completed a \$500 million offering on a private placement basis of the Series R senior unsecured debentures bearing interest at 6.003% per annum and maturing on June 24, 2032. Choice Properties used the net proceeds of the issuance to repay existing indebtedness, including the early redemption of Choice Properties \$300 million aggregate principal amount of 3.60% Series 10 senior unsecured debentures on June 26, 2022, with an original maturity date of September 20, 2022. Choice Properties also used the proceeds to repay a portion of the balance drawn on its credit facility.

**GUARANTEED INVESTMENT CERTIFICATES ("GICs")** The following table summarizes PC Bank's GIC activity, before commissions, for the periods ended as follows:

| (\$ millions)                | 12 Weeks Ended |               | 24 Weeks Ended |               |
|------------------------------|----------------|---------------|----------------|---------------|
|                              | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| 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      |

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

**INDEPENDENT FUNDING TRUSTS** Loblaw 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 December 31, 2021 – \$64 million), representing not less than 10% (June 19, 2021 and December 31, 2021 – 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 FACILITIES** The components of the committed lines of credit available were as follows:

| (\$ millions)                     | Maturity Date      | Jun. 18, 2022    |        | As at            |       |                  |        |
|-----------------------------------|--------------------|------------------|--------|------------------|-------|------------------|--------|
|                                   |                    | Available Credit | Drawn  | Jun. 19, 2021    |       | Dec. 31, 2021    |        |
|                                   |                    | Available Credit | Drawn  | Available Credit | Drawn | Available Credit | Drawn  |
| George Weston                     | September 13, 2024 | \$ 350           | \$ –   | \$ –             | \$ –  | \$ 350           | \$ 121 |
| Loblaw                            | October 7, 2023    | 1,000            | –      | 1,000            | –     | 1,000            | –      |
| Choice Properties                 | June 24, 2026      | 1,500            | 335    | 1,500            | 55    | 1,500            | –      |
| Total committed credit facilities |                    | \$ 2,850         | \$ 335 | \$ 2,500         | \$ 55 | \$ 2,850         | \$ 121 |

These facilities contain certain financial covenants.

**George Weston** In the third quarter of 2021, GWL entered into a \$350 million revolving committed credit facility provided by a syndicate of lenders with a maturity date of September 13, 2024. As at December 31, 2021, \$121 million was drawn on the facility which was repaid in the first quarter of 2022. As at June 18, 2022, no amounts were drawn on the facility.

**Loblaw** Loblaw has a \$1 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, Loblaw 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 December 31, 2021 – no amounts were drawn).

**Choice Properties** Subsequent to the end of the second quarter of 2022, on June 30, 2022, Choice Properties completed an irrevocable defeasance payment of \$180 million against its outstanding credit facility balance. The balance outstanding at June 30, 2022, comprised of banker's acceptances maturing on July 4, 2022. The administrative agent for the credit facility will distribute the payment to the lenders on the maturity date at which point the liability will be extinguished.

**LONG-TERM DEBT DUE WITHIN ONE YEAR** The components of long-term debt due within one year were as follows:

| (\$ millions)                      | As at         |               |               |
|------------------------------------|---------------|---------------|---------------|
|                                    | Jun. 18, 2022 | Jun. 19, 2021 | Dec. 31, 2021 |
| Debentures                         | \$ 671        | \$ 725        | \$ 296        |
| GICs                               | 235           | 402           | 182           |
| Independent Securitization Trusts  | 250           | –             | 250           |
| Independent funding trusts         | –             | 582           | 570           |
| Long-term debt secured by mortgage | 57            | 252           | 217           |
| Construction Loans                 | 5             | 5             | 5             |
| Long-term debt due within one year | \$ 1,218      | \$ 1,966      | \$ 1,520      |

**RECONCILIATION OF LONG-TERM DEBT** The following table reconciles the changes in cash flows from/(used in) long-term debt financing activities for the periods ended as indicated:

| (\$ millions)  | 12 Weeks Ended |               | 24 Weeks Ended |               |
|--|----------------|---------------|----------------|---------------|
|  | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Long-term debt, beginning of period                      | \$ 13,919      | \$ 14,419     | \$ 14,010      | \$ 14,443     |
| Long-term debt issuances <sup>(i)</sup>                  | 437            | 279           | 534            | 309           |
| Long-term debt repayments <sup>(ii)</sup>                | (170)          | (312)         | (346)          | (367)         |
| Total cash flow from long-term debt financing activities | 267            | (33)          | 188            | (58)          |
| Other non-cash changes                                   | (3)            | (1)           | (15)           | –             |
| Total long-term debt, end of period                      | \$ 14,183      | \$ 14,385     | \$ 14,183      | \$ 14,385     |

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

(ii) In 2021, includes \$36 million repayment of George Weston Series A debentures which are presented within the line "Settlement of net debt associated with equity forward sale agreement" in the condensed consolidated statement of cash flows.

## Note 17. Other Liabilities

The components of other liabilities were as follows:

| (\$ millions)                                 | As at         |               |               |
|---|---------------|---------------|---------------|
|   | Jun. 18, 2022 | Jun. 19, 2021 | Dec. 31, 2021 |
| Financial liabilities <sup>(i)</sup>          | \$ 666        | \$ 662        | \$ 660        |
| Net defined benefit plan obligation (note 20) | 321           | 341           | 340           |
| Other long-term employee benefit obligation   | 114           | 136           | 115           |
| Equity-based compensation liability (note 21) | 5             | 6             | 6             |
| Other   | 32            | 8             | 18            |
| Other liabilities                             | \$ 1,138      | \$ 1,153      | \$ 1,139      |

(i) Financial liabilities represent land and buildings disposed or partially disposed of by Choice Properties to third parties. On consolidation, these transactions were not recognized as a sale of assets as under the terms of the leases, the Company did not relinquish control of the properties for purposes of IFRS 16 "Leases" and IFRS 15 "Revenue from Contracts with Customers". Instead, the proceeds from the transactions were recognized as financial liabilities and as at June 18, 2022, \$4 million (June 19, 2021 – \$3 million; December 31, 2021 – \$4 million) was recorded in trade payables and other liabilities and \$666 million (June 19, 2021 – \$662 million; December 31, 2021 – \$660 million) was recorded in other liabilities.

# Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

## Note 18. Share Capital

**COMMON SHARE CAPITAL** The following table summarizes the activity in the Company's common shares issued and outstanding for the periods ended as indicated:

| (\$ millions except where otherwise indicated)                      | 12 Weeks Ended          |                      |                         |                      | 24 Weeks Ended          |                      |                         |                      |
|---|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|-------------------------|----------------------|
|   | Jun. 18, 2022           |                      | Jun. 19, 2021           |                      | Jun. 18, 2022           |                      | Jun. 19, 2021           |                      |
|   | Number of Common Shares | Common Share Capital | Number of Common Shares | Common Share Capital | Number of Common Shares | Common Share Capital | Number of Common Shares | Common Share Capital |
| Issued and outstanding, beginning of period                         | 146,588,055             | \$ 2,702             | 151,933,747             | \$ 2,785             | 146,789,503             | \$ 2,714             | 152,374,416             | \$ 2,786             |
| Issued for settlement of stock options (note 21)                    | 123                     | –                    | 14,050                  | 3                    | 168,175                 | 20                   | 104,545                 | 11                   |
| Purchased and cancelled <sup>(i)</sup>                              | (1,841,426)             | (31)                 | (1,165,956)             | (46)                 | (2,210,926)             | (63)                 | (1,697,120)             | (55)                 |
| Issued and outstanding, end of period                               | 144,746,752             | \$ 2,671             | 150,781,841             | \$ 2,742             | 144,746,752             | \$ 2,671             | 150,781,841             | \$ 2,742             |
| Shares held in trusts, beginning of period                          | (65,366)                | \$ (1)               | (181,625)               | \$ (3)               | (141,106)               | \$ (2)               | (254,525)               | \$ (4)               |
| Released for settlement of RSUs and PSUs (note 21)                  | 1,103                   | –                    | 526                     | –                    | 76,843                  | 1                    | 73,426                  | 1                    |
| Shares held in trusts, end of period                                | (64,263)                | \$ (1)               | (181,099)               | \$ (3)               | (64,263)                | \$ (1)               | (181,099)               | \$ (3)               |
| Issued and outstanding, net of shares held in trusts, end of period | 144,682,489             | \$ 2,670             | 150,600,742             | \$ 2,739             | 144,682,489             | \$ 2,670             | 150,600,742             | \$ 2,739             |
| Weighted average outstanding, net of shares held in trusts (note 8) | 145,686,457             |                      | 151,498,459             |                      | 146,204,062             |                      | 151,795,628             |                      |

(i) Number of common shares repurchased and cancelled as at June 18, 2022, does not include shares that may be repurchased subsequent to the end of the quarter under the automatic share purchase plan ("ASPP"), as described below.

**NORMAL COURSE ISSUER BID PROGRAM** The following table summarizes the Company's activity under its NCIB:

| (\$ millions except where otherwise indicated)                       | 12 Weeks Ended |               | 24 Weeks Ended |               |
|--|----------------|---------------|----------------|---------------|
|  | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Purchased for current settlement of RSUs and DSUs (number of shares) | 15,716         | –             | 15,716         | 1,588         |
| Purchased and cancelled (number of shares)                           | 1,841,426      | 1,165,956     | 2,210,926      | 1,697,120     |
| Cash consideration paid  |                |               |                |               |
| Purchased and cancelled <sup>(i)</sup>                               | \$ (278)       | \$ (141)      | \$ (325)       | \$ (166)      |
| Premium charged to retained earnings                                 |                |               |                |               |
| Purchased and cancelled <sup>(ii)</sup>                              | \$ 221         | \$ 246        | \$ 446         | \$ 292        |
| Reduction in share capital <sup>(iii)</sup>                          | \$ 31          | \$ 46         | \$ 63          | \$ 55         |

(i) Included in the second quarter of 2022 and year-to-date is a net cash timing adjustment of \$(6) million (2021 – \$4 million) and \$(17) million (2021 – \$(26) million), respectively, of common shares repurchased under the NCIB for cancellation.

(ii) Includes \$144 million (2021 – \$131 million) related to the ASPP, as described below.

(iii) Includes \$22 million (2021 – \$24 million) related to the ASPP, as described below.

In the second quarter of 2022, GWL renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 7,304,927 of its common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares.

The Company participates in an 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 \$166 million (2021 - \$155 million) was recognized under the ASPP in trade payables and other liabilities.

As of June 18, 2022, 509,542 common shares were purchased under the Company's current NCIB.

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

| (\$)  | 12 Weeks Ended |               | 24 Weeks Ended |               |
|---|----------------|---------------|----------------|---------------|
|   | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Dividends declared per share <sup>(i)</sup> : |                |               |                |               |
| Common share                                  | \$ 0.660       | \$ 0.550      | \$ 1.260       | \$ 1.100      |
| Preferred share:                              |                |               |                |               |
| Series I                                      | \$ 0.3625      | \$ 0.3625     | \$ 0.7250      | \$ 0.7250     |
| Series III                                    | \$ 0.3250      | \$ 0.3250     | \$ 0.6500      | \$ 0.6500     |
| Series IV                                     | \$ 0.3250      | \$ 0.3250     | \$ 0.6500      | \$ 0.6500     |
| Series V                                      | \$ 0.296875    | \$ 0.296875   | \$ 0.593750    | \$ 0.593750   |

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on July 1, 2022. Dividends declared on Preferred Shares, Series I were paid on June 15, 2022.

## Note 19. Loblaw Capital Transactions

**LOBLAW PREFERRED SHARES** As at the end of the second quarter of 2022, the Second Preferred Shares, Series B in the amount of \$221 million net of \$4 million of after-tax issuance costs, and related cash dividends, were presented as a component of non-controlling interests in the Company's condensed consolidated balance sheet. In the second quarter of 2022 and year-to-date, Loblaw declared dividends of \$3 million (2021 - \$3 million) and \$6 million (2021 - \$6 million), respectively, related to the Second Preferred Shares, Series B.

**LOBLAW COMMON SHARES** The following table summarizes Loblaw's common share activity under its equity-based compensation arrangements and NCIB, and includes the impact on the Company's unaudited interim period condensed consolidated financial statements for the periods ended as indicated:

| (\$ millions except where otherwise indicated)  | 12 Weeks Ended |               | 24 Weeks Ended |               |
|---|----------------|---------------|----------------|---------------|
|   | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Issued (number of shares)                       | 189,776        | 848,135       | 1,360,469      | 1,403,904     |
| Purchased and held in trusts (number of shares) | (305,000)      | –             | (557,000)      | –             |
| Purchased and cancelled (number of shares)      | (5,369,375)    | (4,806,098)   | (6,708,626)    | (10,177,962)  |
|   | (5,484,599)    | (3,957,963)   | (5,905,157)    | (8,774,058)   |
| Cash consideration received (paid)              |                |               |                |               |
| Equity-based compensation                       | \$ 9           | \$ 42         | \$ 52          | \$ 49         |
| Purchased and held in trusts                    | (35)           | –             | (63)           | –             |
| Purchased and cancelled <sup>(i)</sup>          | (603)          | (379)         | (728)          | (700)         |
|   | \$ (629)       | \$ (337)      | \$ (739)       | \$ (651)      |
| Increase (decrease) in contributed surplus      |                |               |                |               |
| Equity-based compensation                       | \$ 6           | \$ 14         | \$ 25          | \$ 21         |
| Purchased and held in trusts                    | (14)           | –             | (24)           | –             |
| Purchased and cancelled                         | (134)          | (90)          | (220)          | (177)         |
|   | \$ (142)       | \$ (76)       | \$ (219)       | \$ (156)      |

(i) \$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.

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

**NORMAL COURSE ISSUER BID** During 2020, the TSX accepted an amendment to Loblaw's NCIB. The amendment permitted Loblaw to purchase its common shares from GWL under Loblaw's NCIB, pursuant to an automatic disposition plan agreement among Loblaw's broker, Loblaw and GWL, in order for GWL to maintain its proportionate ownership interest in Loblaw.

In the second quarter of 2022, Loblaw renewed its NCIB to purchase on the TSX or through alternative trading systems up to 16,647,384 of Loblaw's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, Loblaw may purchase its common shares from time to time at the then market price of such shares. Loblaw will continue to be permitted to purchase its common shares from GWL in accordance with the exemption granted by the TSX. As at June 18, 2022, Loblaw had purchased 5,369,375 common shares for cancellation under its current NCIB.

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

Loblaw participates in an ASPP with a broker in order to facilitate the repurchase of Loblaw's common shares under its NCIB. During the effective period of the ASPP, Loblaw's broker may purchase common shares at times when Loblaw would not be active in the market.

### Note 20. Post-Employment and Other Long-Term Employee Benefits

The net cost recognized in earnings before income taxes from Continuing Operations for the Company's post-employment and other long-term benefit plans during the periods was as follows:

| (\$ millions)  | 12 Weeks Ended |               | 24 Weeks Ended |               |
|--|----------------|---------------|----------------|---------------|
|  | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Current service cost                                   |                |               |                |               |
| Post-employment benefit costs <sup>(i)</sup>           | \$ 37          | \$ 41         | \$ 82          | \$ 89         |
| Other long-term employee benefit costs <sup>(ii)</sup> | –              | 9             | 8              | 17            |
| Interest cost on net defined benefit plan obligations  | (1)            | 2             | (1)            | 4             |
| Total post-employed defined benefit cost               | \$ 36          | \$ 52         | \$ 89          | \$ 110        |

(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 from Continuing Operations for defined benefit plans during the periods were as follows:

| (\$ millions)  | 12 Weeks Ended |               | 24 Weeks Ended |               |
|--|----------------|---------------|----------------|---------------|
|  | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Loss (Return) on plan assets, excluding amounts included in net interest expense and other financing charges | \$ 317         | \$ (151)      | \$ 721         | \$ 74         |
| Actuarial gains from changes in financial assumptions <sup>(i)</sup>   | (191)          | (24)          | (615)          | (341)         |
| Change in liability arising from asset ceiling   | 121            | –             | 123            | –             |
| Total net actuarial losses (gains) recognized in other comprehensive income (loss) before income taxes       | \$ 247         | \$ (175)      | \$ 229         | \$ (267)      |
| Income tax (recoveries) expenses on actuarial losses (gains)   | (66)           | 46            | (61)           | 71            |
| Actuarial losses (gains) net of income tax (recoveries) expenses   | \$ 181         | \$ (129)      | \$ 168         | \$ (196)      |

(i) The actuarial gains and the change in liability arising from asset ceiling recognized in the second quarter of 2022 and year-to-date and second quarter of 2021 and year-to-date were primarily driven by an increase in discount rates.

## Note 21. Equity-Based Compensation

The Company's equity-based compensation arrangements include Stock Option, Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), Director Deferred Share Unit ("DSU") and Executive Deferred Share Unit ("EDSU") plans and Choice Properties' unit-based compensation plans. The Company's costs recognized in SG&A related to its equity-based compensation arrangements for the second quarter of 2022 and year-to-date were \$17 million (2021 - \$18 million) and \$41 million (2021 - \$39 million), respectively.

The following is the carrying amount of the Company's equity-based compensation arrangements:

| (\$ millions)                        | As at         |               |               |
|--------------------------------------|---------------|---------------|---------------|
|                                      | Jun. 18, 2022 | Jun. 19, 2021 | Dec. 31, 2021 |
| Trade payables and other liabilities | \$ 9          | \$ 11         | \$ 11         |
| Other liabilities (note 17)          | \$ 5          | \$ 6          | \$ 6          |
| Contributed surplus                  | \$ 113        | \$ 116        | \$ 131        |

Details related to certain equity-based compensation plans of GWL and Loblaw are as follows:

**STOCK OPTION PLANS** The following is a summary of GWL's stock option plan activity:

|  | 12 Weeks Ended |               | 24 Weeks Ended |               |
|--|----------------|---------------|----------------|---------------|
|  | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Outstanding options, beginning of period | 1,817,153      | 2,050,819     | 1,817,548      | 1,746,483     |
| Granted                                  | –              | –             | 167,657        | 397,183       |
| Exercised (note 18)                      | (123)          | (14,050)      | (168,175)      | (104,545)     |
| Forfeited/cancelled                      | –              | (1,078)       | –              | (3,430)       |
| Outstanding options, end of period       | 1,817,030      | 2,035,691     | 1,817,030      | 2,035,691     |

During the second quarter of 2022, GWL issued common shares on the exercise of stock options with a weighted average market share price of \$147.06 (2021 - \$118.50) per common share and received nominal cash consideration (2021 - \$2 million).

In the year-to-date of 2022, GWL issued common shares on the exercise of stock options with a weighted average market share price of \$150.62 (2021 - \$108.07) per common share and received cash consideration of \$17 million (2021 - \$9 million).

There were no stock options granted during the second quarter of 2022 and 2021. In the year-to-date of 2022, GWL granted stock options with a weighted average exercise price of \$152.97 (2021 - \$100.86) per common share and a fair value of \$4 million (2021 - \$6 million). The assumptions used to measure the grant date fair value of the GWL options granted during the periods ended as indicated under the Black-Scholes stock option valuation model were as follows:

|                                 | 24 Weeks Ended  |                 |
|---------------------------------|-----------------|-----------------|
|                                 | Jun. 18, 2022   | Jun. 19, 2021   |
| Expected dividend yield         | 1.6%            | 2.2%            |
| Expected share price volatility | 19.0% - 20.0%   | 19.1% - 19.5%   |
| Risk-free interest rate         | 1.6%            | 0.9% - 1.1%     |
| Expected life of options        | 4.9 - 6.6 years | 4.9 - 6.7 years |

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at the end of the second quarter of 2022 was 1.3% (2021 - 1.4%).

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

The following is a summary of Loblaw's stock option plan activity:

|  | 12 Weeks Ended |               | 24 Weeks Ended |               |
|--|----------------|---------------|----------------|---------------|
|  | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| 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                                | (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, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of \$114.86 (2021 – \$72.98) per common share and received cash consideration of \$9 million (2021 – \$42 million). In the year-to-date of 2022, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of \$109.59 (2021 – \$72.01) per common share and received cash consideration of \$52 million (2021 – \$49 million).

During the second quarter of 2022, Loblaw granted stock options with a weighted average exercise price of \$115.84 (2021 – \$71.32) per common share and a nominal fair value (2021 – \$2 million). In the year-to-date of 2022, Loblaw granted stock options with a weighted average exercise price of \$99.71 (2021 – \$63.39) per common share and a \$20 million fair value (2021 – \$17 million). The assumptions used to measure the grant date fair value of the Loblaw options granted during the periods ended as indicated under the Black-Scholes stock option valuation model were as follows:

|                                 | 12 Weeks Ended  |                 | 24 Weeks Ended  |                 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                 | Jun. 18, 2022   | Jun. 19, 2021   | Jun. 18, 2022   | Jun. 19, 2021   |
| 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 the end of the second quarter of 2022 was 11.0% (2021 – 9.0%).

**RESTRICTED SHARE UNIT PLANS** The following is a summary of GWL's RSU plan activity:

| (Number of awards)                             | 12 Weeks Ended |               | 24 Weeks Ended |               |
|--|----------------|---------------|----------------|---------------|
|  | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Outstanding RSUs, beginning of period          | 29,574         | 113,785       | 29,777         | 133,038       |
| Granted  | –              | 435           | 6,498          | 31,721        |
| Reinvested                                     | 115            | 564           | 271            | 1,335         |
| Settled  | (1,103)        | (526)         | (6,386)        | (51,408)      |
| Forfeited                                      | (101)          | (1,112)       | (1,675)        | (1,540)       |
| Outstanding RSUs, end of period <sup>(i)</sup> | 28,485         | 113,146       | 28,485         | 113,146       |

i) RSUs outstanding in the second quarter of 2021 include RSUs from continuing and discontinued operations.

During the second quarter of 2022, there were no GWL RSUs granted resulting in a fair value of nil (2021 – nominal). In the year-to-date of 2022, the fair value of GWL RSUs granted was \$1 million (2021 – \$3 million).

The following is a summary of Loblaw's RSU plan activity:

| (Number of awards)                    | 12 Weeks Ended |               | 24 Weeks Ended |               |
|---------------------------------------|----------------|---------------|----------------|---------------|
|                                       | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Outstanding RSUs, 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)      |
| Outstanding RSUs, end of period       | 735,587        | 888,056       | 735,587        | 888,056       |

During the second quarter of 2022, the fair value of Loblaw's RSUs granted was \$2 million (2021 - \$4 million). In the year-to-date of 2022, the fair value of Loblaw's RSUs granted was \$20 million (2021 - \$21 million)

**PERFORMANCE SHARE UNIT PLANS** The following is a summary of GWL's PSU plan activity:

| (Number of awards)                    | 12 Weeks Ended |               | 24 Weeks Ended |               |
|---------------------------------------|----------------|---------------|----------------|---------------|
|                                       | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Outstanding PSUs, beginning of period | 141,589        | 181,139       | 183,841        | 151,058       |
| Granted                               | -              | -             | 27,466         | 58,216        |
| Reinvested                            | 552            | 902           | 1,299          | 1,774         |
| Settled                               | -              | -             | (70,457)       | (23,606)      |
| Forfeited                             | -              | -             | (8)            | (5,401)       |
| Outstanding PSUs, end of period       | 142,141        | 182,041       | 142,141        | 182,041       |

There were no PSUs granted in the second quarter of 2022 and 2021. In the year-to-date of 2022, the fair value of GWL's PSUs granted was \$4 million (2021 - \$6 million).

The following is a summary of Loblaw's PSU plan activity:

| (Number of awards)                    | 12 Weeks Ended |               | 24 Weeks Ended |               |
|---------------------------------------|----------------|---------------|----------------|---------------|
|                                       | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Outstanding PSUs, 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)      |
| Outstanding PSUs, end of period       | 601,853        | 654,532       | 601,853        | 654,532       |

During the second quarter of 2022, the fair value of Loblaw's PSUs granted was \$2 million (2021 - \$2 million). In the year-to-date of 2022, the fair value of Loblaw's PSUs granted was \$18 million (2021 - \$17 million).

**SETTLEMENT OF AWARDS FROM SHARES HELD IN TRUSTS** The following table summarizes GWL's settlement of RSUs and PSUs from shares held in trusts for the periods ended as indicated:

| (Number of awards)             | 12 Weeks Ended |               | 24 Weeks Ended |               |
|--------------------------------|----------------|---------------|----------------|---------------|
|                                | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Settled                        | 1,103          | 526           | 76,843         | 75,014        |
| Released from trusts (note 18) | 1,103          | 526           | 76,843         | 73,426        |

The settlement of awards from shares held in trusts in the second quarter of 2022 resulted in a nominal increase (2021 - nominal) in retained earnings and a nominal increase (2021 - nominal) in share capital. The settlement of awards from shares held in trusts in the year-to-date for 2022 resulted in a \$6 million increase (2021 - \$6 million) in retained earnings and a \$1 million increase (2021 - \$1 million) in share capital.

# Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

## Note 22. Financial Instruments

The following table presents the fair value and fair value hierarchy of the Company's financial instruments and excludes financial instruments measured at 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)  | Jun. 18, 2022 |         |         |        | As at<br>Jun. 19, 2021 <sup>(i)</sup> |         |         |        | Dec. 31, 2021 <sup>(i)</sup> |         |         |        |
|--|---------------|---------|---------|--------|---------------------------------------|---------|---------|--------|------------------------------|---------|---------|--------|
|  | 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>  |               |         |         |        |                                       |         |         |        |                              |         |         |        |
| Amortized cost:  |               |         |         |        |                                       |         |         |        |                              |         |         |        |
| Certain other assets <sup>(ii)</sup>                           | \$ -          | \$ -    | \$ 292  | \$ 292 | \$ -                                  | \$ -    | \$ 88   | \$ 88  | \$ -                         | \$ -    | \$ 89   | \$ 89  |
| Fair value through other comprehensive income:                 |               |         |         |        |                                       |         |         |        |                              |         |         |        |
| Certain long-term investments and other assets <sup>(ii)</sup> | 134           | -       | -       | 134    | 117                                   | -       | -       | 117    | 96                           | -       | -       | 96     |
| Derivatives included in prepaid expenses and other assets      | -             | 14      | -       | 14     | -                                     | -       | -       | -      | -                            | 1       | -       | 1      |
| Fair value through profit and loss:                            |               |         |         |        |                                       |         |         |        |                              |         |         |        |
| Security deposits  | 80            | -       | -       | 80     | 74                                    | -       | -       | 74     | 75                           | -       | -       | 75     |
| Certain long-term investments and other assets <sup>(ii)</sup> | 392           | 18      | 194     | 604    | -                                     | 21      | 77      | 98     | -                            | 20      | 119     | 139    |
| Derivatives included in prepaid expenses and other assets      | 10            | 25      | -       | 35     | 7                                     | 4       | 2       | 13     | 3                            | 4       | -       | 7      |
| Derivatives included in other assets                           | -             | -       | -       | -      | -                                     | 491     | -       | 491    | -                            | -       | -       | -      |
| <b>Financial liabilities</b>                                   |               |         |         |        |                                       |         |         |        |                              |         |         |        |
| Amortized cost:  |               |         |         |        |                                       |         |         |        |                              |         |         |        |
| Long-term debt   | -             | 8,138   | 5,979   | 14,117 | -                                     | 8,952   | 6,915   | 15,867 | -                            | 8,643   | 6,527   | 15,170 |
| Certain other liabilities <sup>(ii)</sup>                      | -             | -       | 673     | 673    | -                                     | -       | 670     | 670    | -                            | -       | 668     | 668    |
| Fair value through other comprehensive income:                 |               |         |         |        |                                       |         |         |        |                              |         |         |        |
| Derivatives included in trade payables and other liabilities   | -             | 8       | -       | 8      | -                                     | 5       | -       | 5      | -                            | 5       | -       | 5      |
| Fair value through profit and loss:                            |               |         |         |        |                                       |         |         |        |                              |         |         |        |
| Trust Unit liability   | 3,727         | -       | -       | 3,727  | 4,032                                 | -       | -       | 4,032  | 4,209                        | -       | -       | 4,209  |
| Derivatives included in trade payables and other liabilities   | -             | -       | -       | -      | -                                     | 5       | -       | 5      | -                            | -       | -       | -      |

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

(ii) Certain other assets, certain other 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 the levels of the fair value hierarchy during the periods presented.

During the second quarter of 2022 and year-to-date, a gain of \$1 million (2021 – loss of \$1 million) and a nominal gain (2021 – loss of \$2 million) was recognized in operating income on financial instruments designated as amortized cost. In addition, during the second quarter of 2022 and year-to-date, a net gain of \$429 million (2021 – net loss of \$245 million) and a net gain of \$352 million (2021 – net loss of \$533 million) was recognized in earnings before income taxes from continuing operations on financial instruments required to be classified as fair value through profit or loss.

**Cash and Cash Equivalents, Short-Term Investments and Security Deposits** As at the end of the second quarter of 2022, the Company had cash and cash equivalents, short-term investments and security deposits of \$2,803 million (June 19, 2021 – \$3,481 million; December 31, 2021 – \$3,938 million), including U.S. dollars of \$122 million (June 19, 2021 – \$234 million; December 31, 2021 – \$221 million).

During the second quarter of 2022 and year-to-date, a gain of \$4 million (2021 – loss of \$9 million) and a gain of \$3 million (2021 – loss of \$22 million) was recognized in other comprehensive income related to the effect of foreign currency translation on the Company's U.S. net investment in foreign operations.

**Embedded Derivatives** The Level 3 financial instruments classified as fair value through profit or loss consist of Loblaw 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 would result in a significantly higher (lower) fair value measurement.

In 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 \$4 million liability was included in trade payables and other liabilities as at June 18, 2022 (June 19, 2021 – \$2 million asset included in prepaid expenses and other assets; December 31, 2021 – \$1 million liability included in trade payables and other liabilities). 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.

**Investments in Real Estate Securities** The Allied Class B Units are recorded at their fair value based on market trading prices of Allied's publicly traded units, and included in the balance Certain long-term investments and other assets in the table above. As at the end of the second quarter of 2022, Choice Properties, held 11,809,145 Allied Class B Units with a value of \$392 million. In the second quarter of 2022 and year-to-date, a fair value loss of \$159 million was recorded in SG&A (2021 – nil) (see note 13).

**Trust Unit Liability** In the second quarter of 2022 and year-to-date, a fair value gain of \$576 million (2021 – loss of \$188 million) and a fair value gain of \$483 million (2021 – loss of \$427 million) were recorded in net interest expense and other financing charges (see note 6).

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

**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 in the consolidated balance sheet and the net realized and unrealized gains (losses) before income taxes from continuing operations related to the Company's other derivatives:

| (\$ millions)  | 12 Weeks Ended                         |                                   |   | Jun. 18, 2022<br>24 Weeks Ended   |   |  |
|--|--|-----------------------------------|---|-----------------------------------|---|--|
|  | Net asset<br>(liability)<br>fair value | Gain/(loss)<br>recorded<br>in OCI | Gain/(loss)<br>recorded in<br>operating<br>income | Gain/(loss)<br>recorded<br>in OCI | Gain/(loss)<br>recorded in<br>operating<br>income |  |
| <b>Derivatives designated as cash flow hedges</b>                            |  |                                   |   |                                   |   |  |
| Foreign Exchange Currency Risk - Foreign Exchange<br>Forwards <sup>(i)</sup> | \$ (8)                                 | \$ –                              | \$ –  | \$ (8)                            | \$ –  |  |
| Interest Rate Risk - Bond Forwards <sup>(ii)</sup>                           | 11                                     | 7                                 | (2)   | 16                                | (3)   |  |
| Interest Rate Risk - Interest Rate Swaps <sup>(iii)</sup>                    | 16                                     | 7                                 | –   | 14                                | –   |  |
| <b>Total derivatives designated as cash flow hedges</b>                      | <b>\$ 19</b>                           | <b>\$ 14</b>                      | <b>\$ (2)</b>                                     | <b>\$ 22</b>                      | <b>\$ (3)</b>                                     |  |
| <b>Derivatives not designated in a formal hedging<br/>relationship</b>       |  |                                   |   |                                   |   |  |
| Foreign Exchange and Other Forwards  | \$ 12                                  | \$ –                              | \$ 19   | \$ –                              | \$ 15   |  |
| Other Non-Financial Derivatives  | 10                                     | –                                 | (2)   | –                                 | 15  |  |
| <b>Total derivatives not designated in a formal hedging<br/>relationship</b> | <b>\$ 22</b>                           | <b>\$ –</b>                       | <b>\$ 17</b>                                      | <b>\$ –</b>                       | <b>\$ 30</b>                                      |  |
| <b>Total derivatives</b>   | <b>\$ 41</b>                           | <b>\$ 14</b>                      | <b>\$ 15</b>                                      | <b>\$ 22</b>                      | <b>\$ 27</b>                                      |  |

- (i) PC Bank uses foreign exchange forwards, with a notional amount 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, Loblaw 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. Choice Properties uses interest rate swaps, with a notional value of \$146 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in the other assets or other liabilities.

During the second quarter of 2022, Loblaw did not enter into foreign exchange forwards. On a year-to-date basis, Loblaw 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. Loblaw 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)  | 12 Weeks Ended                         |                                   |   | 24 Weeks Ended                    |   |            |
|--|--|-----------------------------------|---|-----------------------------------|---|------------|
|  | Net asset<br>(liability)<br>fair value | Gain/(loss)<br>recorded<br>in OCI | Gain/(loss)<br>recorded in<br>operating<br>income | Gain/(loss)<br>recorded<br>in OCI | Gain/(loss)<br>recorded in<br>operating<br>income |            |
| <b>Derivatives designated as cash flow hedges</b>                            |  |                                   |   |                                   |   |            |
| Foreign Exchange Currency Risk - Foreign Exchange<br>Forwards <sup>(i)</sup> | \$ -                                   | \$ -                              | \$ (1)  | \$ -                              | \$ (1)  | (1)        |
| Interest Rate Risk - Bond Forwards <sup>(ii)</sup>                           | -                                      | 1                                 | (1)   | 3                                 | (3)   | (3)        |
| Interest Rate Risk - Interest Rate Swaps <sup>(iii)</sup>                    | (2)                                    | 5                                 | -   | 4                                 | -   | -          |
| <b>Total derivatives designated as cash flow hedges</b>                      | <b>\$ (2)</b>                          | <b>\$ 6</b>                       | <b>\$ (2)</b>                                     | <b>\$ 7</b>                       | <b>\$ (4)</b>                                     | <b>(4)</b> |
| <b>Derivatives not designated in a formal hedging<br/>relationship</b>       |  |                                   |   |                                   |   |            |
| Foreign Exchange and Other Forwards  | \$ (4)                                 | \$ -                              | \$ (2)  | \$ -                              | \$ (6)  | (6)        |
| Other Non-Financial Derivatives  | 7                                      | -                                 | 4   | -                                 | 12  | 12         |
| <b>Total derivatives not designated in a formal hedging<br/>relationship</b> | <b>\$ 3</b>                            | <b>\$ -</b>                       | <b>\$ 2</b>                                       | <b>\$ -</b>                       | <b>\$ 6</b>                                       | <b>6</b>   |
| <b>Total derivatives</b>   | <b>\$ 1</b>                            | <b>\$ 6</b>                       | <b>\$ -</b>                                       | <b>\$ 7</b>                       | <b>\$ 2</b>                                       | <b>2</b>   |

- (i) PC Bank uses foreign exchange forwards, with a notional amount 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 forwards in the second quarter of 2021 (see note 10). The purpose of the bond forwards was to hedge the interest rate for the \$300 million *Eagle* notes issues and subsequent to the second quarter of 2021. Loblaw has concluded that this hedge was effective as at the settlement date.
- (iii) Choice Properties uses interest rate swaps, with a notional value of \$104 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in the other assets or other liabilities.

## Note 23. 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. Loblaw believes this claim is without merit and is vigorously defending it. Loblaw does not currently have any significant accruals or provisions for this matter recorded in the consolidated financial statements.

In 2017, the Company and Loblaw 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 Loblaw 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 Loblaw 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 or Loblaw's

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

dividend, dividend policy or share buyback plans. 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 and Loblaw 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 Loblaw 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 Loblaw 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 Loblaw. 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, Loblaw, 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, Loblaw, 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. Loblaw believes these proceedings are without merit and is vigorously defending them. Loblaw does not currently have any significant accruals or provisions for these matters recorded in the consolidated financial statements.

Loblaw 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 Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. In 2021, the Supreme Court ruled in favour of Loblaw on the Glenhuron matter. As a result of related reassessments received during the first quarter of 2022, Loblaw 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 24. Segment Information

The Company has two reportable operating segments: Loblaw and Choice Properties. Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation, cash and short-term investments held by the Company and all other company level activities that are not allocated to the reportable operating segments, as further illustrated below.

The accounting policies of the reportable operating segments are the same as those described in the Company's 2021 audited annual consolidated financial statements and accompanying notes. The Company measures each reportable operating segment's performance based on adjusted EBITDA<sup>(ii)</sup> and adjusted operating income<sup>(iii)</sup>. No reportable operating segment is reliant on any single external customer.

| (\$ millions)   | 12 Weeks Ended   |                   |                        |                  | 12 Weeks Ended               |                   |                        |                  |
|---|------------------|-------------------|------------------------|------------------|------------------------------|-------------------|------------------------|------------------|
|   | Jun. 18, 2022    |                   |                        |                  | Jun. 19, 2021 <sup>(i)</sup> |                   |                        |                  |
|   | Loblaw           | Choice Properties | Other and Intersegment | Total            | Loblaw                       | Choice Properties | Other and Intersegment | Total            |
| <b>Revenue</b>  | <b>\$ 12,847</b> | <b>\$ 313</b>     | <b>\$ (181)</b>        | <b>\$ 12,979</b> | <b>\$ 12,491</b>             | <b>\$ 324</b>     | <b>\$ (178)</b>        | <b>\$ 12,637</b> |
| Operating income (loss)   | \$ 740           | \$ (451)          | \$ 360                 | \$ 649           | \$ 750                       | \$ 503            | \$ (188)               | \$ 1,065         |
| Net interest expense (income) and other financing charges             | 152              | (439)             | (51)                   | (338)            | 161                          | 418               | (76)                   | 503              |
| <b>Earnings (loss) before income taxes from continuing operations</b> | <b>\$ 588</b>    | <b>\$ (12)</b>    | <b>\$ 411</b>          | <b>\$ 987</b>    | <b>\$ 589</b>                | <b>\$ 85</b>      | <b>\$ (112)</b>        | <b>\$ 562</b>    |
| <b>Operating income (loss)</b>  | <b>\$ 740</b>    | <b>\$ (451)</b>   | <b>\$ 360</b>          | <b>\$ 649</b>    | <b>\$ 750</b>                | <b>\$ 503</b>     | <b>\$ (188)</b>        | <b>\$ 1,065</b>  |
| Depreciation and amortization   | 633              | 1                 | (82)                   | 552              | 614                          | 1                 | (74)                   | 541              |
| Adjusting items <sup>(ii)</sup>                                       | 124              | 676               | (413)                  | 387              | 5                            | (281)             | 132                    | (144)            |
| Adjusted EBITDA <sup>(ii)</sup>                                       | \$ 1,497         | \$ 226            | \$ (135)               | \$ 1,588         | \$ 1,369                     | \$ 223            | \$ (130)               | \$ 1,462         |
| Depreciation and amortization <sup>(iii)</sup>                        | 519              | 1                 | (82)                   | 438              | 497                          | 1                 | (74)                   | 424              |
| <b>Adjusted operating income<sup>(iii)</sup></b>                      | <b>\$ 978</b>    | <b>\$ 225</b>     | <b>\$ (53)</b>         | <b>\$ 1,150</b>  | <b>\$ 872</b>                | <b>\$ 222</b>     | <b>\$ (56)</b>         | <b>\$ 1,038</b>  |

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

(ii) Certain items are excluded from operating income to derive adjusted EBITDA<sup>(i)</sup>. Adjusted EBITDA<sup>(i)</sup> is used internally by management when analyzing segment underlying operating performance.

(iii) Excludes \$114 million (2021 - \$117 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

| (\$ millions)  | 24 Weeks Ended   |                   |                        |                  | 24 Weeks Ended               |                   |                        |                  |
|--|------------------|-------------------|------------------------|------------------|------------------------------|-------------------|------------------------|------------------|
|  | Jun. 18, 2022    |                   |                        |                  | Jun. 19, 2021 <sup>(i)</sup> |                   |                        |                  |
|  | Loblaw           | Choice Properties | Other and Intersegment | Total            | Loblaw                       | Choice Properties | Other and Intersegment | Total            |
| <b>Revenue</b>   | <b>\$ 25,109</b> | <b>\$ 641</b>     | <b>\$ (364)</b>        | <b>\$ 25,386</b> | <b>\$ 24,363</b>             | <b>\$ 651</b>     | <b>\$ (360)</b>        | <b>\$ 24,654</b> |
| Operating income   | \$ 1,476         | \$ 178            | \$ 161                 | \$ 1,815         | \$ 1,365                     | \$ 788            | \$ (260)               | \$ 1,893         |
| Net interest expense (income) and other financing charges      | 294              | (197)             | (113)                  | (16)             | 321                          | 765               | (38)                   | 1,048            |
| <b>Earnings before income taxes from continuing operations</b> | <b>\$ 1,182</b>  | <b>\$ 375</b>     | <b>\$ 274</b>          | <b>\$ 1,831</b>  | <b>\$ 1,044</b>              | <b>\$ 23</b>      | <b>\$ (222)</b>        | <b>\$ 845</b>    |
| <b>Operating income</b>  | <b>\$ 1,476</b>  | <b>\$ 178</b>     | <b>\$ 161</b>          | <b>\$ 1,815</b>  | <b>\$ 1,365</b>              | <b>\$ 788</b>     | <b>\$ (260)</b>        | <b>\$ 1,893</b>  |
| Depreciation and amortization                                  | 1,264            | 2                 | (165)                  | 1,101            | 1,224                        | 2                 | (160)                  | 1,066            |
| Adjusting items <sup>(ii)</sup>                                | 98               | 271               | (275)                  | 94               | (4)                          | (342)             | 149                    | (197)            |
| Adjusted EBITDA <sup>(ii)</sup>                                | \$ 2,838         | \$ 451            | \$ (279)               | \$ 3,010         | \$ 2,585                     | \$ 448            | \$ (271)               | \$ 2,762         |
| Depreciation and amortization <sup>(iii)</sup>                 | 1,033            | 2                 | (165)                  | 870              | 990                          | 2                 | (160)                  | 832              |
| <b>Adjusted operating income<sup>(iii)</sup></b>               | <b>\$ 1,805</b>  | <b>\$ 449</b>     | <b>\$ (114)</b>        | <b>\$ 2,140</b>  | <b>\$ 1,595</b>              | <b>\$ 446</b>     | <b>\$ (111)</b>        | <b>\$ 1,930</b>  |

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

(ii) Certain items are excluded from operating income to derive adjusted EBITDA<sup>(i)</sup>. Adjusted EBITDA<sup>(i)</sup> is used internally by management when analyzing segment underlying operating performance.

(iii) Excludes \$231 million (2021 - \$234 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

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

Other and Intersegment includes the following items:

| (\$ millions)  | 12 Weeks Ended  |                  |  |                              |                  |  |
|--|-----------------|------------------|--|------------------------------|------------------|--|
|  | Jun. 18, 2022   |                  |  | Jun. 19, 2021 <sup>(i)</sup> |                  |  |
|  | Revenue         | Operating Income | Net Interest Expense and Other Financing Charges | Revenue                      | Operating Income | Net Interest Expense and Other Financing Charges |
| Elimination of internal lease arrangements   | \$ (125)        | \$ (35)          | \$ (23)  | \$ (127)                     | \$ (36)          | \$ (25)  |
| Elimination of cost recovery   | (56)            | –                | –  | (51)                         | –                | –  |
| Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost | –               | (12)             | –  | –                            | (18)             | –  |
| Fair value adjustment on investment properties   | –               | 415              | (5)  | –                            | (132)            | –  |
| Fair value adjustment on Choice Properties' Exchangeable Units   | –               | –                | 570  | –                            | –                | (289)  |
| Fair value adjustment on Trust Unit liability  | –               | –                | (576)  | –                            | –                | 188  |
| Unit distributions on Exchangeable Units paid by Choice Properties to GWL  | –               | –                | (73)   | –                            | –                | (72)   |
| Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL   | –               | –                | 52   | –                            | –                | 51   |
| Fair value adjustment of the forward sale agreement for Loblaw common shares   | –               | –                | –  | –                            | –                | 58   |
| Other  | –               | (8)              | 4  | –                            | (2)              | 13   |
| <b>Total</b>   | <b>\$ (181)</b> | <b>\$ 360</b>    | <b>\$ (51)</b>                                   | <b>\$ (178)</b>              | <b>\$ (188)</b>  | <b>\$ (76)</b>                                   |

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

| (\$ millions)  | 24 Weeks Ended  |                  |  |                              |                  |  |
|--|-----------------|------------------|--|------------------------------|------------------|--|
|  | Jun. 18, 2022   |                  |  | Jun. 19, 2021 <sup>(i)</sup> |                  |  |
|  | Revenue         | Operating Income | Net Interest Expense and Other Financing Charges | Revenue                      | Operating Income | Net Interest Expense and Other Financing Charges |
| Elimination of internal lease arrangements   | \$ (253)        | \$ (73)          | \$ (45)  | \$ (255)                     | \$ (75)          | \$ (50)  |
| Elimination of cost recovery   | (111)           | –                | –  | (105)                        | –                | –  |
| Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost | –               | (22)             | –  | –                            | (24)             | –  |
| Fair value adjustment on investment properties   | –               | 296              | (2)  | –                            | (147)            | –  |
| Fair value adjustment on Choice Properties' Exchangeable Units   | –               | –                | 451  | –                            | –                | (507)  |
| Fair value adjustment on Trust Unit liability  | –               | –                | (483)  | –                            | –                | 427  |
| Unit distributions on Exchangeable Units paid by Choice Properties to GWL  | –               | –                | (146)  | –                            | –                | (146)  |
| Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL   | –               | –                | 103  | –                            | –                | 102  |
| Fair value adjustment of the forward sale agreement for Loblaw common shares   | –               | –                | –  | –                            | –                | 111  |
| Reversal of Loblaw gain on the sale of disposition of property to Choice Properties  | –               | (19)             | –  | –                            | –                | –  |
| Other  | –               | (21)             | 9  | –                            | (14)             | 25   |
| <b>Total</b>   | <b>\$ (364)</b> | <b>\$ 161</b>    | <b>\$ (113)</b>                                  | <b>\$ (360)</b>              | <b>\$ (260)</b>  | <b>\$ (38)</b>                                   |

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

| (\$ millions)          | Jun. 18, 2022 | As at                        |                              |
|------------------------|---------------|------------------------------|------------------------------|
|                        |               | Jun. 19, 2021 <sup>(i)</sup> | Dec. 31, 2021 <sup>(i)</sup> |
| Total Assets           |               |                              |                              |
| Loblaw                 | \$ 36,714     | \$ 35,469                    | \$ 36,614                    |
| Choice Properties      | 16,184        | 15,968                       | 16,173                       |
| Other and Intersegment | (5,669)       | (3,491)                      | (5,704)                      |
| Consolidated           | \$ 47,229     | \$ 47,946                    | \$ 47,083                    |

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

| (\$ millions)  | 12 Weeks Ended |               | 24 Weeks Ended |               |
|--|----------------|---------------|----------------|---------------|
|  | Jun. 18, 2022  | Jun. 19, 2021 | Jun. 18, 2022  | Jun. 19, 2021 |
| Additions to Fixed Assets, Investment Properties and Intangible Assets |                |               |                |               |
| Loblaw <sup>(i)</sup>  | \$ 302         | \$ 258        | \$ 488         | \$ 461        |
| Choice Properties  | 60             | 20            | 80             | 38            |
| Other and Intersegment   | –              | –             | 1              | 2             |
| Discontinued Operations  | –              | 26            | –              | 39            |
| Consolidated   | \$ 362         | \$ 304        | \$ 569         | \$ 540        |

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

## Note 25. Related Party Transaction

**VENTURE FUND** During 2020, GWL, Loblaw and a wholly-owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington (the "Venture Fund"). A 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 participates in the Venture Fund's Investment Committee which, among other items, approves the initial investments. The Company uses the equity method of accounting to record its consolidated 66% interest in the Venture Fund. The Company has a consolidated capital commitment of \$66 million over a 10-year period. To date, on a consolidated basis, the Company has invested \$37 million in the Venture Fund, of which \$2 million (2021 - \$6 million) and \$5 million (2021 - \$12 million) were invested in the second quarter and year-to-date of 2022, respectively, and recorded in Other Assets.