

# Financial Results

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# Condensed Consolidated Statements of Earnings

(unaudited) (millions of Canadian dollars except where otherwise indicated)	16 Weeks Ended		40 Weeks Ended	
	Oct. 7, 2023	Oct. 8, 2022	Oct. 7, 2023	Oct. 8, 2022
<b>Revenue</b>	\$ 18,407	\$ 17,520	\$ 45,424	\$ 42,906
<b>Operating Expenses</b>				
Cost of inventories sold	12,534	11,914	30,634	28,941
Selling, general and administrative expenses	4,642	4,132	11,503	10,676
	17,176	16,046	42,137	39,617
<b>Operating Income</b>	1,231	1,474	3,287	3,289
Net Interest Expense (Income) and Other Financing Charges (note 4)	85	13	229	(3)
<b>Earnings Before Income Taxes</b>	1,146	1,461	3,058	3,292
Income Taxes (note 5)	202	276	680	618
<b>Net Earnings from Continuing Operations</b>	944	1,185	2,378	2,674
<b>Net Loss from Discontinued Operations</b>	–	–	–	(6)
<b>Net Earnings</b>	944	1,185	2,378	2,668
Attributable to:				
Shareholders of the Company (note 6)	624	903	1,568	1,920
Non-Controlling Interests	320	282	810	748
<b>Net Earnings</b>	\$ 944	\$ 1,185	\$ 2,378	\$ 2,668
<b>Net Earnings (Loss) per Common Share - Basic (\$)</b> (note 6)	\$ 4.46	\$ 6.20	\$ 11.09	\$ 13.00
Continuing Operations	\$ 4.46	\$ 6.20	\$ 11.09	\$ 13.04
Discontinued Operations	\$ –	\$ –	\$ –	\$ (0.04)
<b>Net Earnings (Loss) per Common Share - Diluted (\$)</b> (note 6)	\$ 4.41	\$ 6.14	\$ 10.98	\$ 12.89
Continuing Operations	\$ 4.41	\$ 6.14	\$ 10.98	\$ 12.93
Discontinued Operations	\$ –	\$ –	\$ –	\$ (0.04)

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

# Condensed Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)	16 Weeks Ended		40 Weeks Ended	
	Oct. 7, 2023	Oct. 8, 2022	Oct. 7, 2023	Oct. 8, 2022
Net Earnings from Continuing Operations	\$ 944	\$ 1,185	\$ 2,378	\$ 2,674
Other comprehensive (loss) income, net of taxes				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustment	5	1	5	4
Gains (losses) on cash flow hedges (note 13)	–	(4)	6	13
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial (losses) gains (note 12)	(37)	3	58	(165)
Adjustment to fair value of investment properties	2	43	2	90
Other comprehensive (loss) income from continuing operations	(30)	43	71	(58)
Comprehensive Income from Continuing Operations	914	1,228	2,449	2,616
Net Loss from Discontinued Operations	–	–	–	(6)
Other comprehensive income from discontinued operations	–	–	–	–
Comprehensive Loss from Discontinued Operations	–	–	–	(6)
<b>Total Comprehensive Income</b>	<b>914</b>	<b>1,228</b>	<b>2,449</b>	<b>2,610</b>
Attributable to:				
Shareholders of the Company	611	943	1,609	1,935
Non-Controlling Interests	303	285	840	675
<b>Total Comprehensive Income</b>	<b>\$ 914</b>	<b>\$ 1,228</b>	<b>\$ 2,449</b>	<b>\$ 2,610</b>

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

# Condensed Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)	As at		
	Oct. 7, 2023	Oct. 8, 2022	Dec. 31, 2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,767	\$ 2,188	\$ 2,313
Short-term investments	677	466	503
Security deposits	–	250	–
Accounts receivable	1,328	1,261	1,273
Credit card receivables (note 8)	3,946	3,679	3,954
Inventories	5,897	5,763	5,855
Prepaid expenses and other assets	935	573	675
Assets held for sale (note 9 and 17)	91	49	80
<b>Total Current Assets</b>	<b>14,641</b>	<b>14,229</b>	<b>14,653</b>
Fixed Assets (note 9)	11,552	10,730	11,130
Right-of-Use Assets	4,302	4,243	4,208
Investment Properties	5,399	4,962	5,144
Equity Accounted Joint Ventures	879	981	996
Intangible Assets	6,136	6,627	6,527
Goodwill	4,883	4,848	4,853
Deferred Income Taxes	133	99	98
Security Deposits	39	36	36
Other Assets (note 12)	1,027	1,563	1,313
<b>Total Assets</b>	<b>\$ 48,991</b>	<b>\$ 48,318</b>	<b>\$ 48,958</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Bank indebtedness	\$ 22	\$ 16	\$ 8
Trade payables and other liabilities	6,669	6,375	6,730
Loyalty liability	195	236	180
Provisions	127	151	116
Income taxes payable	222	224	246
Demand deposits from customers	147	109	125
Short-term debt (note 8)	650	600	700
Long-term debt due within one year (note 10)	2,373	1,416	1,383
Lease liabilities due within one year	871	830	835
Associate interest	408	438	434
<b>Total Current Liabilities</b>	<b>11,684</b>	<b>10,395</b>	<b>10,757</b>
Provisions	85	84	84
Long-Term Debt (note 10)	12,667	13,244	13,401
Lease Liabilities	4,369	4,317	4,323
Trust Unit Liability (note 13)	3,498	3,450	4,112
Deferred Income Taxes	1,881	2,004	2,007
Other Liabilities (note 9 and 12)	1,112	1,109	1,094
<b>Total Liabilities</b>	<b>35,296</b>	<b>34,603</b>	<b>35,778</b>
<b>EQUITY</b>			
Share Capital (note 11)	3,346	3,443	3,433
Retained Earnings	5,645	5,543	5,075
Contributed Surplus	(2,147)	(1,768)	(1,864)
Accumulated Other Comprehensive Income	207	189	197
<b>Total Equity Attributable to Shareholders of the Company</b>	<b>7,051</b>	<b>7,407</b>	<b>6,841</b>
Non-Controlling Interests	6,644	6,308	6,339
<b>Total Equity</b>	<b>13,695</b>	<b>13,715</b>	<b>13,180</b>
<b>Total Liabilities and Equity</b>	<b>\$ 48,991</b>	<b>\$ 48,318</b>	<b>\$ 48,958</b>

Contingent liabilities (note 14). Subsequent event (note 17).

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, 2022	\$ 2,616	\$ 817	\$ 3,433	\$ 5,075	\$ (1,864)	\$ 28	\$ 5	\$ 164	\$ 197	\$ 6,339	\$ 13,180
Net earnings	–	–	–	1,568	–	–	–	–	–	810	2,378
Other comprehensive income <sup>(i)</sup>	–	–	–	31	–	3	5	2	10	30	71
Comprehensive income	\$ –	\$ –	\$ –	\$ 1,599	\$ –	\$ 3	\$ 5	\$ 2	\$ 10	\$ 840	\$ 2,449
Effect of equity-based compensation (note 11)	8	–	8	–	1	–	–	–	–	3	12
Shares purchased and cancelled (note 11)	(96)	–	(96)	(710)	–	–	–	–	–	–	(806)
Net effect of shares held in trusts (note 11)	1	–	1	1	–	–	–	–	–	–	2
Loblaw capital transactions and dividends	–	–	–	–	(284)	–	–	–	–	(538)	(822)
Dividends declared											
Per common share (\$) (note 11)											
– \$2.086	–	–	–	(287)	–	–	–	–	–	–	(287)
Per preferred share (\$) (note 11)											
– Series I – \$1.0875	–	–	–	(10)	–	–	–	–	–	–	(10)
– Series III – \$0.9750	–	–	–	(8)	–	–	–	–	–	–	(8)
– Series IV – \$0.9750	–	–	–	(8)	–	–	–	–	–	–	(8)
– Series V – \$0.890625	–	–	–	(7)	–	–	–	–	–	–	(7)
	\$ (87)	\$ –	\$ (87)	\$ (1,029)	\$ (283)	\$ –	\$ –	\$ –	\$ –	\$ (535)	\$ (1,934)
Balance as at Oct. 7, 2023	\$ 2,529	\$ 817	\$ 3,346	\$ 5,645	\$ (2,147)	\$ 31	\$ 10	\$ 166	\$ 207	\$ 6,644	\$ 13,695

(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	–	–	–	1,920	–	–	–	–	–	748	2,668
Other comprehensive income (loss) <sup>(i)</sup>	–	–	–	(90)	–	3	12	90	105	(73)	(58)
Comprehensive income	\$ –	\$ –	\$ –	\$ 1,830	\$ –	\$ 3	\$ 12	\$ 90	\$ 105	\$ 675	\$ 2,610
Effect of equity-based compensation (note 11)	25	–	25	(1)	(3)	–	–	–	–	–	21
Shares purchased and cancelled (note 11)	(110)	–	(110)	(781)	–	–	–	–	–	–	(891)
Net effect of shares held in trusts (note 11)	(1)	–	(1)	(2)	–	–	–	–	–	–	(3)
Loblaw capital transactions and dividends	–	–	–	–	(303)	–	–	–	–	(545)	(848)
Dividends declared											
Per common share (\$) (note 11)											
– \$1.920	–	–	–	(278)	–	–	–	–	–	–	(278)
Per preferred share (\$) (note 11)											
– Series I – \$1.0875	–	–	–	(10)	–	–	–	–	–	–	(10)
– Series III – \$0.9750	–	–	–	(8)	–	–	–	–	–	–	(8)
– Series IV – \$0.9750	–	–	–	(8)	–	–	–	–	–	–	(8)
– Series V – \$0.890625	–	–	–	(7)	–	–	–	–	–	–	(7)
	\$ (86)	\$ –	\$ (86)	\$ (1,095)	\$ (306)	\$ –	\$ –	\$ –	\$ –	\$ (545)	\$ (2,032)
Balance as at Oct. 8, 2022	\$ 2,626	\$ 817	\$ 3,443	\$ 5,543	\$ (1,768)	\$ 28	\$ (2)	\$ 163	\$ 189	\$ 6,308	\$ 13,715

(i) Other comprehensive income (loss) includes an actuarial gain of \$58 million (2022 – loss of \$165 million), of which \$31 million (2022 – loss of \$90 million) is presented in retained earnings, and \$27 million (2022 – loss of \$75 million) in non-controlling interests. Also included in non-controlling interests was a \$2 million gain on foreign currency translation adjustments (2022 – gain of \$1 million) and a gain of \$1 million on cash flow hedges (2022 – gain of \$1 million).

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

# Condensed Consolidated Statements of Cash Flows

(unaudited) (millions of Canadian dollars)	16 Weeks Ended		40 Weeks Ended	
	Oct. 7, 2023	Oct. 8, 2022 <sup>(i)</sup>	Oct. 7, 2023	Oct. 8, 2022 <sup>(i)</sup>
<b>Operating Activities</b>				
Net earnings	\$ 944	\$ 1,185	\$ 2,378	\$ 2,668
Add (deduct):				
Net interest expense (income) and other financing charges (note 4)	85	13	229	(3)
Income taxes (note 5)	202	276	680	618
Depreciation and amortization	763	729	1,930	1,830
Loss on sale of discontinued operations, after income taxes	–	–	–	6
Asset impairments, net of recoveries	1	6	1	8
Adjustment to fair value of investment properties and assets held for sale	1	(313)	(69)	(502)
Adjustment to fair value of investment in real estate securities (note 13)	45	69	91	228
Change in allowance for credit card receivables (note 8)	11	6	25	(3)
Change in provisions	(19)	(54)	12	26
Change in gross credit card receivables (note 8)	15	(59)	(17)	(233)
Change in non-cash working capital (note 7)	277	(34)	(136)	(661)
Income taxes paid	(283)	(251)	(876)	(436)
Interest received	21	18	55	51
Interest received from finance leases	1	2	2	3
Other	36	11	33	46
<b>Cash Flows from Operating Activities</b>	<b>2,100</b>	<b>1,604</b>	<b>4,338</b>	<b>3,646</b>
<b>Investing Activities</b>				
Fixed asset and investment properties purchases	(624)	(388)	(1,316)	(765)
Intangible asset additions	(132)	(129)	(316)	(308)
Acquisition of Lifemark, net of cash acquired	–	–	–	(813)
Proceeds from disposal of assets (note 9)	33	86	216	170
Lease payments received from finance leases	4	4	10	10
(Purchases) disposal of short-term investments	(146)	(24)	(174)	413
Repayments (advances) of mortgages, loans, and notes receivable	5	(25)	42	(156)
Decrease (increase) in security deposits (note 8)	246	(209)	(3)	(209)
Disposal (purchases) of long-term securities	76	(73)	76	(110)
Other	(18)	(83)	(61)	(259)
<b>Cash Flows used in Investing Activities</b>	<b>(556)</b>	<b>(841)</b>	<b>(1,526)</b>	<b>(2,027)</b>
<b>Financing Activities</b>				
Increase (decrease) in bank indebtedness	4	(7)	14	(36)
Increase (decrease) in short-term debt	–	100	(50)	150
Increase in demand deposits from customers	10	10	22	34
Long-term debt – Issued (note 10)	451	1,695	1,776	2,229
– Repayments (note 10)	(677)	(1,213)	(1,530)	(1,559)
Interest paid	(268)	(225)	(706)	(623)
Cash rent paid on lease liabilities – Interest	(65)	(58)	(158)	(141)
Cash rent paid on lease liabilities – Principal	(221)	(210)	(543)	(479)
Share capital – Issued (note 11)	1	6	7	23
– Purchased and held in trusts (note 11)	(7)	(14)	(7)	(14)
– Purchased and cancelled (note 11)	(376)	(393)	(836)	(718)
Loblaw common share capital – Issued	9	20	39	72
– Purchased and held in trusts	(72)	–	(72)	(63)
– Purchased and cancelled	(170)	(212)	(626)	(621)
Dividends – To common shareholders	(196)	(190)	(373)	(359)
– To preferred shareholders	(19)	(19)	(41)	(41)
– To non-controlling interests	(138)	(131)	(203)	(192)
Proceeds from financial liabilities (note 9)	–	–	29	8
Other	(11)	(13)	(99)	(85)
<b>Cash Flows used in Financing Activities</b>	<b>(1,745)</b>	<b>(854)</b>	<b>(3,357)</b>	<b>(2,415)</b>
Effect of foreign currency exchange rate changes on cash and cash equivalents	(2)	(2)	(1)	–
Decrease in Cash and Cash Equivalents	(203)	(93)	(546)	(796)
Cash and Cash Equivalents, Beginning of Period	1,970	2,281	2,313	2,984
<b>Cash and Cash Equivalents, End of Period</b>	<b>\$ 1,767</b>	<b>\$ 2,188</b>	<b>\$ 1,767</b>	<b>\$ 2,188</b>

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

# Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

## 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 products, apparel, general merchandise and financial services.

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

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 2022 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 2022 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 November 20, 2023.

## 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					
		Oct. 7, 2023		Oct. 8, 2022		Dec. 31, 2022	
		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>	165,458,003	52.6%	170,890,498	52.6%	170,606,070	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) GWL participates in Loblaw's Normal Course Issuer Bid ("NCIB") program in order to maintain its proportionate percentage ownership.

(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. Net Interest Expense and Other Financing Charges

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

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 7, 2023	Oct. 8, 2022	Oct. 7, 2023	Oct. 8, 2022
Interest expense:				
Long-term debt	\$ 172	\$ 164	\$ 466	\$ 429
Lease liabilities	65	58	158	141
Borrowings related to credit card receivables	16	19	60	36
Trust Unit distributions	53	51	156	154
Independent funding trusts	11	8	30	15
Post-employment and other long-term employee benefits (note 12)	4	–	12	–
Bank indebtedness	1	–	1	1
Financial liabilities	11	10	33	32
Capitalized interest	(2)	(1)	(5)	(2)
	\$ 331	\$ 309	\$ 911	\$ 806
Interest income:				
Accretion income	\$ (1)	\$ (2)	\$ (2)	\$ (4)
Interest income	(26)	(17)	(67)	(33)
Post-employment and other long-term employee benefits (note 12)	–	–	–	(1)
	\$ (27)	\$ (19)	\$ (69)	\$ (38)
Fair value adjustment of the Trust Unit liability (note 13)	\$ (219)	\$ (277)	\$ (613)	\$ (760)
Recovery related to Glenhuron Bank Limited	–	–	–	(11)
Net interest expense (income) and other financing charges from Continuing Operations	\$ 85	\$ 13	\$ 229	\$ (3)

## Note 5. Income Taxes

For the third quarter of 2023, income tax expense from continuing operations was \$202 million (2022 – \$276 million) and the effective tax rate was 17.6% (2022 – 18.9%). The decrease in the effective tax rate was primarily attributable to adjustments to certain tax provisions, partially offset by the impact of other non-deductible items.

On a year-to-date basis, income tax expense was \$680 million (2022 – \$618 million) and the effective tax rate was 22.2% (2022 – 18.8%). The increase in the effective tax rate was primarily attributable to the prior year remeasurement of deferred tax balances as a result of the Choice Properties' disposition of six office assets, the recovery of income taxes related to Glenhuron Bank Limited in 2022 and an increase in tax expense related to the Company's participation in Loblaw's NCIB, partially offset by adjustments to certain tax provisions and the non-taxable portion of the gain from real estate dispositions during the year.

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

(\$ millions except where otherwise indicated)	16 Weeks Ended		40 Weeks Ended	
	Oct. 7, 2023	Oct. 8, 2022	Oct. 7, 2023	Oct. 8, 2022
Net earnings attributable to shareholders of the Company	\$ 624	\$ 903	\$ 1,568	\$ 1,920
Less: Discontinued Operations	–	–	–	(6)
Net earnings from continuing operations attributable to shareholders of the Company	\$ 624	\$ 903	\$ 1,568	\$ 1,926
Prescribed dividends on preferred shares in share capital	(14)	(14)	(34)	(34)
Net earnings from continuing operations available to common shareholders of the Company	\$ 610	\$ 889	\$ 1,534	\$ 1,892
Reduction in net earnings due to dilution at Loblaw	(4)	(4)	(9)	(8)
Net earnings from continuing operations available to common shareholders for diluted earnings per share	\$ 606	\$ 885	\$ 1,525	\$ 1,884
Weighted average common shares outstanding (in millions) (note 11)	136.7	143.5	138.3	145.1
Dilutive effect of equity-based compensation <sup>(i)</sup> (in millions)	0.6	0.6	0.6	0.6
Diluted weighted average common shares outstanding (in millions)	137.3	144.1	138.9	145.7
Net earnings (loss) per common share – Basic (\$)				
Continuing Operations	\$ 4.46	\$ 6.20	\$ 11.09	\$ 13.04
Discontinued Operations	\$ –	\$ –	\$ –	\$ (0.04)
Net earnings (loss) per common share – Diluted (\$)				
Continuing Operations	\$ 4.41	\$ 6.14	\$ 10.98	\$ 12.93
Discontinued Operations	\$ –	\$ –	\$ –	\$ (0.04)

(i) In the third quarter of 2023 and year-to-date, nominal (2022 – nominal) potentially dilutive instruments were excluded from the computation of diluted net earnings (loss) per common share as they were anti-dilutive.

## Note 7. Change in Non-Cash Working Capital

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 7, 2023	Oct. 8, 2022	Oct. 7, 2023	Oct. 8, 2022
Change in:				
Accounts receivable	\$ (23)	\$ (47)	\$ (93)	\$ (195)
Prepaid expenses and other assets	(54)	(9)	(171)	(83)
Inventories	(316)	(399)	(23)	(596)
Trade payables and other liabilities	630	459	118	285
Other	40	(38)	33	(72)
Total change in non-cash working capital	\$ 277	\$ (34)	\$ (136)	\$ (661)

# Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

## Note 8. Credit Card Receivables

The components of credit card receivables were as follows:

(\$ millions)	Oct. 7, 2023	As at	
		Oct. 8, 2022	Dec. 31, 2022
Gross credit card receivables	\$ 4,177	\$ 3,881	\$ 4,160
Allowance for credit card receivables	(231)	(202)	(206)
Credit card receivables	\$ 3,946	\$ 3,679	\$ 3,954
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> <sup>®</sup> (note 10)	\$ 1,350	\$ 1,600	\$ 1,350
Securitized to Other Independent Securitization Trusts	650	600	700
Total securitized to independent securitization trusts	\$ 2,000	\$ 2,200	\$ 2,050

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

The associated liability of *Eagle* is recorded in long-term debt (see note 10). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short-term debt.

On July 17, 2023, \$250 million of senior and subordinated term notes at a weighted average interest rate of 3.10%, previously issued by *Eagle*, matured and were repaid.

As at the end of the third quarter of 2023, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was \$59 million (October 8, 2022 - \$54 million; December 31, 2022 - \$63 million), which represented 9% (October 8, 2022 - 9%; December 31, 2022 - 9%) of the securitized credit card receivables amount.

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at the end of the third quarter of 2023 and throughout the first three quarters of 2023.

## Note 9. Real Estate Dispositions

**LOBLAW** In the third quarter of 2023, Loblaw disposed of one property (2022 - four) included in assets held for sale for proceeds of \$18 million (2022 - \$30 million), and recognized a net gain of \$13 million (2022 - net gain of \$4 million). On a year-to-date basis, Loblaw disposed of four properties (2022 - nine) included in assets held for sale for proceeds of \$26 million (2022 - \$57 million), and recognized a net gain of \$12 million (2022 - \$8 million).

Year-to-date, Loblaw disposed of eighteen (2022 - one) real estate properties included in fixed assets for proceeds of \$99 million (2022 - \$13 million), all of which were subsequently leased back.

On a year-to-date basis, Loblaw also disposed of one retail property (2022 - none), which was subsequently leased back and did not meet the criteria for sale in accordance with IFRS 15, "Revenue from Contracts with Customers". Loblaw received proceeds of \$29 million (2022 - nil) year-to-date, which have been recognized as financial liabilities and are presented in other liabilities.

## Note 10. Long-Term Debt

The components of long-term debt were as follows:

(\$ millions)	Oct. 7, 2023	As at	
		Oct. 8, 2022	Dec. 31, 2022
Debentures	\$ 10,410	\$ 10,086	\$ 10,086
Long-term debt secured by mortgage	1,020	950	949
Construction loans	82	33	39
Guaranteed investment certificates	1,725	1,311	1,567
Independent securitization trusts (note 8)	1,350	1,600	1,350
Independent funding trusts	494	573	574
Committed credit facilities	–	150	260
Transaction costs and other	(41)	(43)	(41)
Total long-term debt	\$ 15,040	\$ 14,660	\$ 14,784
Long-term debt due within one year	(2,373)	(1,416)	(1,383)
Long-term debt	\$ 12,667	\$ 13,244	\$ 13,401

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 three quarters of 2023, the Company, Loblaw and Choice Properties were in compliance with the financial covenants.

**DEBENTURES** The following table summarizes the debentures issued in the periods ended as indicated:

(\$ millions)	Interest Rate	Maturity Date	16 Weeks Ended		40 Weeks Ended	
			Oct. 7, 2023	Oct. 8, 2022	Oct. 7, 2023	Oct. 8, 2022
			Principal Amount	Principal Amount	Principal Amount	Principal Amount
Loblaw						
- Senior Unsecured Note	5.01%	September 13, 2032	\$ –	\$ 400	\$ –	\$ 400
- Senior Unsecured Note	5.34%	September 13, 2052	–	400	–	400
Choice Properties senior unsecured debentures						
- Series R	6.00%	June 24, 2032	–	500	–	500
- Series S	5.40%	March 1, 2033	–	–	550	–
- Series T	5.70%	February 28, 2034	350	–	350	–
Total debentures issued			\$ 350	\$ 1,300	\$ 900	\$ 1,300

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The following table summarizes the debentures repaid in the periods ended as indicated:

(\$ millions)	Interest Rate	Maturity Date	16 Weeks Ended		40 Weeks Ended	
			Oct. 7, 2023	Oct. 8, 2022	Oct. 7, 2023	Oct. 8, 2022
			Principal Amount	Principal Amount	Principal Amount	Principal Amount
Loblaws senior unsecured note	4.86%	September 12, 2023 <sup>(i)</sup>	\$ –	\$ 800	\$ –	\$ 800
Choice Properties senior unsecured debentures						
- Series 10	3.84%	September 20, 2022	–	300	–	300
- Series G	3.20%	March 7, 2023	–	–	250	–
- Series D-C	3.30%	January 18, 2023	–	–	125	–
- Series B	4.90%	July 5, 2023	200	–	200	–
<b>Total debentures repaid</b>			<b>\$ 200</b>	<b>\$ 1,100</b>	<b>\$ 575</b>	<b>\$ 1,100</b>

(i) Loblaws senior unsecured debenture was redeemed on September 21, 2022.

**COMMITTED CREDIT FACILITIES** The components of the committed lines of credit available were as follows:

(\$ millions)	Maturity Date	As at					
		Oct. 7, 2023		Oct. 8, 2022		Dec. 31, 2022	
		Available Credit	Drawn	Available Credit	Drawn	Available Credit	Drawn
George Weston	September 13, 2024	\$ 350	\$ –	\$ 350	\$ –	\$ 350	\$ –
Loblaws	July 15, 2027	1,000	–	1,000	–	1,000	–
Choice Properties <sup>(i)</sup>	September 1, 2028	1,500	–	1,500	150	1,500	260
<b>Total committed credit facilities</b>		<b>\$ 2,850</b>	<b>\$ –</b>	<b>\$ 2,850</b>	<b>\$ 150</b>	<b>\$ 2,850</b>	<b>\$ 260</b>

(i) During the third quarter of 2023, Choice Properties extended its credit facility maturity date from September 1, 2027 to September 1, 2028.

## Note 11. 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)	16 Weeks Ended				40 Weeks Ended			
	Oct. 7, 2023		Oct. 8, 2022		Oct. 7, 2023		Oct. 8, 2022	
	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	137,977,074	\$ 2,574	144,746,752	\$ 2,671	140,737,942	\$ 2,619	146,789,503	\$ 2,714
Issued for settlement of stock options	10,529	1	47,921	5	67,210	8	216,096	25
Purchased and cancelled <sup>(i)</sup>	(2,383,362)	(44)	(2,472,575)	(47)	(5,200,911)	(96)	(4,683,501)	(110)
Issued and outstanding, end of period	135,604,241	\$ 2,531	142,322,098	\$ 2,629	135,604,241	\$ 2,531	142,322,098	\$ 2,629
Shares held in trusts, beginning of period	(81,018)	\$ (2)	(64,263)	\$ (1)	(160,465)	\$ (3)	(141,106)	\$ (2)
Purchased for future settlement of RSUs and PSUs	(44,000)	(1)	(99,000)	(2)	(44,000)	(1)	(99,000)	(2)
Released for settlement of RSUs and PSUs	259	1	2,500	–	79,706	2	79,343	1
Shares held in trusts, end of period	(124,759)	\$ (2)	(160,763)	\$ (3)	(124,759)	\$ (2)	(160,763)	\$ (3)
Issued and outstanding, net of shares held in trusts, end of period	135,479,482	\$ 2,529	142,161,335	\$ 2,626	135,479,482	\$ 2,529	142,161,335	\$ 2,626
Weighted average outstanding, net of shares held in trusts (note 6)	136,743,131		143,540,343		138,346,099		145,138,574	

(i) Number of common shares repurchased and cancelled as at October 7, 2023 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)	16 Weeks Ended		40 Weeks Ended	
	Oct. 7, 2023	Oct. 8, 2022	Oct. 7, 2023	Oct. 8, 2022
Purchased for future settlement of RSUs and PSUs (number of shares)	44,000	99,000	44,000	99,000
Purchased for current settlement of DSUs (number of shares)	–	–	7,521	15,716
Purchased and cancelled (number of shares)	2,383,362	2,472,575	5,200,911	4,683,501
Cash consideration paid				
Purchased and held in trusts	\$ (7)	\$ (14)	\$ (7)	\$ (14)
Purchased and settled	\$ –	\$ –	\$ (1)	\$ (2)
Purchased and cancelled <sup>(i)</sup>	\$ (376)	\$ (393)	\$ (836)	\$ (718)
Premium charged to retained earnings				
Purchased and held in trusts	\$ 6	\$ 12	\$ 6	\$ 12
Purchased and settled	\$ –	\$ –	\$ (2)	\$ 1
Purchased and cancelled <sup>(ii)</sup>	\$ 310	\$ 335	\$ 710	\$ 781
Reduction in share capital <sup>(iii)</sup>	\$ 44	\$ 49	\$ 96	\$ 112

(i) Included in the third quarter of 2023 and year-to-date is a net cash timing adjustment of \$12 million (2022 – \$17 million) and nil (2022 – nominal), respectively, of common shares repurchased under the NCIB for cancellation.

(ii) Includes \$105 million (2022 – \$152 million) related to the ASPP, as described below.

(iii) Includes \$15 million (2022 – \$23 million) related to the ASPP, as described below.

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In the second quarter of 2023, GWL renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 6,954,013 of its common shares, representing approximately 5% of issued and outstanding common shares.

In the third quarter of 2023, the TSX accepted an amendment to the Company's NCIB to allow Wittington, the Company's controlling shareholder, to participate in the NCIB in a fixed proportion of 50% of Wittington's pro rata share of the issued and outstanding common shares of the Company. Purchases of common shares from Wittington will be made during the TSX's Special Trading Session pursuant to an automatic disposition plan agreement among the Company's broker, the Company and Wittington. The maximum number of common shares that may be purchased pursuant to the NCIB will be reduced by the number of common shares purchased from Wittington.

During the third quarter of 2023, 2,383,362 common shares (2022 - 2,472,575 common shares) were purchased under the NCIB for cancellation for aggregate consideration of \$364 million (2022 - \$376 million), including 393,877 common shares (2022 - nil) purchased from Wittington for aggregate consideration of \$60 million (2022 - nil). On a year-to-date basis, 5,200,911 common shares (2022 - 4,683,501) were purchased under the NCIB for cancellation for aggregate consideration of \$836 million (2022 - \$718 million), including 393,877 common shares (2022 - nil) purchased from Wittington for aggregate consideration of \$60 million (2022 - nil).

From time to time, 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 October 7, 2023, an obligation to repurchase shares of \$120 million (2022 - \$175 million) was recognized under the ASPP in trade payables and other liabilities.

As of October 7, 2023, 3,135,261 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:

(\$)	16 Weeks Ended		40 Weeks Ended	
	Oct. 7, 2023	Oct. 8, 2022	Oct. 7, 2023	Oct. 8, 2022
Dividends declared per share <sup>(i)</sup> :				
Common share	\$ 0.713	\$ 0.660	\$ 2.086	\$ 1.920
Preferred share:				
Series I	\$ 0.3625	\$ 0.3625	\$ 1.0875	\$ 1.0875
Series III	\$ 0.3250	\$ 0.3250	\$ 0.9750	\$ 0.9750
Series IV	\$ 0.3250	\$ 0.3250	\$ 0.9750	\$ 0.9750
Series V	\$ 0.296875	\$ 0.296875	\$ 0.890625	\$ 0.890625

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on October 1, 2023. Dividends declared on Preferred Shares, Series I were paid on September 15, 2023.

## Note 12. 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)	16 Weeks Ended		40 Weeks Ended	
	Oct. 7, 2023	Oct. 8, 2022	Oct. 7, 2023	Oct. 8, 2022
Current service cost				
Post-employment benefit costs <sup>(i)</sup>	\$ 47	\$ 50	\$ 119	\$ 132
Other long-term employee benefit costs <sup>(ii)</sup>	14	10	33	18
Net interest cost (income) on net defined benefit plan obligations	4	–	12	(1)
<b>Total post-employment defined benefit cost</b>	<b>\$ 65</b>	<b>\$ 60</b>	<b>\$ 164</b>	<b>\$ 149</b>

(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 net actuarial (losses) gains recognized in other comprehensive (loss) income from continuing operations for defined benefit plans during the periods were as follows:

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 7, 2023	Oct. 8, 2022	Oct. 7, 2023	Oct. 8, 2022
(Loss) return on plan assets, excluding amounts included in net interest expense and other financing charges	\$ (81)	\$ 8	\$ –	\$ (713)
Actuarial gains (losses) from changes in financial assumptions <sup>(i)</sup>	134	(10)	87	605
Change in liability arising from asset ceiling <sup>(i)</sup>	(104)	7	(9)	(116)
<b>Total net actuarial (losses) gains recognized in other comprehensive (loss) income before income taxes</b>	<b>\$ (51)</b>	<b>\$ 5</b>	<b>\$ 78</b>	<b>\$ (224)</b>
Income tax recoveries (expenses) on actuarial (losses) gains	14	(2)	(20)	59
<b>Net actuarial (losses) gains</b>	<b>\$ (37)</b>	<b>\$ 3</b>	<b>\$ 58</b>	<b>\$ (165)</b>

(i) In the third quarter of 2023, the actuarial gains from changes in financial assumptions and the change in liability arising from asset ceiling were primarily driven by an increase in discount rates. On a year-to-date basis, the actuarial gains from changes in financial assumptions were primarily driven by an increase in discount rates.

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

(\$ millions)	Oct. 7, 2023	As at	
		Oct. 8, 2022	Dec. 31, 2022
<b>Other assets</b>			
Net accrued benefit plan asset	\$ 95	\$ 188	\$ 65
<b>Other liabilities</b>			
Net defined benefit plan obligation	\$ 249	\$ 297	\$ 279
Other long-term employee benefit obligation	\$ 117	\$ 111	\$ 107

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## Note 13. 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)	Oct. 7, 2023				As at Oct. 8, 2022				Dec. 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>												
Amortized cost:												
Mortgages, loans and notes receivable <sup>(i)</sup>	\$ -	\$ -	\$ 372	\$ 372	\$ -	\$ -	\$ 303	\$ 303	\$ -	\$ -	\$ 342	\$ 342
Fair value through other comprehensive income:												
Long-term securities <sup>(i)</sup>	170	-	-	170	221	-	-	221	246	-	-	246
Derivatives included in prepaid expenses and other assets	-	11	-	11	-	5	-	5	-	6	-	6
Fair value through profit and loss:												
Security deposits	39	-	-	39	286	-	-	286	36	-	-	36
Mortgages, loans and notes receivable <sup>(i)</sup>	-	-	166	166	-	-	188	188	-	-	163	163
Investments in real estate securities <sup>(i)</sup>	-	212	-	212	-	323	-	323	-	302	-	302
Certain other assets <sup>(i)</sup>	-	16	117	133	-	18	94	112	-	19	132	151
Derivatives included in prepaid expenses and other assets	-	20	-	20	7	34	-	41	1	26	-	27
<b>Financial liabilities</b>												
Amortized cost:												
Long-term debt	-	8,175	6,247	14,422	-	8,377	5,903	14,280	-	8,592	5,947	14,539
Certain other liabilities <sup>(i)(ii)</sup>	-	-	715	715	-	-	673	673	-	-	677	677
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	-	-	4	4	-	13	-	13	-	-	-	-
Fair value through profit and loss:												
Trust Unit liability	3,498	-	-	3,498	3,450	-	-	3,450	4,112	-	-	4,112
Derivatives included in trade payables and other liabilities	-	-	-	-	-	-	7	7	-	-	3	3

(i) Included in the condensed consolidated balance sheets in Other Assets and Other Liabilities.

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

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

During the third quarter of 2023 and year-to-date, a gain of \$2 million (2022 – gain of \$5 million) and a nominal loss (2022 – gain of \$5 million) was recognized in operating income on financial instruments designated as amortized cost. In addition, during the third quarter of 2023 and year-to-date, a net gain of \$189 million (2022 – net gain of \$232 million) and a net gain of \$509 million (2022 – net gain of \$584 million) was recognized in earnings before income taxes from continuing operations on financial instruments required to be classified as fair value through profit and loss.

**Investments in Real Estate Securities** Choice Properties' investment in Allied Properties Real Estate Investment Trust ("Allied") Class B Units are recorded at their fair value based on market trading prices of Allied's publicly traded units. As at the end of the third quarter of 2023, Choice Properties held 11,809,145 Allied Class B Units with a value of \$212 million (2022 – \$323 million). In the third quarter of 2023 and year-to-date, a fair value loss of \$45 million (2022 – \$69 million) and a fair value loss of \$91 million (2022 – \$228 million) was recorded in SG&A.

**Trust Unit Liability** In the third quarter of 2023 and year-to-date, a fair value gain of \$219 million (2022 – gain of \$277 million) and a fair value gain of \$613 million (2022 – gain of \$760 million) was recorded in net interest expense and other financing charges (see note 4).

**Other Derivatives** The Company uses bond forwards, interest rate swaps and foreign exchange forwards to mitigate the impact of increases in interest rates and manage its anticipated exposure to exchange rates on its underlying operations and anticipated fixed asset purchases. The Company also uses swaps, futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. The following is a summary of the fair values recognized in the unaudited interim period condensed consolidated balance sheets and the net realized and unrealized gains (losses) before income taxes from continuing operations related to the Company's other derivatives:

	Oct. 7, 2023				
	16 Weeks Ended			40 Weeks Ended	
(\$ millions)	Net asset (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income	Gain/ (loss) recorded in OCI	Gain/(loss) recorded in operating income
<b>Derivatives designated as cash flow hedges</b>					
Foreign Exchange Forwards <sup>(i)</sup>	\$ 7	\$ 1	\$ –	\$ (3)	\$ 1
Bond Forwards <sup>(ii)</sup>	2	2	(2)	10	(4)
Interest Rate Swaps and Other <sup>(iii)</sup>	14	(6)	–	1	1
<b>Total derivatives designated as cash flow hedges</b>	<b>\$ 23</b>	<b>\$ (3)</b>	<b>\$ (2)</b>	<b>\$ 8</b>	<b>\$ (2)</b>
<b>Derivatives not designated in a formal hedging relationship</b>					
Foreign Exchange and Other Forwards	\$ 4	\$ –	\$ 12	\$ –	\$ 5
Other Non-Financial Derivatives	–	–	–	–	(3)
<b>Total derivatives not designated in a formal hedging relationship</b>	<b>\$ 4</b>	<b>\$ –</b>	<b>\$ 12</b>	<b>\$ –</b>	<b>\$ 2</b>
<b>Total derivatives</b>	<b>\$ 27</b>	<b>\$ (3)</b>	<b>\$ 10</b>	<b>\$ 8</b>	<b>\$ –</b>

(i) PC Bank uses foreign exchange forwards, with a notional value of \$19 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid expenses and other assets.

(ii) PC Bank uses bond forwards, with a notional value of \$30 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in prepaid expenses and other assets.

(iii) PC Bank uses interest rate swaps, with a notional value of \$180 million, to mitigate the impact of increases in interest rate. During the second quarter of 2023, Loblaw entered into a 20 year arrangement to hedge energy pricing on its purchases in Alberta beginning on January 1, 2025. The hedge has a notional value of \$223 million and resulted in a fair value loss of \$9 million in the third quarter of 2023 and a \$5 million fair value loss year-to-date, which has been recorded in other comprehensive income. The fair values of the derivatives held by PC Bank and Loblaw are included in both prepaid expenses and other assets and trade payables and other liabilities. Choice Properties uses interest rate swaps, with a notional value of \$208 million, to manage its interest risk related to variable rate mortgages. The fair values of the derivatives held by Choice Properties are included in other assets.

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(\$ millions)	16 Weeks Ended			40 Weeks Ended		
	Net asset (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income	
<b>Derivatives designated as cash flow hedges</b>						
Foreign Exchange Forwards <sup>(i)</sup>	\$ (10)	\$ 9	\$ 1	\$ 1	\$ 1	
Bond Forwards <sup>(ii)</sup>	–	1	(1)	17	(4)	
Interest Rate Swaps <sup>(iii)</sup>	15	(2)	2	12	2	
<b>Total derivatives designated as cash flow hedges</b>	<b>\$ 5</b>	<b>\$ 8</b>	<b>\$ 2</b>	<b>\$ 30</b>	<b>\$ (1)</b>	
<b>Derivatives not designated in a formal hedging relationship</b>						
Foreign Exchange and Other Forwards	\$ 21	\$ –	\$ 22	\$ –	\$ 37	
Other Non-Financial Derivatives	7	–	5	–	20	
<b>Total derivatives not designated in a formal hedging relationship</b>	<b>\$ 28</b>	<b>\$ –</b>	<b>\$ 27</b>	<b>\$ –</b>	<b>\$ 57</b>	
<b>Total derivatives</b>	<b>\$ 33</b>	<b>\$ 8</b>	<b>\$ 29</b>	<b>\$ 30</b>	<b>\$ 56</b>	

- (i) PC Bank uses foreign exchange forwards, with a notional amount of \$30 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in trade payables and other liabilities.
- (ii) PC Bank settled \$140 million of bond forwards in the third quarter of 2022 (see note 8). The purpose of the bond forward was to hedge the interest rate risk for the \$250 million *Eagle* notes issued in the third quarter of 2022. Loblaw has concluded that the hedge was effective as at the settlement date which resulted in a \$8 million fair value gain being reclassified to net earnings over the life of the *Eagle* notes.
- (iii) PC Bank uses interest rate swaps, with a 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 \$159 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives are included in other assets.

## Note 14. Contingent Liabilities

In the ordinary course of business, the Company is involved in and potentially subject to, legal actions and proceedings. In addition, the Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments.

There are a number of uncertainties involved in such matters, individually or in aggregate, and as such, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect on the Company's reputation, operations, financial condition or performance in future periods. It is not currently possible to predict the outcome of the Company's legal actions and proceedings with certainty. Management regularly assesses its position on the adequacy of accruals or provisions related to such matters and will make any necessary adjustments.

The following is a description of the Company's significant legal proceedings:

Shoppers Drug Mart was previously served with an Amended Statement of Claim in a class action proceeding that has been filed in the Ontario Superior Court of Justice ("Superior Court") by two Shoppers Drug Mart licensees ("Associates"), claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who were parties to Shoppers Drug Mart's 2002 and 2010 forms of the Associate Agreement. On July 9, 2013, the Superior Court certified as a class proceeding portions of the action. A summary judgment trial of the matter was held in December 2022 and on February 17, 2023, the Superior Court released its decision in relation to those summary judgment motions (the "Decision"). The Superior Court dismissed the plaintiffs' claims on the majority of the issues including a request for damages at this stage of proceedings. The Court also held that Shoppers Drug Mart breached the 2002 form of Associate Agreement when it did not remit certain amounts that it received from generic drug manufacturers to Associates. On March 20, 2023, the plaintiffs filed a Notice of Appeal and on April 4, 2023, Loblaw filed a Notice of Cross-Appeal. A hearing for the appeals has been scheduled for February 2024. Accordingly, Loblaw has not recorded any amounts related to the potential liability associated with this lawsuit. Loblaw does not believe that the ultimate resolution of this matter will have a material adverse impact on its financial condition or prospects.

In 2017, the Company and 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. In December 2019, a proposed class action on behalf of independent distributors was commenced against the Company. 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 and Loblaw's cash balances far exceed any realistic damages scenario and therefore the Company and Loblaw do not anticipate any impacts on the Company's or Loblaw's dividend, dividend policy or share buyback plan. The Company and Loblaw have not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2023 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 response to such class action lawsuits, certain major grocery retailers have crossclaimed against the Company and Loblaw, and the Company and Loblaw believe such crossclaims are without merit.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including 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 has been approved by the court and is now final. In December 2019, a further opioid-related class action was commenced in British Columbia against a large group of defendants, including Sanis Health Inc., Shoppers Drug Mart Inc. and 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 unaudited interim period condensed consolidated financial statements.

In July 2022, the Tax Court of Canada released a decision relating to PC Bank, a subsidiary of Loblaw. The Tax Court of Canada ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaws Inc. in respect of redemptions of loyalty points. On September 29, 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal and in the first half of 2023 both PC Bank and the Crown submitted their respective facts for the appeal. Although Loblaw believes in the merits of its position, Loblaw recorded a charge of \$111 million, inclusive of interest, in the second quarter of 2022. Loblaw believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

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

# Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

## Note 15. Related Party Transaction

**VENTURE FUNDS** During 2020, GWL, Loblaw and a wholly-owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington ("Venture Fund I"). A wholly owned subsidiary of Wittington is the general partner of Venture Fund I, which hired an external fund manager to oversee it. The purpose of Venture Fund I is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have a 33% interest in Venture Fund I. The Company has a consolidated capital commitment of \$66 million over a 10-year period.

During the third quarter of 2022, Loblaw became a limited partner in another limited partnership formed by Wittington ("Venture Fund II"). A wholly-owned subsidiary of Wittington is also the general partner of Venture Fund II, and the general purpose of Venture Fund II is consistent with Venture Fund I. Loblaw has a 50% interest in Venture Fund II and has a total capital commitment of \$60 million over a 10-year period.

## Note 16. 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 2022 audited annual consolidated financial statements and accompanying notes. The Company measures each reportable operating segment's performance based on adjusted operating income before depreciation and amortization ("Adjusted EBITDA"). No reportable operating segment is reliant on any single external customer.

(\$ millions)	16 Weeks Ended											
	Oct. 7, 2023						Oct. 8, 2022					
	Loblaw	Choice Properties	Other and Inter-segment	Total Segment Measure	Elim-inations	Total	Loblaw	Choice Properties	Other and Inter-segment	Total Segment Measure	Elim-inations	Total
<b>Revenue</b>	\$ 18,265	\$ 325	\$ 2	\$ 18,592	\$ (185)	\$ 18,407	\$ 17,388	\$ 309	\$ 2	\$ 17,699	\$ (179)	\$ 17,520
Operating income	\$ 1,063	\$ 214	\$ (46)	\$ 1,231	\$ –	\$ 1,231	\$ 989	\$ 501	\$ (16)	\$ 1,474	\$ –	\$ 1,474
Net interest expense (income) and other financing charges	234	(221)	72	85	–	85	217	(447)	243	13	–	13
<b>Earnings before income taxes from continuing operations</b>	<b>\$ 829</b>	<b>\$ 435</b>	<b>\$ (118)</b>	<b>\$ 1,146</b>	<b>\$ –</b>	<b>\$ 1,146</b>	<b>\$ 772</b>	<b>\$ 948</b>	<b>\$ (259)</b>	<b>\$ 1,461</b>	<b>\$ –</b>	<b>\$ 1,461</b>
<b>Operating income</b>	<b>\$ 1,063</b>	<b>\$ 214</b>	<b>\$ (46)</b>	<b>\$ 1,231</b>	<b>\$ –</b>	<b>\$ 1,231</b>	<b>\$ 989</b>	<b>\$ 501</b>	<b>\$ (16)</b>	<b>\$ 1,474</b>	<b>\$ –</b>	<b>\$ 1,474</b>
Depreciation and amortization	880	1	(118)	763			864	–	(135)	729		
Adjusting items <sup>(i)</sup>	(19)	19	25	25			(9)	(278)	35	(252)		
<b>Adjusted EBITDA<sup>(i)</sup></b>	<b>\$ 1,924</b>	<b>\$ 234</b>	<b>\$ (139)</b>	<b>\$ 2,019</b>			<b>\$ 1,844</b>	<b>\$ 223</b>	<b>\$ (116)</b>	<b>\$ 1,951</b>		

(i) Certain items are excluded from operating income to derive adjusted EBITDA:

(\$ millions)	16 Weeks Ended									
	Oct. 7, 2023					Oct. 8, 2022				
	Loblaw	Choice Properties	Other and Intersegment	Total Segment Measure		Loblaw	Choice Properties	Other and Intersegment	Total Segment Measure	
Fair value adjustment of investment in real estate securities	\$ –	\$ 45	\$ –	\$ 45		\$ –	\$ 69	\$ –	\$ 69	
Fair value adjustment on investment properties	–	(26)	27	1		–	(347)	34	(313)	
Gain on sale of non-operating properties	(13)	–	(2)	(15)		(3)	–	–	(3)	
Fair value adjustment of derivatives	(6)	–	–	(6)		(6)	–	–	(6)	
Foreign currency translation and other company level activities	–	–	–	–		–	–	1	1	
Adjusting Items	\$ (19)	\$ 19	\$ 25	\$ 25		\$ (9)	\$ (278)	\$ 35	\$ (252)	

(\$ millions)	40 Weeks Ended											
	Oct. 7, 2023						Oct. 8, 2022					
	Loblaw	Choice Properties	Other and Inter-segment	Total Segment Measure	Eliminations	Total	Loblaw	Choice Properties	Other and Inter-segment	Total Segment Measure	Eliminations	Total
<b>Revenue</b>	<b>\$44,998</b>	<b>\$ 980</b>	<b>\$ 8</b>	<b>\$45,986</b>	<b>\$ (562)</b>	<b>\$45,424</b>	<b>\$42,497</b>	<b>\$ 950</b>	<b>\$ 8</b>	<b>\$43,455</b>	<b>\$ (549)</b>	<b>\$42,906</b>
Operating income	\$ 2,755	\$ 810	\$ (278)	\$ 3,287	\$ –	\$ 3,287	\$ 2,465	\$ 679	\$ 145	\$ 3,289	\$ –	\$ 3,289
Net interest expense (income) and other financing charges	608	(432)	53	229	–	229	511	(644)	130	(3)	–	(3)
<b>Earnings before income taxes from continuing operations</b>	<b>\$ 2,147</b>	<b>\$ 1,242</b>	<b>\$ (331)</b>	<b>\$ 3,058</b>	<b>\$ –</b>	<b>\$ 3,058</b>	<b>\$ 1,954</b>	<b>\$ 1,323</b>	<b>\$ 15</b>	<b>\$ 3,292</b>	<b>\$ –</b>	<b>\$ 3,292</b>
<b>Operating income</b>	<b>\$ 2,755</b>	<b>\$ 810</b>	<b>\$ (278)</b>	<b>\$ 3,287</b>	<b>\$ –</b>	<b>\$ 3,287</b>	<b>\$ 2,465</b>	<b>\$ 679</b>	<b>\$ 145</b>	<b>\$ 3,289</b>	<b>\$ –</b>	<b>\$ 3,289</b>
Depreciation and amortization	2,226	3	(299)	1,930			2,128	2	(300)	1,830		
Adjusting items <sup>(i)</sup>	27	(111)	126	42			89	(7)	(240)	(158)		
<b>Adjusted EBITDA<sup>(i)</sup></b>	<b>\$ 5,008</b>	<b>\$ 702</b>	<b>\$ (451)</b>	<b>\$ 5,259</b>			<b>\$ 4,682</b>	<b>\$ 674</b>	<b>\$ (395)</b>	<b>\$ 4,961</b>		

(i) Certain items are excluded from operating income to derive adjusted EBITDA:

(\$ millions)	40 Weeks Ended							
	Oct. 7, 2023				Oct. 8, 2022			
	Loblaw	Choice Properties	Other and Intersegment	Total Segment Measure	Loblaw	Choice Properties	Other and Intersegment	Total Segment Measure
Fair value adjustment of investment in real estate securities	\$ –	\$ 91	\$ –	\$ 91	\$ –	\$ 228	\$ –	\$ 228
Fair value adjustment on investment properties	–	(202)	133	(69)	–	(240)	(262)	(502)
Gain on sale of non-operating properties	(12)	–	(7)	(19)	(7)	–	–	(7)
Fair value adjustment of derivatives	2	–	–	2	(16)	–	–	(16)
Charges related to PC Bank commodity tax matters	37	–	–	37	111	–	–	111
Transaction costs and other related expenses	–	–	–	–	16	5	–	21
Restructuring and other related (recoveries) costs	–	–	–	–	(15)	–	19	4
Foreign currency translation and other company level activities	–	–	–	–	–	–	3	3
Adjusting Items	\$ 27	\$ (111)	\$ 126	\$ 42	\$ 89	\$ (7)	\$ (240)	\$ (158)

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

Other and Intersegment includes the following items:

(\$ millions)	16 Weeks Ended					
	Oct. 7, 2023			Oct. 8, 2022		
	Revenue	Operating Income	Net Interest Expense and Other Financing Charges	Revenue	Operating Income	Net Interest Expense and Other Financing Charges
Internal lease arrangements	\$ 2	\$ (1)	\$ (39)	\$ 2	\$ 19	\$ (35)
Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost	–	(8)	–	–	12	–
Fair value adjustment on investment properties	–	(27)	–	–	(34)	(3)
Fair value adjustment on Choice Properties' Exchangeable Units	–	–	352	–	–	578
Fair value adjustment on Trust Unit liability	–	–	(219)	–	–	(277)
Unit distributions on Exchangeable Units paid by Choice Properties to GWL	–	–	(74)	–	–	(73)
Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL	–	–	53	–	–	51
Intersegment consolidation adjustments	–	(1)	–	–	(3)	–
Other	–	(9)	(1)	–	(10)	2
<b>Total</b>	<b>\$ 2</b>	<b>\$ (46)</b>	<b>\$ 72</b>	<b>\$ 2</b>	<b>\$ (16)</b>	<b>\$ 243</b>
Elimination of intercompany rental revenue	(185)	–	–	(179)	–	–
<b>Total including Eliminations</b>	<b>\$ (183)</b>	<b>\$ (46)</b>	<b>\$ 72</b>	<b>\$ (177)</b>	<b>\$ (16)</b>	<b>\$ 243</b>

(\$ millions)	40 Weeks Ended					
	Oct. 7, 2023			Oct. 8, 2022		
	Revenue	Operating Income	Net Interest Expense and Other Financing Charges	Revenue	Operating Income	Net Interest Expense and Other Financing Charges
Internal lease arrangements	\$ 8	\$ (92)	\$ (91)	\$ 8	\$ (54)	\$ (79)
Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost	–	(15)	–	–	(10)	–
Fair value adjustment on investment properties	–	(133)	2	–	262	(5)
Fair value adjustment on Choice Properties' Exchangeable Units	–	–	823	–	–	1,029
Fair value adjustment on Trust Unit liability	–	–	(613)	–	–	(760)
Unit distributions on Exchangeable Units paid by Choice Properties to GWL	–	–	(222)	–	–	(220)
Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL	–	–	156	–	–	154
Reversal of Loblaw gain on sale of disposition of property to Choice Properties	–	–	–	–	(19)	–
Intersegment consolidation adjustments	–	1	–	–	(9)	–
Other	–	(39)	(2)	–	(25)	11
<b>Total</b>	<b>\$ 8</b>	<b>\$ (278)</b>	<b>\$ 53</b>	<b>\$ 8</b>	<b>\$ 145</b>	<b>\$ 130</b>
Elimination of intercompany rental revenue	(562)	–	–	(549)	–	–
<b>Total including Eliminations</b>	<b>\$ (554)</b>	<b>\$ (278)</b>	<b>\$ 53</b>	<b>\$ (541)</b>	<b>\$ 145</b>	<b>\$ 130</b>

(\$ millions)	Oct. 7, 2023	As at	
		Oct. 8, 2022	Dec. 31, 2022
Total Assets			
Loblaw	\$ 38,252	\$ 37,695	\$ 38,147
Choice Properties	17,260	16,446	16,820
Other and Intersegment	(6,521)	(5,823)	(6,009)
Consolidated	\$ 48,991	\$ 48,318	\$ 48,958

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 7, 2023	Oct. 8, 2022 <sup>(i)</sup>	Oct. 7, 2023	Oct. 8, 2022 <sup>(i)</sup>
Additions to Fixed Assets, Investment Properties and Intangible Assets				
Loblaw	\$ 695	\$ 432	\$ 1,433	\$ 920
Choice Properties	61	85	198	152
Other and Intersegment	–	–	1	1
Consolidated	\$ 756	\$ 517	\$ 1,632	\$ 1,073

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

## Note 17. Subsequent Event

**CHOICE PROPERTIES** Subsequent to the end of the third quarter of 2023, Choice Properties completed the disposition of one retail property and one office property for aggregate proceeds of \$81 million.