

Management's Discussion and Analysis

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The following Management's Discussion and Analysis ("MD&A") for Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes for the year ended December 28, 2024 ("consolidated financial statements") included within the 2024 Annual Report.

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards" or "GAAP") and include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except when otherwise noted.

Management uses non-GAAP and other financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. The Company adjusts for these items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring. See Section 17 "Non-GAAP and Other Financial Measures", of this MD&A for more information on the Company's non-GAAP and other financial measures.

The information in this MD&A is current to February 19, 2025, unless otherwise noted. A glossary of terms can be found at the end of the 2024 Annual Report.

Unless otherwise indicated, all comparisons of results for the fourth quarter of 2024 (12 weeks ended December 28, 2024) are against results for the fourth quarter of 2023 (12 weeks ended December 30, 2023) and all comparisons of results for the full-year of 2024 (52 weeks ended December 28, 2024) are against the results for the full-year of 2023 (52 weeks ended December 30, 2023).

1. Forward-Looking Statements

The Annual Report, including the MD&A, contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Annual Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of information technology ("IT") systems implementations. These specific forward-looking statements are contained throughout this Annual Report including, without limitation, Section 3 "Strategic Framework", Section 5.1 "Consolidated Results of Operations", Section 5.2 "Other Business Matters", Section 6.1 "Retail Segment", Section 6.2 "Financial Services Segment", Section 7 "Liquidity and Capital Resources", Section 9 "Quarterly Results of Operations", Section 12 "Enterprise Risks and Risk Management", Section 14 "Critical Accounting Estimates and Judgments", Section 15 "Accounting Standards", "Section 16 "Strategic Update and Outlook" and Section 17 "Non-GAAP and Other Financial Measures". Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and, as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the Company's MD&A in the 2024 Annual Report, and the Company's Annual Information Form ("AIF") for the year ended December 28, 2024. Such risks and uncertainties include:

- changes in economic conditions, including inflation, impact of tariffs, price increases from suppliers, levels of employment, costs of borrowing, household debt, political uncertainty and government regulation, the impact of natural disasters, war or acts of terrorism, pandemics, changes in interest rates, tax rates, or exchange rates, and access to consumer credit;
- inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to realize benefits from investments in the Company's new IT systems and related processes, including automation;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to maintain an effective supply chain and consequently an appropriate assortment of available product at the store and digital retail level;
- failure to realize the anticipated benefits associated with the Company's strategic priorities and major initiatives, including revenue growth, anticipated cost savings and operating efficiencies, or organizational changes that may impact the relationships with franchisees and Shoppers Drug Mart Licensees ("Associates");
- failure to execute the Company's e-commerce initiatives or to adapt its business model to shifts in the retail landscape caused by digital advances;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;
- failure to attract and retain colleagues may impact the Company's ability to effectively operate and achieve financial performance goals;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- public health events including those related to food and drug safety;
- errors made through medication dispensing or errors related to patient services or consultation;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- failure to adapt to environmental and social risks, including failure to execute against the Company's climate change and social equity initiatives;
- adverse outcomes of legal and regulatory proceedings and related matters; and
- reliance on the performance and retention of third party service providers, including those associated with the Company's supply chain and apparel business and located in both advanced and developing markets.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities ("securities regulators") from time to time, including, without limitation, the section entitled "Risks" in the Company's AIF for the year ended December 28, 2024. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2. Overview

Loblaw Companies Limited is a Canadian public company incorporated in 1956 and is Canada's food and pharmacy leader, and the nation's largest retailer. The Company has two operating segments: Retail and Financial Services. The Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, and includes in-store pharmacies, health care services, other health and beauty products, apparel and other general merchandise. The Company's Financial Services segment provides credit card and everyday banking services, the PC Optimum™ loyalty program, insurance brokerage services, and telecommunication services. The businesses are underpinned by the *PC Optimum* loyalty program, a customer loyalty program that provides more than a billion dollars in annual rewards and is unique to each consumer across their network-wide purchases.

3. Strategic Framework

Loblaw is driven by its purpose to help Canadians Live Life Well® which guides the Company's strategic framework. This framework centres around Loblaw's three strategic pillars of Delivering Retail Excellence, Driving Growth, and Investing for the Future, while embedding Environmental, Social and Governance ("ESG") initiatives in everything Loblaw does. Underpinning these strategic pillars is a sharp focus on leveraging data driven insights and process efficiency excellence to deliver strong financial performance. The framework is supported by colleagues with a shared set of CORE values and culture principles that encourages colleagues to be authentic, build trust and make connections.

The Company strives to be the "best in food, health and beauty" and with its focus on retail excellence, it is constantly improving its retail operations to differentiate its customer offerings, to lower cost to serve and to deliver scale through its national logistics infrastructure. Retail operations benefit from more than one billion customer touchpoints annually and deliver a unique customer experience driven by industry leading control brands, healthy alternatives, and a choice of in-store shopping, pick-up and delivery. The approach to being "best in food" is driven by fresh food selection, competitive value, and customized assortments across banners. The approach to being "best in health and beauty" is supported by high quality health and wellness products, an expanding offer of healthcare services, and a diverse and differentiated beauty offering.

Building for the future, its purpose guides its investments in strategic growth initiatives to further differentiate its portfolio of assets, generate competitive advantages in products, services and price, improve its operational efficiencies, and create new areas of growth to service the changing needs of Canadians and to personalize their experiences.

Loblaw's purpose-led approach to addressing ESG issues focuses on two priorities: fighting climate change and advancing social equity. Fighting climate change for Loblaw means working to help mitigate the environmental causes and effects of climate change through measures such as: reducing CO2 emissions, reaching the Company's net-zero targets, ensuring packaging compliance to international standards, and eliminating food waste⁽ⁱ⁾. Advancing social equity means building a diverse and inclusive workforce and supporting the health and well-being of women and children. ESG considerations are central to decisions made across the Company. By integrating consideration of environmental and social risks and good governance practices in its day-to-day business activities, implementing robust compliance and ethics programs and supporting its colleagues and the communities in which it operates, the Company aims to be a leading contributor to Canadian society both today and for generations to come.

Together, each of these components forms a part of the strategic framework that guides the Company's direction now and into the future.

(i) Plan development and processes utilized to measure progress against the Company's targets leverage and are in accordance with internationally recognized methodology including as set out in the Paris Agreement, which aims to limit global temperature rise to 1.5 degrees Celsius.

4. Key Financial Performance Indicators⁽¹⁾

The Company has identified key financial performance indicators to measure the progress of short and long term objectives. Certain key financial performance indicators are set out below:

As at or for the years ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (52 weeks)	2023 (52 weeks)
Consolidated		
Revenue growth	2.5 %	5.4 %
Operating income	\$ 3,902	\$ 3,704
Adjusted EBITDA ⁽²⁾	7,024	6,647
Adjusted EBITDA margin ⁽²⁾	11.5 %	11.2 %
Net earnings	\$ 2,275	\$ 2,187
Net earnings attributable to shareholders of the Company	2,171	2,100
Net earnings available to common shareholders of the Company ⁽ⁱ⁾	2,155	2,088
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	2,637	2,480
Diluted net earnings per common share (\$)	\$ 6.99	\$ 6.52
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 8.55	\$ 7.75
Cash and cash equivalents and short term investments	\$ 2,110	\$ 1,952
Cash flows from operating activities	5,802	5,654
Free cash flow ⁽²⁾	1,671	1,700
Financial Measures		
Retail debt to retail adjusted EBITDA ⁽²⁾	2.4 x	2.3 x
Adjusted return on equity ⁽²⁾	23.6 %	22.2 %
Adjusted return on capital ⁽²⁾	11.8 %	11.5 %
Retail Segment		
Food retail same-store sales growth	1.5 %	3.9 %
Drug retail same-store sales growth	2.4 %	5.4 %
Operating income	\$ 3,465	\$ 3,500
Gross profit ⁽²⁾	18,721	18,083
Gross profit % ⁽²⁾	31.3 %	31.0 %
Adjusted EBITDA ⁽²⁾	\$ 6,662	\$ 6,361
Adjusted EBITDA margin ⁽²⁾	11.1 %	10.9 %
Financial Services Segment		
Earnings before income taxes	\$ 299	\$ 61
Annualized yield on average quarterly gross credit card receivables	14.3 %	13.9 %
Annualized credit loss rate on average quarterly gross credit card receivables	4.5 %	3.8 %

(i) Net earnings available to common shareholders of the Company are net earnings attributable to shareholders of the Company net of dividends declared on the Company's Second Preferred Shares, Series B and the impact of the redemption of these shares.

5. Overall Financial Performance

5.1 Consolidated Results of Operations

The following is a summary of selected consolidated financial information for 2024:

As at or for the years ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (52 weeks)	2023 (52 weeks)	\$ Change	% Change
Revenue	\$ 61,014	\$ 59,529	\$ 1,485	2.5 %
Operating income	3,902	3,704	198	5.3 %
Adjusted EBITDA ⁽²⁾	7,024	6,647	377	5.7 %
Adjusted EBITDA margin ⁽²⁾	11.5 %	11.2 %		
Depreciation and amortization	\$ 2,966	\$ 2,906	\$ 60	2.1 %
Net interest expense and other financing charges	821	803	18	2.2 %
Adjusted net interest expense and other financing charges ⁽²⁾	831	803	28	3.5 %
Income taxes	806	714	92	12.9 %
Adjusted income taxes ⁽²⁾	969	858	111	12.9 %
Effective tax rate	26.2 %	24.6 %		
Adjusted effective tax rate ⁽²⁾	26.0 %	25.0 %		
Net earnings attributable to non-controlling interests	\$ 104	\$ 87	\$ 17	19.5 %
Net earnings attributable to shareholders of the Company	\$ 2,171	\$ 2,100	\$ 71	3.4 %
Net earnings available to common shareholders of the Company⁽ⁱ⁾	2,155	2,088	67	3.2 %
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	2,637	2,480	157	6.3 %
Diluted net earnings per common share (\$)	\$ 6.99	\$ 6.52	\$ 0.47	7.2 %
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 8.55	\$ 7.75	\$ 0.80	10.3 %
Diluted weighted average common shares outstanding (in millions)	308.5	320.0		

(i) Net earnings available to common shareholders of the Company are net earnings attributable to shareholders of the Company net of dividends declared on the Company's Second Preferred Shares, Series B and the impact of the redemption of these shares.

Loblaw continued to deliver strong and consistent financial and operating results across its various businesses in 2024. Loblaw's ability to deliver everyday value, quality, service and convenience to Canadians was reflected in strong sales growth across its Retail business. Loblaw's portfolio of best in class assets was well positioned to meet customers' everyday needs across food, health and wellness. The Company's relentless focus on retail excellence leveraged these assets to deliver strong sales growth, gross margin improvements, and leverage its operating costs.

Net Earnings Available to Common Shareholders of the Company and Diluted Net Earnings Per Common Share

Net earnings available to common shareholders of the Company were \$2,155 million (\$6.99 per common share), an increase of \$67 million (\$0.47 per common share) or 3.2% when compared to 2023. The increase included an improvement in the underlying operating performance of \$157 million which was partially offset by an unfavourable change in adjusting items totaling \$90 million as described below:

- the improvement in the underlying operating performance of \$157 million (\$0.49 per common share) was primarily due to the following:
 - an improvement in the underlying operating performance in the Retail segment driven by an increase in gross profit⁽²⁾, partially offset by an increase in selling, general and administrative expenses (“SG&A”) and depreciation and amortization; and
 - an improvement in the underlying operating performance in the Financial Services segment; partially offset by,
 - the unfavourable impact from adjustments to certain tax provisions in 2023; and
 - an increase in net interest expense and other financing charges.
- the unfavourable change in adjusting items totaling \$90 million (\$0.33 per common share) was primarily due to the following:
 - the unfavourable impact of charges related to the settlement of class action lawsuits of \$121 million (\$0.39 per common share);
 - the unfavourable impact of the charge related to the *PC Optimum* loyalty program of \$94 million (\$0.30 per common share);
 - the unfavourable impact of the fair value write-down related to the sale of Wellwise by Shoppers™ (“*Wellwise*”) of \$29 million (\$0.09 per common share); and
 - the year-over-year unfavourable change in gains on sale of non-operating properties of \$7 million (\$0.02 per common share);partially offset by,
 - the year-over-year favourable change in (recoveries) charge related to President’s Choice Bank (“PC Bank”) commodity tax matters of \$142 million (\$0.46 per common share);
 - the year-over-year favourable change in fair value adjustments on fuel and foreign currency contracts of \$16 million (\$0.05 per common share); and
 - the year-over-year favourable change in fair value adjustments on non-operating properties of \$3 million (\$0.01 per common share).
- diluted net earnings per common share also included the favourable impact from the repurchase of common shares over the last 12 months (\$0.31 per common share).

Adjusted net earnings available to common shareholders of the Company⁽²⁾ were \$2,637 million, an increase of \$157 million or 6.3% when compared to 2023. Adjusted net earnings per common share⁽²⁾ were \$8.55 per common share, an increase of \$0.80 or 10.3%. The increase includes the favourable impact from the repurchase of common shares.

Revenue

For the years ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (52 weeks)	2023 (52 weeks)	\$ Change	% Change
Retail	\$ 59,786	\$ 58,345	\$ 1,441	2.5 %
Financial Services	1,586	1,540	46	3.0 %
Eliminations	(358)	(356)	(2)	(0.6)%
Revenue	\$ 61,014	\$ 59,529	\$ 1,485	2.5 %

Revenue was \$61,014 million, an increase of \$1,485 million, or 2.5% when compared to 2023. The increase was primarily driven by an increase in Retail segment sales of \$1,441 million, due to positive same-store sales growth. There was also an increase in Financial Services segment sales of \$46 million.

Operating Income Operating income was \$3,902 million, an increase of \$198 million, or 5.3% when compared to 2023. The increase in operating income was driven by an improvement in the underlying operating performance of \$317 million, partially offset by an unfavourable change in adjusting items totaling \$119 million as described below:

- the improvement in the underlying operating performance of \$317 million was primarily due to the following:
 - an improvement in the underlying operating performance of the Retail segment due to an increase in gross profit⁽²⁾, partially offset by an increase in SG&A and depreciation and amortization; and
 - an improvement in the underlying operating performance in the Financial Services segment.
- the unfavourable change in adjusting items totaling \$119 million was primarily due to the following:
 - the unfavourable impact of charges related to the settlement of class action lawsuits of \$164 million;
 - the unfavourable impact of the charge related to the *PC Optimum* loyalty program of \$129 million;
 - the unfavourable impact of the fair value write-down related to the sale of *Wellwise* of \$23 million; and
 - the year-over-year unfavourable change in gains on sale of non-operating properties of \$9 million;
 partially offset by,
 - the year-over-year favourable change in (recoveries) charge related to PC Bank commodity tax matters of \$179 million;
 - the year-over-year favourable change in fair value adjustments on fuel and foreign currency contracts of \$21 million; and
 - the year-over-year favourable change in fair value adjustments on non-operating properties of \$6 million.

Adjusted EBITDA⁽²⁾

For the years ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (52 weeks)	2023 (52 weeks)	\$ Change	% Change
Retail	\$ 6,662	\$ 6,361	\$ 301	4.7 %
Financial Services	362	286	76	26.6 %
Adjusted EBITDA⁽²⁾	\$ 7,024	\$ 6,647	\$ 377	5.7 %

Adjusted EBITDA⁽²⁾ was \$7,024 million, an increase of \$377 million, or 5.7% when compared to 2023, driven by an increase in the Retail segment of \$301 million, and an increase in the Financial Services segment of \$76 million.

Depreciation and Amortization Depreciation and amortization was \$2,966 million, an increase of \$60 million or 2.1% when compared to 2023, primarily driven by an increase in the Retail segment of \$68 million. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart Corporation (“Shoppers Drug Mart”) and Lifemark Health Group (“Lifemark”) of \$499 million (2023 – \$499 million).

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were \$821 million, an increase of \$18 million or 2.2% when compared to 2023. The increase was primarily driven by an increase in interest expense from lease liabilities and long term debt, and lower interest income on certain short term investments. This was partially offset by the capitalization of interest expense related to the Company's automated distribution facility, the favourable impact of the recovery related to the PC Bank commodity tax matter, and lower interest expense from post-employment and other long term employee benefits.

Income Taxes Income tax expense in 2024 was \$806 million (2023 – \$714 million) and the effective tax rate was 26.2% (2023 – 24.6%). The increase to the effective tax rate was primarily attributable to the adjustments to certain tax provisions during 2023 and the impact of other non-deductible items.

Adjusted income tax expense⁽²⁾ in 2024 was \$969 million (2023 – \$858 million) and the adjusted effective tax rate⁽²⁾ was 26.0% (2023 – 25.0%). The increase to the adjusted effective tax rate⁽²⁾ was primarily attributable to the adjustments to certain tax provisions during 2023 and the impact of other non-deductible items.

Net Earnings Attributable To Non-Controlling Interests Net earnings attributable to non-controlling interests were \$104 million, an increase of \$17 million or 19.5% when compared to 2023, primarily driven by an increase in franchisee earnings after profit sharing. Non-controlling interests represent the share of earnings that relates to the Company's Food Retail franchisees and is impacted by the timing of when profit sharing with franchisees is agreed and finalized under the terms of the agreements.

5.2 Other Business Matters

Settlement of Class Action Lawsuits On July 24, 2024, the Company and George Weston Limited ("Weston") entered into binding Minutes of Settlement and on January 31, 2025, the Company and Weston entered into a Settlement Agreement to resolve nationwide class action lawsuits against them relating to their role in an industry-wide price-fixing arrangement involving certain packaged bread products which occurred between 2001 and 2015. The Settlement Agreement provides for a total settlement of \$500 million. Weston will pay \$247 million, and the Company will pay \$253 million offset by \$96 million previously paid to customers by the Company under the Loblaw Card Program. The \$500 million settlement amount was negotiated with lawyers representing consumers in a mediation presided over by the Chief Justice of the Ontario Superior Court of Justice. If the Settlement Agreement is approved by the courts, it will resolve all of the consumers' claims against the Company and Weston relating to this matter. In the second quarter of 2024, charges of \$164 million (\$121 million, net of income taxes) were recorded in the Retail segment in SG&A, relating to the Company's portion of the total settlement and related costs.

PC Optimum loyalty program In the fourth quarter of 2024, the Company recorded a charge of \$129 million, of which \$99 million was recorded in the Retail segment and \$30 million was recorded in the Financial Services segment. This charge represents the revaluation of the loyalty liability for outstanding points, reflecting higher PC Optimum member participation and higher redemption rates.

Sale of Wellwise In the fourth quarter of 2024, the Company entered into an agreement with a third party to sell all of the shares of its Wellwise business for cash proceeds. Accordingly, the Company recorded a net fair value write-down of \$23 million in the Retail segment in SG&A. The transaction is expected to close in the first quarter of 2025.

PC Bank Commodity tax matters In 2022, the Tax Court of Canada ("Tax Court") released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaws Inc. in respect of redemptions of loyalty points. PC Bank subsequently filed a Notice of Appeal with the Federal Court of Appeal ("FCA") and in March 2024, the matter was heard by the FCA. In the third quarter of 2024, the FCA released its decision and reversed the decision of the Tax Court. As a result, PC Bank reversed charges of \$155 million, including \$111 million initially recorded in 2022. In addition, \$10 million was recorded related to interest income on cash tax refunds.

In 2023, the Federal government enacted certain commodity tax legislation that applied to PC Bank on a retroactive basis. A charge of \$37 million, inclusive of interest, was recorded for this matter. In the fourth quarter of 2023, the Company reversed \$13 million of previously recorded charges. The reversal was a result of new guidance issued by the Canada Revenue Agency.

5.3 Selected Financial Information

The selected information presented below has been derived from and should be read in conjunction with the annual consolidated financial statements of the Company dated December 28, 2024, December 30, 2023, and December 31, 2022, included within the 2024 and 2023 Annual Reports. The analysis of the data contained in the table focuses on the trends and significant events or items affecting the financial condition and results of the Company's operations over the most recent three years.

For the years ended December 28, 2024, December 30, 2023 and December 31, 2022 (millions of Canadian dollars except where otherwise indicated)	2024 (52 weeks)	2023 (52 weeks)	2022 (52 weeks)
Revenue	\$ 61,014	\$ 59,529	\$ 56,504
Operating income	3,902	3,704	3,342
Adjusted EBITDA ⁽²⁾	7,024	6,647	6,181
Adjusted EBITDA margin ⁽²⁾	11.5 %	11.2 %	10.9 %
Depreciation and amortization	\$ 2,966	\$ 2,906	\$ 2,795
Net interest expense and other financing charges	821	803	683
Adjusted net interest expense and other financing charges ⁽²⁾	831	803	694
Adjusted effective tax rate ⁽²⁾	26.0 %	25.0 %	26.4 %
Net earnings	\$ 2,275	\$ 2,187	\$ 1,994
Net earnings attributable to the shareholders of the Company	2,171	2,100	1,921
Net earnings available to common shareholders of the Company⁽ⁱ⁾	2,155	2,088	1,909
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	2,637	2,480	2,263
Basic net earnings per common share (\$)	\$ 7.06	\$ 6.59	\$ 5.82
Diluted net earnings per common share (\$)	\$ 6.99	\$ 6.52	\$ 5.75
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 8.55	\$ 7.75	\$ 6.82
Diluted weighted average common shares (in millions)	308.5	320.0	331.7
Dividends declared per common share (\$)	\$ 1.985	\$ 1.743	\$ 1.580
Dividends declared per Second Preferred Share, Series B (\$)	\$ 1.325	\$ 1.325	\$ 1.325
Total assets	\$ 40,880	\$ 38,979	\$ 38,147
Total long term debt	\$ 8,201	\$ 7,852	\$ 7,783
Lease liabilities	10,183	9,458	9,115
Long term financial liabilities	\$ 18,384	\$ 17,310	\$ 16,898

(i) Net earnings available to common shareholders of the Company are net earnings attributable to shareholders of the Company net of dividends declared on the Company's Second Preferred Shares, Series B and the impact of the redemption of these shares.

Revenue Revenue was \$61,014 million in 2024, an increase of \$1,485 million when compared to 2023. Food retail same-store sales growth was 1.5% (2023 – 3.9%). Drug retail same-store sales growth was 2.4% (2023 – 5.4%).

Revenue was \$59,529 million in 2023, an increase of \$3,025 million when compared to 2022. Food retail same-store sales growth was 3.9% (2022 – 4.7%). Drug retail same-store sales growth was 5.4% (2022 – 6.9%).

The Company's Retail segment sales have continued to grow despite the pressure of a highly competitive retail market, impacts of global economic uncertainties, and regulatory environment over the last three years. In 2022, COVID-19 continued to impact Retail segment sales through the first half of the year. Food Retail benefited from elevated eat-at-home trends, and Drug Retail from strong cosmetics and over-the-counter ("OTC") product sales, as customers returned to pre-pandemic activities, while COVID-19 related testing and vaccines continued at elevated levels. Retail segment sales growth in the second half of 2022 benefited from global inflationary pressures and reflected continued strength in cosmetics and OTC sales in Drug Retail. In 2023, amidst global inflationary pressures, consumers increased their focus on value, which benefited the Company's sales due to its strength in private label products, discount banners, and personalized promotions, including its *PC Optimum* loyalty program. In Drug Retail, strong cosmetics and OTC product sales continued, while pharmacy services demonstrated strong growth, partially off-setting a decline in COVID-19 related services. In 2024, consumers remained focused on value, which benefited the Company's sales due to its strength in private label products, hard discount banners, and personalized promotions, including its *PC Optimum* loyalty program. In Drug Retail, strong cosmetics sales continued and OTC sales normalized as the cough and cold season returned to more normal trends, while pharmacy services demonstrated strong growth.

The Financial Services segment sales have continued to grow. In 2022, the Financial Services segment benefited from an increase in customer spending, and growing credit card receivables driven by growth in the active customer base. In 2023, the segment benefited from an increase in customer spending and higher sales attributable to The Mobile Shop™ kiosk. Further, the segment continued to benefit from growing credit card receivables driven by growth in the active customer base and an increase in customer spending. In 2024, the segment benefited from an increase in customer spending and higher sales attributable to *The Mobile Shop* kiosk. Further, the segment benefited from the launch of its PC Insiders™ World Elite Mastercard® and PC Money™ Savings Account.

Net Earnings Available to Common Shareholders of the Company and Diluted Net Earnings Per Common Share

Net earnings available to common shareholders of the Company and diluted net earnings per common share continued to grow over the last three years and were impacted by certain adjusting items set out in Section 17 "Non-GAAP and Other Financial Measures," and the changes in the underlying operating performance of the Company. The growth in net earnings available to common shareholders of the Company and diluted net earnings per common share were primarily due to:

- changes in underlying operating performance of the Retail segment due to COVID-19 and global inflationary pressure. The Company's financial results for the year ended December 28, 2024 and December 30, 2023 had higher revenue and cost of sales when compared to 2022;
- cost savings, operating efficiencies and investments in and benefits from strategic initiatives;
- fluctuations in the performance of the Financial Services segment driven by the impact of the increase in customer spending and growth in active customer base, the year-over-year movements of certain commodity taxes accrued, the expected credit loss provision, and operating costs;
- the favourable impact of the repurchase of common shares for cancellation; and
- the impact of certain adjusting items, including:
 - charges related to settlement of class action lawsuits;
 - the *PC Optimum* loyalty program, including the revaluation of the loyalty liability;
 - the fair value write-down related to the sale of *Wellwise*;
 - fair value adjustments on non-operating properties;
 - Lifemark transaction costs;
 - restructuring and other related recoveries and costs;
 - recovery related to Glenhuron Bank Limited ("Glenhuron");
 - the gains and losses on sale of non-operating properties;
 - fair value adjustments on fuel and foreign currency; and
 - the recoveries and charges related to PC Bank commodity tax matters.

Total Assets and Long Term Financial Liabilities In 2024, total assets of \$40,880 million increased by 4.9% compared to 2023. The increase was primarily driven by an increase in fixed assets, right-of-use assets, inventories and short term investments. This was partially offset by a decrease in intangible assets. Long term financial liabilities of \$18,384 million, increased by 6.2% compared to 2023. This was primarily driven by an increase in lease liability and higher net issuance of long term debt.

In 2023, total assets of \$38,979 million increased by 2.2% compared to 2022. The increase was primarily driven by an increase in fixed assets, right-of-use assets, credit card receivables, and other assets. This was partially offset by a decrease in intangible assets. Long term financial liabilities of \$17,310 million increased by 2.4% compared to 2022. This was primarily driven by an increase in lease liability and long term debt driven by an increase in guaranteed investment certificates ("GICs").

6. Reportable Operating Segments Results of Operations

The Company has two reportable operating segments, with all material operations carried out in Canada:

- the Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, and includes in-store pharmacies, health care services, other health and beauty products, apparel and other general merchandise. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base; and
- the Financial Services segment provides credit card and everyday banking services, the *PC Optimum* loyalty program, insurance brokerage services, and telecommunication services.

6.1 Retail Segment

For the years ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (52 weeks)	2023 (52 weeks)	\$ Change	% Change
Sales	\$ 59,786	\$ 58,345	\$ 1,441	2.5 %
Operating income	3,465	3,500	(35)	(1.0)%
Gross profit ⁽²⁾	18,721	18,083	638	3.5 %
Gross profit % ⁽²⁾	31.3 %	31.0 %		
Adjusted EBITDA ⁽²⁾	\$ 6,662	\$ 6,361	\$ 301	4.7 %
Adjusted EBITDA margin ⁽²⁾	11.1 %	10.9 %		
Depreciation and amortization	\$ 2,916	\$ 2,848	\$ 68	2.4 %

The following table provides a breakdown of the Company's total and same-store sales for the Retail segment.

For the years ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (52 weeks)		2023 (52 weeks)	
	Sales	Same-store sales	Sales	Same-store sales
Food retail	\$42,166	1.5 %	\$41,188	3.9 %
Drug retail	17,620	2.4 %	17,157	5.4 %
Pharmacy and healthcare services	9,182	6.3 %	8,642	6.8 %
Front store	8,438	(1.3)%	8,515	4.2 %

Sales Retail segment sales were \$59,786 million in 2024, an increase of \$1,441 million, or 2.5% compared to 2023, primarily driven by the following factors:

- Food retail same-store sales growth was 1.5% (2023 – 3.9%).
 - Same-store sales growth in food was moderate;
 - Same-store sales growth in pharmacy was modest;
 - The Consumer Price Index as measured by The Consumer Price Index for Food Purchased From Stores was 2.2% (2023 – 7.8%) which was in line with the Company’s internal food inflation; and
 - Food Retail traffic increased and basket size decreased.
- Drug retail same-store sales growth was 2.4% (2023 – 5.4%).
 - Pharmacy and healthcare services same-store sales growth was 6.3% (2023 – 6.8%). Pharmacy and healthcare services same-store sales growth benefited from an increase in specialty and chronic prescription volumes. The number of prescriptions dispensed increased by 2.5% (2023 – 0.6%). On a same-store basis, the number of prescriptions dispensed increased by 2.5% (2023 – 0.9%) and the average prescription value increased by 2.9% (2023 – 4.8%); partially offset by,
 - Front store same-store sales decline of 1.3% (2023 – growth of 4.2%). The decline in front store same-store sales was primarily driven by lower sales of food and household items and the decision to exit certain low margin electronics categories, partially offset by the continued strength in beauty products.

In 2024, 52 food and drug stores were opened, and 15 food and drug stores were closed, and net retail square footage increased by 0.8 million to 72.0 million square feet.

Operating Income Operating income was \$3,465 million in 2024, a decrease of \$35 million, or 1.0% compared to 2023. The decrease was driven by an unfavourable change in adjusting items totaling \$268 million, partially offset by an improvement in underlying operating performance of \$233 million, as described below:

- the unfavourable change in adjusting items totaling \$268 million was primarily due to the following:
 - the unfavourable impact of charges related to the settlement of class action lawsuits of \$164 million;
 - the unfavourable impact of the charge related to the *PC Optimum* loyalty program of \$99 million;
 - the unfavourable impact of the fair value write-down related to the sale of *Wellwise* of \$23 million; and
 - the year-over-year unfavourable change in gains on sale of non-operating properties of \$9 million;partially offset by,
 - the year-over-year favourable change in fair value adjustments on fuel and foreign currency contracts of \$21 million; and
 - the year-over-year favourable change in fair value adjustments on non-operating properties of \$6 million.
- the improvement in underlying operating performance of \$233 million was due to an increase in gross profit⁽²⁾, partially offset by an increase in SG&A and depreciation and amortization.

Gross Profit⁽²⁾ Gross profit⁽²⁾ was \$18,721 million in 2024, an increase of \$638 million, or 3.5% compared to 2023. Gross profit percentage⁽²⁾ of 31.3% increased by 30 basis points when compared to 2023, primarily driven by improvements in shrink.

Adjusted EBITDA⁽²⁾ Adjusted EBITDA⁽²⁾ was \$6,662 million in 2024, an increase of \$301 million, or 4.7% compared to 2023. The increase was driven by an increase in gross profit⁽²⁾ of \$638 million, partially offset by an increase in SG&A of \$337 million. SG&A as a percentage of sales was 20.2%, an increase of 10 basis points when compared to 2023. The increase of 10 basis points was primarily driven by the year-over-year impact of labour costs and certain real estate activities.

Depreciation and Amortization Depreciation and amortization was \$2,916 million, an increase of \$68 million or 2.4% when compared to 2023. The increase was primarily driven by an increase in IT assets and leased assets, and an increase in depreciation of fixed assets related to conversions of retail locations. This is partially offset by the impact of prior year accelerated depreciation due to the reassessment of the estimated useful life of certain IT assets and prior year accelerated depreciation as a result of network optimization. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of \$499 million (2023 – \$499 million).

6.2 Financial Services Segment

For the years ended December 28, 2024 and December 30, 2023
(millions of Canadian dollars except where otherwise indicated)

	2024 (52 weeks)	2023 (52 weeks)	\$ Change	% Change
Revenue	\$ 1,586	\$ 1,540	\$ 46	3.0 %
Earnings before income taxes	299	61	238	390.2 %

(millions of Canadian dollars except where otherwise indicated)

	As at December 28, 2024	As at December 30, 2023	\$ Change	% Change
Average quarterly net credit card receivables	\$ 4,010	\$ 3,950	\$ 60	1.5 %
Credit card receivables	4,230	4,132	98	2.4 %
Allowance for credit card receivables	263	256	7	2.7 %
Annualized yield on average quarterly gross credit card receivables	14.3 %	13.9 %		
Annualized credit loss rate on average quarterly gross credit card receivables	4.5 %	3.8 %		

Revenue Revenue was \$1,586 million in 2024, an increase of \$46 million compared to 2023. The increase in revenue was primarily driven by:

- higher interest income from the growth of credit card receivables;
- higher interchange and credit card fee income; and
- higher sales attributable to *The Mobile Shop*.

Earnings before income taxes Earnings before income taxes were \$299 million in 2024, an improvement of \$238 million compared to 2023. The increase was primarily driven by:

- the year-over-year impact from the prior year charge of \$24 million versus the current year recovery of \$165 million related to commodity tax matters (see Section 5.2 "Other Business Matters" above);
- higher revenue as described above;
- the year-over-year favourable impact of the expected credit loss provision from the prior year increase of \$50 million versus current year increase of \$7 million; and
- lower customer acquisition expenses and operating costs, including the ongoing benefits associated with the renewal of a long-term agreement with Mastercard International Incorporated ("Mastercard");

partially offset by,

- a *PC Optimum* loyalty program charge of \$30 million (see Section 5.2 "Other Business Matters" above); and
- higher contractual charge-offs due to the current macro-economic environment.

Credit Card Receivables As at December 28, 2024, credit card receivables were \$4,230 million, an increase of \$98 million compared to December 30, 2023. This increase was primarily driven by an increase in customer spending. The expected credit loss allowance for credit card receivables was \$263 million, an increase of \$7 million compared to December 30, 2023. The increase is reflective of the current and forecasted macro-economic environment and its impact on consumer credit trends.

7. Liquidity and Capital Resources

7.1 Cash Flows

Major Cash Flow Components

For the years ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (52 weeks)	2023 (52 weeks)	\$ Change	% Change
Cash and cash equivalents, beginning of year	\$ 1,488	\$ 1,608	\$ (120)	(7.5)%
Cash flows from (used in):				
Operating activities	\$ 5,802	\$ 5,654	\$ 148	2.6 %
Investing activities	(2,021)	(1,845)	(176)	(9.5)%
Financing activities	(3,816)	(3,932)	116	3.0 %
Effect of foreign currency exchange rate changes on cash and cash equivalents	9	3	6	200.0 %
Decrease in cash and cash equivalents	\$ (26)	\$ (120)	\$ 94	78.3 %
Cash and cash equivalents, end of year	\$ 1,462	\$ 1,488	\$ (26)	(1.7)%

Cash Flows from Operating Activities Cash flows from operating activities were \$5,802 million, an increase of \$148 million when compared to 2023. The increase was primarily driven by higher cash earnings, credit card receivables increasing year-over-year at a rate lower than prior year, and the year-over-year change in provisions and non-cash working capital, partially offset by higher income taxes paid in the current year and an unfavourable change in other non-cash items.

Cash Flows used in Investing Activities Cash flows used in investing activities were \$2,021 million, an increase of \$176 million when compared to 2023. The increase in cash flows used in investing activities was primarily driven by an increase in investments in fixed assets and higher purchases of short term investments, partially offset by an increase in proceeds from disposals of assets.

Capital Investments and Store Activity

As at December 28, 2024 and December 30, 2023	2024	2023	% Change
Corporate square footage (in millions)	35.9	35.1	2.3 %
Franchise square footage (in millions)	16.8	17.0	(1.2)%
Associate-owned drug store square footage (in millions)	19.3	19.1	1.0 %
Total retail square footage (in millions)	72.0	71.2	1.1 %
Number of corporate stores	603	569	6.0 %
Number of franchise stores	528	535	(1.3)%
Number of Associate-owned drug stores	1,361	1,351	0.7 %
Total number of stores	2,492	2,455	1.5 %
Average store size (square feet)			
Corporate	59,500	61,700	(3.6)%
Franchise	31,800	31,800	— %
Associate-owned drug store	14,200	14,100	0.7 %

Capital Investments Capital investments were \$2,200 million, an increase of \$91 million or 4.3%, compared to 2023.

Cash Flows used in Financing Activities Cash flows used in financing activities were \$3,816 million, a decrease of \$116 million when compared to the same period in 2023. The decrease was primarily driven by higher net issuance of long term debt and an increase in demand deposits from customers, partially offset by higher repayments of short term debt in the current year versus higher issuance in the prior year, and higher proceeds from financial liabilities in the prior year.

Free Cash Flow⁽²⁾

For the years ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars)	2024 (52 weeks)				2023 (52 weeks)			
	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total
Cash flows from operating activities	\$ 5,449	\$ 205	\$ 148	\$ 5,802	\$ 5,480	\$ 46	\$ 128	\$ 5,654
Less:								
Capital investments ⁽ⁱⁱ⁾	2,160	40	—	2,200	2,069	40	—	2,109
Interest paid	295	—	148	443	293	—	128	421
Lease payments, net	1,488	—	—	1,488	1,424	—	—	1,424
Free cash flow ⁽²⁾	\$ 1,506	\$ 165	\$ —	\$ 1,671	\$ 1,694	\$ 6	\$ —	\$ 1,700

(i) Interest paid is included in cash flows from operating activities under the Financial Services segment.

(ii) Capital investments are the sum of fixed asset purchases and intangible asset additions as presented in the Company's Consolidated Statements of Cash Flows, and prepayments transferred to fixed assets in the current period. Capital investments for the year ended December 30, 2023 included \$37 million of prepayments transferred to fixed assets.

Free cash flow⁽²⁾ from the Retail Segment was \$1,506 million, a decrease of \$188 million when compared to 2023. The decrease was primarily driven by higher income taxes paid in the current year and an unfavourable change in other non-cash items, partially offset by higher cash earnings and the year-over-year change in provisions and non-cash working capital. Higher capital investments and higher lease payments also impacted the Retail segment free cash flow when compared to 2023.

Free cash flow⁽²⁾ from the Financial Services segment was \$165 million, an increase of \$159 million when compared to 2023. The increase was primarily driven by higher earnings, and credit card receivables increasing year-over-year at a rate lower than prior year, partially offset by higher income taxes paid in the current year.

7.2 Liquidity and Capital Structure

The Company expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against committed credit facilities will enable the Company to finance its capital investment program and fund its ongoing business requirements over the next 12 months, including working capital, pension plan funding requirements and financial obligations.

PC Bank expects to obtain long term financing for its credit card portfolio through the issuance of Eagle Credit Card Trust (“Eagle”) notes and GICs.

The following table presents total debt by reportable operating segment:

(millions of Canadian dollars)	As at December 28, 2024			As at December 30, 2023		
	Retail	Financial Services	Total	Retail	Financial Services	Total
Bank indebtedness	\$ —	\$ —	\$ —	\$ 13	\$ —	\$ 13
Demand deposits from customers	—	353	353	—	166	166
Short term debt	—	800	800	—	850	850
Long term debt due within one year	—	631	631	400	791	1,191
Long term debt	5,288	2,282	7,570	4,460	2,201	6,661
Certain other liabilities ⁽ⁱ⁾	294	—	294	280	—	280
Total debt excluding lease liabilities	\$ 5,582	\$ 4,066	\$ 9,648	\$ 5,153	\$ 4,008	\$ 9,161
Lease liabilities due within one year	1,648	—	1,648	1,455	—	1,455
Lease liabilities	8,535	—	8,535	8,003	—	8,003
Total debt including total lease liabilities	\$ 15,765	\$ 4,066	\$ 19,831	\$ 14,611	\$ 4,008	\$ 18,619

(i) As at December 28, 2024, certain other liabilities include financial liabilities of \$192 million related to the sale and leaseback of retail properties (December 30, 2023 — \$190 million) (see note 27: Leases of the Company’s consolidated financial statements).

Retail The Company manages its capital structure with the objective of maintaining Retail segment credit metrics consistent with those of investment grade retailers. The Company calculates the Retail segment’s debt to rolling year retail adjusted EBITDA⁽²⁾ ratio to measure the leverage being employed.

	As at December 28, 2024	As at December 30, 2023
Retail debt to retail adjusted EBITDA ⁽²⁾	2.4 x	2.3 x

The Retail debt to retail adjusted EBITDA⁽²⁾ ratio as at December 28, 2024 increased compared to December 30, 2023, primarily driven by an increase in retail debt partially offset by an improvement in adjusted EBITDA⁽²⁾.

President’s Choice Bank PC Bank’s capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory requirements as defined by the Office of the Superintendent of Financial Institutions (“OSFI”).

Covenants and Regulatory Requirements The Company is required to comply with certain financial covenants for various debt instruments. As at December 28, 2024 and throughout the year, the Company was in compliance with such covenants. As at December 28, 2024 and throughout the year, PC Bank has met all applicable regulatory requirements.

7.3 Components of Total Debt

Debentures The following table summarizes the debentures issued in 2024. There were no debentures issued in 2023.

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	Principal Amount 2024
Loblaw Companies Limited Notes ⁽ⁱ⁾	3.56%	December 12, 2029	\$ 400
Loblaw Companies Limited Notes ⁽ⁱⁱ⁾	5.12%	March 4, 2054	400
Total debentures issued			\$ 800

- (i) The Company used the net proceeds of this issuance to redeem all issued and outstanding Second Preferred Shares, Series B on January 8, 2025.
- (ii) The Company used the net proceeds of this issuance to partially fund the redemption of the \$400 million aggregate principal amount of 3.92% senior unsecured notes on June 10, 2024.

The following table summarizes the debentures repaid in 2024. There were no debentures repaid in 2023.

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	Principal Amount 2024
Loblaw Companies Limited Notes	3.92%	June 10, 2024	\$ 400
Total debentures repaid			\$ 400

Committed Credit Facility The Company has a committed credit facility for \$1.5 billion with a maturity date of July 15, 2027, provided by a syndicate of lenders. This committed credit facility contains certain financial covenants (see note 23 of the Company's consolidated financial statements). As at December 28, 2024 and December 30, 2023, there were no amounts drawn under this facility.

Independent Securitization Trusts The Company, through PC Bank, participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors a co-ownership interest in credit card receivables with independent securitization trusts, including Eagle and Other Independent Securitization Trusts, in accordance with its financing requirements.

The following table summarizes the amounts securitized to independent securitization trusts:

(millions of Canadian dollars)	As at December 28, 2024	As at December 30, 2023
Securitized to independent securitization trusts:		
Securitized to Eagle Credit Card Trust	\$ 1,450	\$ 1,350
Securitized to Other Independent Securitization Trusts	800	850
Total securitized to independent securitization trusts	\$ 2,250	\$ 2,200

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 December 28, 2024 and throughout 2024.

During 2024, Eagle issued \$350 million (2023 – \$250 million) of senior and subordinated term notes with a maturity date of June 17, 2029 (2023 – June 17, 2028). These notes have a weighted average interest rate of 5.03% (2023 – 5.25%). In connection with this issuance, \$150 million (2023 – \$125 million) of bond forward agreements were settled, resulting in a realized fair value gain of \$2 million (2023 – gain of \$4 million) before income taxes. The gain on the bond forwards will be reclassified to net earnings over the life of the Eagle notes. This settlement resulted in a net effective interest rate of 4.91% (2023 – 4.95%) on the Eagle notes issued (see note 28 of the Company's consolidated financial statements).

Senior and subordinated term notes of \$250 million (2023 – \$250 million) at a weighted average interest rate of 2.28% (2023 – 3.10%), previously issued by Eagle, matured and were repaid on July 17, 2024 (2023 – July 17, 2023).

Independent Funding Trusts As at December 28, 2024, the independent funding trusts had drawn \$590 million (December 30, 2023 – \$558 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts. As at December 28, 2024, the Company provided a credit enhancement of \$64 million (December 30, 2023 – \$64 million) for the benefit of the independent funding trusts representing not less than 10% (December 30, 2023 – not less than 10%) of the principal amount of loans outstanding.

The Company has a \$700 million revolving committed credit facility that is the source of funding to the independent funding trusts that has a maturity date of May 29, 2027.

Guaranteed Investment Certificates The following table summarizes PC Bank's GICs activity, before commissions, in 2024 and 2023:

(millions of Canadian dollars)	December 28, 2024 (52 weeks)	December 30, 2023 (52 weeks)
Balance, beginning of year	\$ 1,654	\$ 1,567
GICs issued	375	583
GICs matured	(552)	(496)
Balance, end of year	\$ 1,477	\$ 1,654

As at December 28, 2024, \$331 million in GICs were recorded as long term debt due within one year (December 30, 2023 – \$541 million).

Associate Guarantees The Company has arranged for its Associates to obtain financing to facilitate their inventory purchases and fund their working capital requirements by providing guarantees to various Canadian chartered banks that support Associate loans. As at December 28, 2024, the Company's maximum obligation in respect of such guarantees was \$580 million (December 30, 2023 – \$580 million) with an aggregate amount of \$476 million (December 30, 2023 – \$476 million) in available lines of credit allocated to the Associates by the various banks. As at December 28, 2024, Associates had drawn a nominal amount (December 30, 2023 – \$13 million) against these available lines of credit. Any amounts drawn by the Associates are included in bank indebtedness on the Company's consolidated balance sheets. As recourse, in the event that any payments are made under the guarantees, the Company holds a first-ranking security interest on all assets of Associates, subject to certain prior-ranking statutory claims.

7.4 Financial Condition

Adjusted return on equity⁽²⁾ and Adjusted return on capital⁽²⁾

	As at December 28, 2024	As at December 30, 2023
Adjusted return on equity ⁽²⁾	23.6 %	22.2 %
Adjusted return on capital ⁽²⁾	11.8 %	11.5 %

Adjusted return on equity⁽²⁾ as at December 28, 2024 increased compared to December 30, 2023, primarily due to an improvement in the underlying operating performance of the Retail segment and Financial Services segment.

Adjusted return on capital⁽²⁾ as at December 28, 2024 increased compared to December 30, 2023, primarily due to an improvement in adjusted operating income⁽²⁾ partially offset by an increase in average capital, primarily due to an increase in lease liabilities and long term debt.

7.5 Credit Ratings

The following table sets out the current credit ratings of the Company:

Credit Ratings (Canadian Standards)	Morningstar DBRS		Standard & Poor's	
	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB (high)	Stable	BBB+	Stable
Medium term notes	BBB (high)	Stable	BBB+	n/a
Second Preferred Shares, Series B	Pfd-3 (high)	Stable	P-2 (low)	n/a

In 2024, Morningstar Dominion Bond Rating Service ("DBRS") confirmed the credit ratings and trend of the Company. Standard and Poor's Global Ratings reaffirmed the outlook of the Company and upgraded the ratings from BBB to BBB+ for issuer rating and medium term notes, and from P-3 (high) to P-2 (low) for second preferred shares, Series B.

7.6 Share Capital

First Preferred Shares (authorized - 1.0 million shares) There were no First Preferred Shares outstanding as at December 28, 2024 and December 30, 2023.

Second Preferred Shares (authorized - unlimited) In the fourth quarter of 2024, pursuant to the terms of the Series B preferred share agreement, the Company announced its intention to redeem for cash all of its 9.0 million 5.3% non-voting Second Preferred Shares, Series B. The redemption occurred on January 8, 2025 and the shares were redeemed for an aggregate amount of \$225 million, plus accrued and unpaid dividends (\$0.02944 per share) up to but excluding the redemption date, less any tax required to be deducted and withheld by the Company. As at December 28, 2024, the Preferred Shares, Series B were recorded in current liabilities at the redemption amount.

Common Shares (authorized – unlimited) Common shares issued are fully paid and have no par value. The activities in the common shares issued and outstanding were as follows:

	December 28, 2024 (52 weeks)		December 30, 2023 (52 weeks)	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
(millions of Canadian dollars except where otherwise indicated)				
Issued and outstanding, beginning of year	310,526,379	\$ 6,281	324,062,608	\$ 6,489
Issued for settlement of stock options	2,178,132	166	984,923	69
Purchased and cancelled	(10,968,458)	(232)	(14,521,152)	(277)
Issued and outstanding, end of year	301,736,053	\$ 6,215	310,526,379	\$ 6,281
Share held in trust, beginning of year	(1,269,239)	\$ (25)	(1,222,278)	\$ (24)
Purchased for future settlement of RSUs and PSUs	(420,000)	(8)	(625,000)	(13)
Released for settlement of RSUs and PSUs	707,115	14	578,039	12
Share held in trust, end of year	(982,124)	\$ (19)	(1,269,239)	\$ (25)
Issued and outstanding, net of shares held in trust, end of year	300,753,929	\$ 6,196	309,257,140	\$ 6,256
Weighted average outstanding, net of shares held in trust	305,051,090		316,732,641	

Dividends The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Board of Directors ("Board"), which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over the long term, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to finance future growth. In the second quarter of 2024, the Board raised the quarterly dividend by \$0.067 to \$0.513 per common share. The following table summarizes the Company's cash dividends declared for the years as indicated:

	2024	2023
Dividends declared per share (\$)⁽ⁱ⁾		
Common Share	\$ 1.985	\$ 1.743
Second Preferred Share, Series B	\$ 1.325	\$ 1.325

- (i) The Common Share dividends declared in the fourth quarter of 2024 of \$0.513 per share had a payment date of December 30, 2024. The Second Preferred Shares, Series B dividends declared in the fourth quarter of 2024 of \$0.33125 per share had a payment date of December 31, 2024.

(millions of Canadian dollars)	2024	2023
Dividends declared		
Common Share	\$ 604	\$ 550
Second Preferred Share, Series B	12	12
Total dividends declared	\$ 616	\$ 562

Subsequent to December 28, 2024, the Board declared a quarterly dividend of \$0.513 per common share, payable on April 1, 2025 to shareholders of record on March 15, 2025.

Normal Course Issuer Bid Activities under the Company's Normal Course Issuer Bid ("NCIB") during the periods were as follows:

(millions of Canadian dollars except where otherwise indicated)	December 28, 2024 (52 weeks)	December 30, 2023 (52 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares) ⁽ⁱ⁾	10,968,458	14,521,152
Cash consideration paid ⁽ⁱⁱ⁾	\$ 1,754	\$ 1,729
Premium charged to retained earnings ⁽ⁱⁱⁱ⁾	1,661	1,352
Reduction in common share capital ^(iv)	232	277
Common shares repurchased under the NCIB and held in trust (number of shares)	420,000	625,000
Cash consideration paid	\$ 72	\$ 72
Premium charged to retained earnings	64	59
Reduction in common share capital	8	13

- (i) Common shares repurchased and cancelled as at December 28, 2024 do not include the shares that may be repurchased subsequent to the end of the quarter under the automatic share repurchase plan, as described below.
- (ii) \$5 million of cash consideration related to common shares repurchased under NCIB for cancellation in the third quarter of 2024 was paid in the fourth quarter of 2024.
- (iii) Premium charged to retained earnings includes \$182 million related to the automatic share purchase plan, as described below.
- (iv) Includes \$22 million related to the automatic share purchase plan, as described below.

In the second quarter of 2024, the Company renewed its NCIB to purchase on the Toronto Stock Exchange or through alternative trading systems up to 15,336,875 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. As at December 28, 2024, the Company had purchased 5,947,668 common shares for cancellation under its current NCIB. The Company is still permitted to purchase its common shares from Weston under its NCIB, pursuant to an automatic disposition plan agreement among the Company's broker, the Company and Weston, in order for Weston to maintain its proportionate ownership interest in the Company. The maximum number of common shares that may be purchased pursuant to the NCIB will be reduced by the number of common shares purchased from Weston.

During 2024, 10,968,458 common shares (2023 – 14,521,152) were purchased under the NCIB for cancellation, for aggregate consideration of \$1,754 million (2023 – \$1,729 million), including 4,620,023 common shares (2023 – 7,132,579) purchased from Weston, for aggregate consideration of \$746 million (2023 – \$847 million).

From time to time, the Company participates in an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at December 28, 2024, an obligation to repurchase shares of \$200 million was recognized under the ASPP in trade payables and other liabilities.

7.7 Off-Balance Sheet Arrangements

The following is a summary of the Company's off-balance sheet arrangements. Certain significant arrangements have also been discussed in Section 7.3 "Components of Total Debt".

Letters of Credit Standby and documentary letters of credit are used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and other performance guarantees, surety bond, securitization of PC Bank's credit card receivables, letter of credit and third party financing made available to the Company's franchisees. The gross potential liability related to the Company's letters of credit is approximately \$478 million as at December 28, 2024 (December 30, 2023 – \$457 million).

Guarantees In addition to the letters of credit mentioned above, the Company has entered into various guarantee arrangements including obligations to indemnify third parties in connection with leases and other transactions in the normal course of business.

Lease Obligations In connection with historical dispositions of certain of its assets, the Company has assigned leases to third parties. The Company remains contingently liable for these lease obligations in the event any of the assignees are in default of their lease obligations. The Company has guaranteed lease obligations of a third party distributor in the amount of \$2 million (December 30, 2023 – \$3 million).

Financial Services The Company has provided a guarantee on behalf of PC Bank to Mastercard for accepting PC Bank as a card member and licensee of Mastercard. As at December 28, 2024, the guarantee on behalf of PC Bank to Mastercard was \$190 million USD (December 30, 2023 – \$190 million USD).

Cash Collateralization As at December 28, 2024, the Company had agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of \$94 million (December 30, 2023 – \$93 million), of which a nominal amount (December 30, 2023 – nominal) was deposited with major financial institutions and classified as security deposits, which is included in other assets.

7.8 Contractual Obligations

The following illustrates certain of the Company's significant contractual obligations and discusses other obligations as at December 28, 2024:

Summary of Contractual Obligations

(millions of Canadian dollars)	Payments due by year						Total
	2025	2026	2027	2028	2029	Thereafter	
Total debt (including interest payments ⁽ⁱ⁾)	\$ 2,152	\$ 913	\$ 1,587	\$ 1,503	\$ 1,449	\$ 5,640	\$ 13,244
Foreign exchange forward contracts	310	—	—	—	—	—	310
Trade payables and other liabilities	7,531	—	—	—	—	—	7,531
Associate interest	255	—	—	—	—	—	255
Financial liabilities ⁽ⁱⁱ⁾	13	12	12	12	13	141	203
Lease obligations	1,702	1,487	1,327	1,067	954	3,383	9,920
Contracts for purchases of investment projects ⁽ⁱⁱⁱ⁾	200	51	157	40	7	—	455
Purchase obligations ^(iv)	706	647	78	45	—	—	1,476
Total contractual obligations	\$12,869	\$ 3,110	\$ 3,161	\$ 2,667	\$ 2,423	\$ 9,164	\$33,394

- (i) Fixed interest payments are based on the maturing face values and annual interest for each instrument, including GICs, long term independent securitization trusts and an independent funding trust, as well as annual payment obligations for structured entities. Variable interest payments are based on the forward rates as of December 28, 2024.
- (ii) These are the contractual payments that the Company is committed to related to the sale of retail properties to Choice Properties Real Estate Investment Trust and third parties.
- (iii) These obligations include agreements for the purchase of equipment, real property and capital commitments for construction, expansion and renovation of buildings. These agreements may contain conditions that may or may not be satisfied. If the conditions are not satisfied, it is possible the Company will no longer have the obligation to proceed with the underlying transactions.
- (iv) These obligations include contractual obligations to purchase goods or services of a material amount where the contract prescribes fixed or minimum volumes to be purchased or payments to be made within a fixed period of time for a set or variable price. These are only estimates of anticipated financial commitments under these arrangements and the amount of actual payments will vary. These purchase obligations do not include purchase orders issued or agreements made in the ordinary course of business which are solely for goods which are meant for resale, nor do they include any contracts which may be terminated on relatively short notice or with relatively insignificant cost or liability to the Company.

At year end, the Company had additional long term liabilities which included post-employment and other long term employee benefit plan liabilities, deferred vendor allowances, deferred income tax liabilities and provisions, including insurance liabilities. These long term liabilities have not been included above as the timing and amount of future payments are uncertain.

8. Financial Derivative Instruments

The Company uses derivative instruments to offset certain of its financial risks. The Company uses bond forwards and interest rate swaps, to manage its anticipated exposure to fluctuations in interest rates on future debt issuances. The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations.

The following is a summary of the fair values recognized on the consolidated balance sheets and the net realized and unrealized gains (losses) before income taxes related to the Company's financial derivative instruments designated as cash flow hedges:

	December 28, 2024 (52 weeks)			December 30, 2023 (52 weeks)		
	Net asset/ (liability) Fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income	Net asset/ (liability) Fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
(millions of Canadian dollars)						
Derivatives designated as cash flow hedges						
Foreign Exchange Forwards ⁽ⁱ⁾	\$ 1	\$ (1)	\$ 1	\$ 7	\$ (2)	\$ 2
Bond Forwards ⁽ⁱⁱ⁾	—	4	(3)	—	11	(4)
Interest Rate Swaps ⁽ⁱⁱⁱ⁾	—	(1)	1	1	—	2
Energy Hedge ^(iv)	(15)	(12)	—	(4)	(4)	—
Total derivatives designated as cash flow hedges	\$ (14)	\$ (10)	\$ (1)	\$ 4	\$ 5	\$ —

- (i) PC Bank uses foreign exchange forwards, with a notional value of \$11 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) The Company uses bond forwards to manage its interest risk related to future debt issuances. During 2024, PC Bank settled all of its outstanding bond forwards.
- (iii) PC Bank uses interest rate swaps, with a notional value of \$180 million, to mitigate the impact of increases in interest rates. The fair value of the derivatives is included in prepaid expenses and other assets.
- (iv) In 2023, the Company 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. The fair value of the derivative is included in other liabilities.

The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates on its underlying operations. These derivative instruments are not designated in a formal hedging relationship. For further details on the impact of these instruments during 2024 see Section 17 "Non-GAAP and other Financial Measures" of the MD&A.

The following is a summary of the fair values recognized on the consolidated balance sheets and the net realized and unrealized gains (losses) before income taxes related to the Company's financial derivative instruments not designated in a formal hedging relationship:

	December 28, 2024 (52 weeks)		December 30, 2023 (52 weeks)	
	Net asset/ (liability) Fair value	Gain/(loss) recorded in operating income	Net asset/ (liability) Fair value	Gain/(loss) recorded in operating income
(millions of Canadian dollars)				
Derivatives not designated in a formal hedging relationship				
Foreign Exchange and Other Forwards	\$ 5	\$ 26	\$ (3)	\$ (4)
Other Non-Financial Derivatives	—	2	(4)	(7)
Total derivatives not designated in a formal hedging relationship	\$ 5	\$ 28	\$ (7)	\$ (11)

9. Quarterly Results of Operations

9.1 Results by Quarter

The Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks due to an accounting convention common in the retail industry. Fiscal years 2024 and 2023 were both 52 weeks. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration.

The following is a summary of selected consolidated financial information for each of the eight most recently completed quarters:

Summary of Consolidated Quarterly Results

(millions of Canadian dollars except where otherwise indicated)	2024					2023				
	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)
Revenue	\$13,581	\$13,947	\$18,538	\$14,948	\$ 61,014	\$12,995	\$13,738	\$18,265	\$14,531	\$59,529
Adjusted EBITDA⁽²⁾	1,544	1,713	2,069	1,698	7,024	1,448	1,640	1,926	1,633	6,647
Net earnings available to common shareholders of the Company	459	457	777	462	2,155	418	508	621	541	2,088
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	537	664	767	669	2,637	505	626	719	630	2,480
Net earnings per common share:										
Basic (\$)	\$ 1.48	\$ 1.49	\$ 2.55	\$ 1.53	\$ 7.06	\$ 1.30	\$ 1.59	\$ 1.97	\$ 1.73	\$ 6.59
Diluted (\$)	\$ 1.47	\$ 1.48	\$ 2.53	\$ 1.52	\$ 6.99	\$ 1.29	\$ 1.58	\$ 1.95	\$ 1.72	\$ 6.52
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 1.72	\$ 2.15	\$ 2.50	\$ 2.20	\$ 8.55	\$ 1.55	\$ 1.94	\$ 2.26	\$ 2.00	\$ 7.75
Food Retail same-store sales growth	3.4 %	0.2 %	0.5 %	2.5 %	1.5 %	3.1 %	6.1 %	4.5 %	2.0 %	3.9 %
Drug Retail same-store sales growth	4.0 %	1.5 %	2.9 %	1.3 %	2.4 %	7.4 %	5.7 %	4.6 %	4.6 %	5.4 %

Revenue Revenue for the last eight quarters was impacted by various factors including the following:

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- macro-economic conditions impacting food and drug retail prices; and
- changes in net retail square footage. Over the past eight quarters, net retail square footage has increased by 0.8 million square feet to 72.0 million square feet.

Net Earnings Available to Common Shareholders of the Company and Diluted Net Earnings Per Common Share

Net earnings available to common shareholders of the Company and diluted net earnings per common share for the last eight quarters were impacted by the following items:

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- cost savings, operating efficiencies and benefits from strategic initiatives;
- the favourable impact of the repurchase of common shares for cancellation; and
- the impact of certain adjusting items, as set out in Section 17 “Non-GAAP and Other Financial Measures”, including:
 - charges related to the settlement of class action lawsuits;
 - the *PC Optimum* loyalty program, including the revaluation of the loyalty liability;
 - the fair value write-down related to the sale of *Wellwise*;
 - fair value adjustments on non-operating properties;
 - the gains on sale of non-operating properties;
 - fair value adjustments on fuel and foreign currency contracts; and
 - the recoveries and charge related to PC Bank commodity tax matters.

9.2 Fourth Quarter Results

The following is a summary of selected consolidated financial information for the fourth quarter of 2024:

For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	\$ Change	% Change
Revenue	\$ 14,948	\$ 14,531	\$ 417	2.9 %
Operating income	852	943	(91)	(9.7)%
Adjusted EBITDA ⁽²⁾	1,698	1,633	65	4.0 %
Adjusted EBITDA margin ⁽²⁾	11.4 %	11.2 %		
Depreciation and amortization	\$ 694	\$ 680	\$ 14	2.1 %
Net interest expense and other financing charges	199	195	4	2.1 %
Adjusted net interest expense and other financing charges ⁽²⁾	199	195	4	2.1 %
Income taxes	185	188	(3)	(1.6)%
Adjusted income taxes ⁽²⁾	245	224	21	9.4 %
Adjusted effective tax rate ⁽²⁾	26.6 %	25.7 %		
Net (losses) earnings attributable to non-controlling interests	\$ (1)	\$ 16	\$ (17)	(106.3)%
Net earnings attributable to shareholders of the Company	\$ 469	\$ 544	\$ (75)	(13.8)%
Net earnings available to common shareholders of the Company⁽ⁱ⁾	462	541	(79)	(14.6)%
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	669	630	39	6.2 %
Diluted net earnings per common share (\$)	\$ 1.52	\$ 1.72	\$ (0.20)	(11.6)%
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 2.20	\$ 2.00	\$ 0.20	10.0 %
Diluted weighted average common shares outstanding (in millions)	304.4	314.9		
Cash flows from (used in):				
Operating activities	\$ 1,587	\$ 1,405	\$ 182	13.0 %
Investing activities	(715)	(330)	(385)	(116.7)%
Financing activities	(409)	(819)	410	50.1 %
Dividends declared per common share (\$)	\$ 0.513	\$ 0.446	\$ 0.067	15.0 %
Dividends declared per Second Preferred Share, Series B (\$)	\$ 0.33125	\$ 0.33125	—	—

(i) Net earnings available to common shareholders of the Company are net earnings attributable to shareholders of the Company net of dividends declared on the Company's Second Preferred Shares, Series B and the impact of the redemption of these shares.

In the fourth quarter of 2024, Loblaw maintained its focus on retail excellence and produced another quarter of strong operational and financial results. Customers continued to seek a combination of quality, value, service, and convenience, and recognized the strength of the Company's offer across its store network. Growing customer engagement of personalized *PC Optimum* loyalty offers, combined with impactful in-store promotions and more everyday value drove higher traffic and strong market share gains in Food Retail. In Drug Retail, Pharmacy and Healthcare Services continued to perform well. Front Store sales reflected growth across the beauty categories, led by prestige. As expected, this was offset by the impact from the exit from the sale of certain items in the electronics category. Over the 2024 fiscal year, the Company invested in its network, opening 52 new Drug and Food retail stores, and 78 new pharmacy care clinics. In 2025, Loblaw plans to further invest in its network by opening approximately 80 new food and drug stores, and 100 new clinics. The Company also marked a major milestone, with the opening of its first T&T® Supermarket in the United States in the fourth quarter of 2024. Loblaw's strategy, unique assets, and dedicated colleagues position it well to continue to serve the diverse needs of Canadians today and in the future.

Net Earnings Available to Common Shareholders of the Company and Diluted Net Earnings Per Common Share

Net earnings available to common shareholders of the Company in the fourth quarter of 2024 were \$462 million (\$1.52 per common share). When compared to the fourth quarter of 2023, this was a decrease of \$79 million (\$0.20 per common share) or 14.6%. The decrease was driven by an unfavourable change in adjusting items totaling \$118 million, partially offset by an improvement in the underlying operating performance of \$39 million, as described below:

- the unfavourable change in adjusting items totaling \$118 million (\$0.40 per common share) was primarily due to the following:
 - the unfavourable impact of the charge related to the *PC Optimum* loyalty program of \$94 million (\$0.31 per common share);
 - the unfavourable impact of the fair value write-down related to the sale of *Wellwise* of \$29 million (\$0.10 per common share); and
 - the unfavourable impact of prior year recovery related to a PC Bank commodity tax matter of \$12 million (\$0.04 per common share);
 partially offset by,
 - the favourable impact of prior year fair value adjustments on fuel and foreign currency contracts of \$10 million (\$0.03 per common share);
 - the year-over-year favourable change in fair value adjustments on non-operating properties of \$3 million (\$0.01 per common share); and
 - the favourable impact of a gain on sale of non-operating properties of \$3 million (\$0.01 per common share).
- the improvement in underlying operating performance of \$39 million (\$0.13 per common share) was primarily due to the following:
 - an improvement in the underlying operating performance in the Retail segment driven by an increase in gross profit⁽²⁾, partially offset by an increase in SG&A and depreciation and amortization; and
 - the favourable impact from non-controlling interests.
- diluted net earnings per common share also included the favourable impact from the repurchase of common shares over the last 12 months (\$0.07 per common share).

Adjusted net earnings available to common shareholders of the Company⁽²⁾ were \$669 million, an increase of \$39 million or 6.2% compared to the fourth quarter of 2023. Adjusted net earnings per common share⁽²⁾ were \$2.20, an increase of \$0.20 or 10.0%. The increase includes the favourable impact from the repurchase of common shares.

Revenue

For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	\$ Change	% Change
Retail	\$ 14,579	\$ 14,157	\$ 422	3.0 %
Financial Services	476	487	(11)	(2.3)%
Eliminations	(107)	(113)	6	5.3 %
Revenue	\$ 14,948	\$ 14,531	\$ 417	2.9 %

Revenue was \$14,948 million in the fourth quarter of 2024. When compared to the fourth quarter of 2023, this was an increase of \$417 million, or 2.9%. The increase was primarily driven by an increase in Retail segment sales of \$422 million due to positive same-store sales growth. This was partially offset by a decrease in Financial Services segment sales of \$11 million.

Operating Income Operating income was \$852 million in the fourth quarter of 2024. When compared to the fourth quarter of 2023, this was a decrease of \$91 million, or 9.7%. The decrease was driven by an unfavourable change in adjusting items totaling \$142 million, partially offset by an improvement in underlying operating performance of \$51 million, as described below:

- the unfavourable change in adjusting items totaling \$142 million was primarily due to the following:
 - the unfavourable impact of the charge related to the *PC Optimum* loyalty program of \$129 million;
 - the unfavourable impact of the fair value write-down related to the sale of *Wellwise* of \$23 million; and
 - the unfavourable impact of prior year recovery related to a PC Bank commodity tax matter of \$13 million; partially offset by,
 - the favourable impact of prior year fair value adjustments on fuel and foreign currency contracts of \$14 million;
 - the year-over-year favourable change in fair value adjustments on non-operating properties of \$6 million; and
 - the favourable impact of a gain on sale of non-operating properties of \$3 million.
- the improvement in underlying operating performance of \$51 million was primarily due to the following:
 - an improvement in the underlying operating performance of the Retail Segment due to an increase in gross profit⁽²⁾, partially offset by an increase in SG&A and depreciation and amortization; and
 - an improvement in the underlying operating performance in the Financial Services segment.

Adjusted EBITDA⁽²⁾

For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	\$ Change	% Change
Retail	\$ 1,579	\$ 1,532	\$ 47	3.1 %
Financial Services	119	101	18	17.8 %
Adjusted EBITDA ⁽²⁾	\$ 1,698	\$ 1,633	\$ 65	4.0 %

Adjusted EBITDA⁽²⁾ was \$1,698 million in the fourth quarter of 2024. When compared to the fourth quarter of 2023, this was an increase of \$65 million or 4.0%, driven by an increase in the Retail segment of \$47 million, and an increase in the Financial Services segment of \$18 million.

Depreciation and Amortization Depreciation and amortization was \$694 million in the fourth quarter of 2024, an increase of \$14 million or 2.1% compared to the fourth quarter of 2023, driven by an increase in the Retail segment of \$14 million. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of \$115 million (2023 – \$115 million).

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were \$199 million, an increase of \$4 million or 2.1% compared to the fourth quarter of 2023. The increase was primarily driven by an increase in interest expense from lease liabilities, partially offset by the capitalization of interest expense related to the Company's automated distribution facility.

Income Taxes Income tax expense in the fourth quarter of 2024 was \$185 million (2023 – \$188 million) and the effective tax rate was 28.3% (2023 – 25.1%). The increase in the effective tax rate was primarily attributable to the impact of other non-deductible items.

Adjusted income tax expense⁽²⁾ in the fourth quarter of 2024 was \$245 million (2023 – \$224 million) and the adjusted effective tax rate⁽²⁾ was 26.6% (2023 – 25.7%). The increase in the adjusted effective tax rate⁽²⁾ was primarily attributable to the impact of other non-deductible items.

Net (Losses) Earnings Attributable To Non-Controlling Interests Net losses attributable to non-controlling interests were \$1 million, a decrease of \$17 million or 106.3% compared to net earnings of \$16 million in the fourth quarter of 2023. The decrease was primarily driven by a decrease in franchisee earnings after profit sharing. On a full year basis, net earnings attributable to non-controlling interests were \$104 million, an increase of \$17 million or 19.5% compared to 2023. The increase in non-controlling interests was primarily driven by an increase in franchisee earnings after profit sharing. Non-controlling interests represent the share of earnings that relates to the Company's Food Retail franchisees and is impacted by the timing of when profit sharing with franchisees is agreed and finalized under the terms of the agreements.

Cash Flow

For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	\$ Change	% Change
Cash and cash equivalents, beginning of period	\$ 993	\$ 1,228	\$ (235)	(19.1)%
Cash flows from (used in):				
Operating activities	\$ 1,587	\$ 1,405	\$ 182	13.0 %
Investing activities	(715)	(330)	(385)	(116.7)%
Financing activities	(409)	(819)	410	50.1 %
Effect of foreign currency exchange rate changes on cash and cash equivalents	6	4	2	50.0 %
Increase in cash and cash equivalents	\$ 469	\$ 260	\$ 209	80.4 %
Cash and cash equivalents, end of period	\$ 1,462	\$ 1,488	\$ (26)	(1.7)%

Cash Flows from Operating Activities Cash flows from operating activities in the fourth quarter of 2024 were \$1,587 million, an increase of \$182 million when compared to the fourth quarter of 2023. The increase was primarily driven by the favourable year-over-year change in non-cash working capital, partially offset by credit card receivables increasing year-over-year at a higher rate than prior year, lower cash earnings and higher income taxes paid.

Cash Flows used in Investing Activities Cash flows used in investing activities in the fourth quarter of 2024 were \$715 million, an increase of \$385 million when compared to the fourth quarter of 2023. The increase in cash flows used in investing activities was primarily driven by higher purchases of short term investments and a decrease in proceeds from disposals of assets.

Cash Flows used in Financing Activities Cash flows used in financing activities in the fourth quarter of 2024 were \$409 million, a decrease of \$410 million when compared to the fourth quarter of 2023. The decrease was primarily driven by higher net issuance of long term debt, an increase in demand deposits from customers, lower dividends paid due to timing of the fourth quarter 2024 dividend payment, and higher repurchases of common shares in the current period, partially offset by a decrease in bank indebtedness and others non-cash items.

Capital Investments Capital investments in the fourth quarter of 2024 were \$628 million, a decrease of \$48 million or 7.1%, compared to the fourth quarter of 2023.

Free Cash Flow⁽²⁾

For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars)	2024 (12 weeks)				2023 (12 weeks)			
	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total
Cash flows from (used in) operating activities	\$ 1,748	\$ (209)	\$ 48	\$ 1,587	\$ 1,495	\$ (131)	\$ 41	\$ 1,405
Less:								
Capital investments ⁽ⁱⁱ⁾	619	9	—	628	666	10	—	676
Interest paid	51	—	48	99	60	—	41	101
Lease payments, net	250	—	—	250	257	—	—	257
Free cash flow ⁽²⁾	\$ 828	\$ (218)	\$ —	\$ 610	\$ 512	\$ (141)	\$ —	\$ 371

(i) Interest paid is included in cash flows from operating activities under the Financial Services segment.

(ii) Capital investments are the sum of fixed asset purchases and intangible asset additions as presented in the Company's Consolidated Statements of Cash Flows, and prepayments transferred to fixed assets in the current period. Capital Investments in the fourth quarter of 2023 included \$37 million of prepayments transferred to fixed assets.

Free cash flow⁽²⁾ from the Retail segment in the fourth quarter of 2024 was \$828 million, an increase of \$316 million when compared to the fourth quarter of 2023. The increase was primarily driven by the favourable year-over-year change in non-cash working capital, partially offset by lower cash earnings and higher income taxes paid.

Free cash flow⁽²⁾ used in the Financial Services segment in the fourth quarter of 2024 was \$218 million, an increase of \$77 million when compared to the fourth quarter of 2023. The increase was primarily due to credit card receivables increasing year-over-year at a higher rate than prior year.

Segment Information

(unaudited) (millions of Canadian dollars)	December 28, 2024 (12 weeks)				December 30, 2023 (12 weeks)			
	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total
Revenue⁽ⁱⁱ⁾	\$14,579	\$ 476	\$ (107)	\$14,948	\$ 14,157	\$ 487	\$ (113)	\$ 14,531
Operating income	\$ 777	\$ 75	\$ —	\$ 852	\$ 843	\$ 100	\$ —	\$ 943
Net interest expense and other financing charges	162	37	—	199	156	39	—	195
Earnings before income taxes	\$ 615	\$ 38	\$ —	\$ 653	\$ 687	\$ 61	\$ —	\$ 748
Operating income	\$ 777	\$ 75	\$ —	\$ 852	\$ 843	\$ 100	\$ —	\$ 943
Depreciation and amortization	680	14	—	694	666	14	—	680
Adjusting items ⁽ⁱⁱⁱ⁾	237	30	—	267	138	(13)	—	125
Less: amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(115)	—	—	(115)	(115)	—	—	(115)
Adjusted EBITDA ⁽ⁱⁱⁱ⁾	\$ 1,579	\$ 119	\$ —	\$ 1,698	\$ 1,532	\$ 101	\$ —	\$ 1,633
Depreciation and amortization ^(iv)	565	14	—	579	551	14	—	565
Adjusted operating income	\$ 1,014	\$ 105	\$ —	\$ 1,119	\$ 981	\$ 87	\$ —	\$ 1,068

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

(ii) Included in Financial Services revenue is \$166 million (December 30, 2023 – \$167 million) of interest income.

(iii) Certain items are excluded from operating income to derive adjusted EBITDA⁽²⁾. Adjusted EBITDA⁽²⁾ is used internally by management when analyzing segment underlying performance.

(iv) Depreciation and amortization for the calculation of adjusted EBITDA⁽²⁾ excludes \$115 million (December 30, 2023 – \$115 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark.

Retail Segment Fourth Quarter Results of Operations

For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024	2023	\$ Change	% Change
	(12 weeks)	(12 weeks)		
Sales	\$ 14,579	\$ 14,157	\$ 422	3.0 %
Operating income	777	843	(66)	(7.8)%
Gross profit ⁽²⁾	4,505	4,409	96	2.2 %
Gross profit % ⁽²⁾	30.9 %	31.1 %		
Adjusted EBITDA ⁽²⁾	\$ 1,579	\$ 1,532	\$ 47	3.1 %
Adjusted EBITDA margin ⁽²⁾	10.8 %	10.8 %		
Depreciation and amortization	\$ 680	\$ 666	\$ 14	2.1 %

The following table provides a breakdown of the Company's total and same-store sales for the Retail segment.

For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024		2023	
	(12 weeks)		(12 weeks)	
	Sales	Same-store sales	Sales	Same-store sales
Food retail	\$ 10,138	2.5 %	\$ 9,774	2.0 %
Drug retail	4,441	1.3 %	4,383	4.6 %
Pharmacy and healthcare services	2,230	6.3 %	2,099	8.0 %
Front store	2,211	(3.1)%	2,284	1.7 %

Sales Retail segment sales were \$14,579 million in the fourth quarter of 2024, an increase of \$422 million, or 3.0% compared to the fourth quarter of 2023, primarily driven by the following factors:

- Food retail same-store sales growth was 2.5% (2023 – 2.0%) for the quarter. Food retail same-store sales growth was approximately 1.5% after excluding the favourable impact of the timing of Thanksgiving.
 - Same-store sales growth in food was moderate;
 - Same-store sales growth in pharmacy was moderate;
 - The Consumer Price Index as measured by The Consumer Price Index for Food Purchased From Stores was 2.4% (2023 – 4.9%) which was higher than the Company's internal food inflation; and
 - Food Retail traffic increased and basket size increased.
- Drug retail same-store sales growth was 1.3% (2023 – 4.6%) for the quarter.
 - Pharmacy and healthcare services same-store sales growth was 6.3% (2023 – 8.0%). Pharmacy and healthcare services same-store sales growth benefited from an increase in specialty prescription volumes. The number of prescriptions dispensed increased by 1.7% (2023 – 3.5%). On a same-store basis, the number of prescriptions dispensed increased by 1.7% (2023 – 3.4%) and the average prescription value increased by 4.0% (2023 – 3.4%); partially offset by,
 - Front store same-store sales decline of 3.1% (2023 – growth of 1.7%). The decline in front store same-store sales was primarily driven by the decision to exit certain low margin electronics categories, the impact of the closure of postal services during the Canada Post strike, and lower sales of food and household items, partially offset by the continued strength in beauty products.

In the last 12 month, 52 food and drug stores were opened, and 15 food and drug stores were closed, resulting in a net increase in Retail square footage of 0.8 million square feet, or 1.1% at 72.0 million square feet.

Operating Income Operating income was \$777 million in the fourth quarter of 2024, a decrease of \$66 million, or 7.8% compared to the fourth quarter of 2023. The decrease was driven by an unfavourable change in adjusting items totaling \$99 million, partially offset by an improvement in underlying operating performance of \$33 million, as described below:

- the unfavourable change in adjusting items totaling \$99 million was primarily due to the following:
 - the unfavourable impact of the charge related to the *PC Optimum* loyalty program of \$99 million; and
 - the unfavourable impact of the fair value write-down related to the sale of *Wellwise* of \$23 million; partially offset by,
 - the favourable impact of prior year fair value adjustments on fuel and foreign currency contracts of \$14 million;
 - the year-over-year favourable change in fair value adjustments on non-operating properties of \$6 million; and
 - the favourable impact of a gain on sale of non-operating properties of \$3 million.
- the improvement in underlying operating performance of \$33 million was due to an increase in gross profit⁽²⁾, partially offset by an increase in SG&A and depreciation and amortization.

Gross Profit⁽²⁾ Gross profit⁽²⁾ was \$4,505 million in the fourth quarter of 2024, an increase of \$96 million, or 2.2% compared to fourth quarter of 2023. The gross profit percentage⁽²⁾ of 30.9% decreased by 20 basis points, primarily driven by changes in sales mix, including the impact of the closure of postal services during the Canada Post strike and the Thanksgiving shift, partially offset by improvements in shrink.

Adjusted EBITDA⁽²⁾ Adjusted EBITDA⁽²⁾ was \$1,579 million in the fourth quarter of 2024, an increase of \$47 million, or 3.1% compared to the fourth quarter of 2023. The increase was driven by an increase in gross profit⁽²⁾ of \$96 million, partially offset by an increase in SG&A of \$49 million. SG&A as a percentage of sales was 20.1%, a favourable decrease of 20 basis points, primarily due to the year-over-year impact of labour costs including expenses related to the ratification of union labour agreements in the prior year, and operating leverage from higher sales, partially offset by the year-over-year impact of certain real estate activities.

Depreciation and Amortization Depreciation and amortization was \$680 million in the fourth quarter of 2024, an increase of \$14 million or 2.1% when compared to the fourth quarter of 2023. The increase in depreciation and amortization in the fourth quarter of 2024 was primarily driven by an increase in leased assets and an increase in depreciation of fixed assets related to conversions of retail locations, partially offset the impact of prior year accelerated depreciation as a result of network optimization. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of \$115 million (2023 – \$115 million).

Financial Services Segment Fourth Quarter Results of Operations

For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	\$ Change	% Change
Revenue	\$ 476	\$ 487	\$ (11)	(2.3)%
Earnings before income taxes	38	61	(23)	(37.7)%

(millions of Canadian dollars except where otherwise indicated)	As at December 28, 2024	As at December 30, 2023	\$ Change	% Change
Average quarterly net credit card receivables	\$ 4,010	\$ 3,950	\$ 60	1.5 %
Credit card receivables	4,230	4,132	98	2.4 %
Allowance for credit card receivables	263	256	7	2.7 %
Annualized yield on average quarterly gross credit card receivables	14.3 %	13.9 %		
Annualized credit loss rate on average quarterly gross credit card receivables	4.5 %	3.8 %		

Revenue Revenue was \$476 million in the fourth quarter of 2024, a decrease of \$11 million compared to the fourth quarter of 2023. The decrease in the fourth quarter was primarily driven by lower sales attributable to *The Mobile Shop*.

Earnings Before Income Taxes Earnings before income taxes were \$38 million in the fourth quarter of 2024, a decrease of \$23 million compared to the fourth quarter of 2023. The decrease in the fourth quarter was primarily driven by:

- lapping of prior year benefits associated with the renewal of a long-term agreement with Mastercard; and
- a *PC Optimum* loyalty program charge of \$30 million (see Section 5.2 "Other Business Matters" above); partially offset by,
- the year-over-year favourable impact of the expected credit loss provision from the prior year increase of \$25 million versus current year release of \$11 million.

Credit Card Receivables As at December 28, 2024, credit card receivables were \$4,230 million, an increase of \$98 million compared to December 30, 2023. This increase was primarily driven by an increase in customer spending. The expected credit loss allowance for credit card receivables was \$263 million, an increase of \$7 million compared to December 30, 2023. The increase is reflective of the current and forecasted macro-economic environment and its impact on consumer credit trends.

10. Disclosure Controls and Procedures

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

As required by National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, management, under the supervision of the President and CEO and the CFO, have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 28, 2024.

11. Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS Accounting Standards.

As required by NI 52-109, the President and CEO, and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework established in 'Internal Control - Integrated Framework (COSO Framework)' published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013. Based on that evaluation, management, under the supervision of the President and CEO and the CFO, have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 28, 2024.

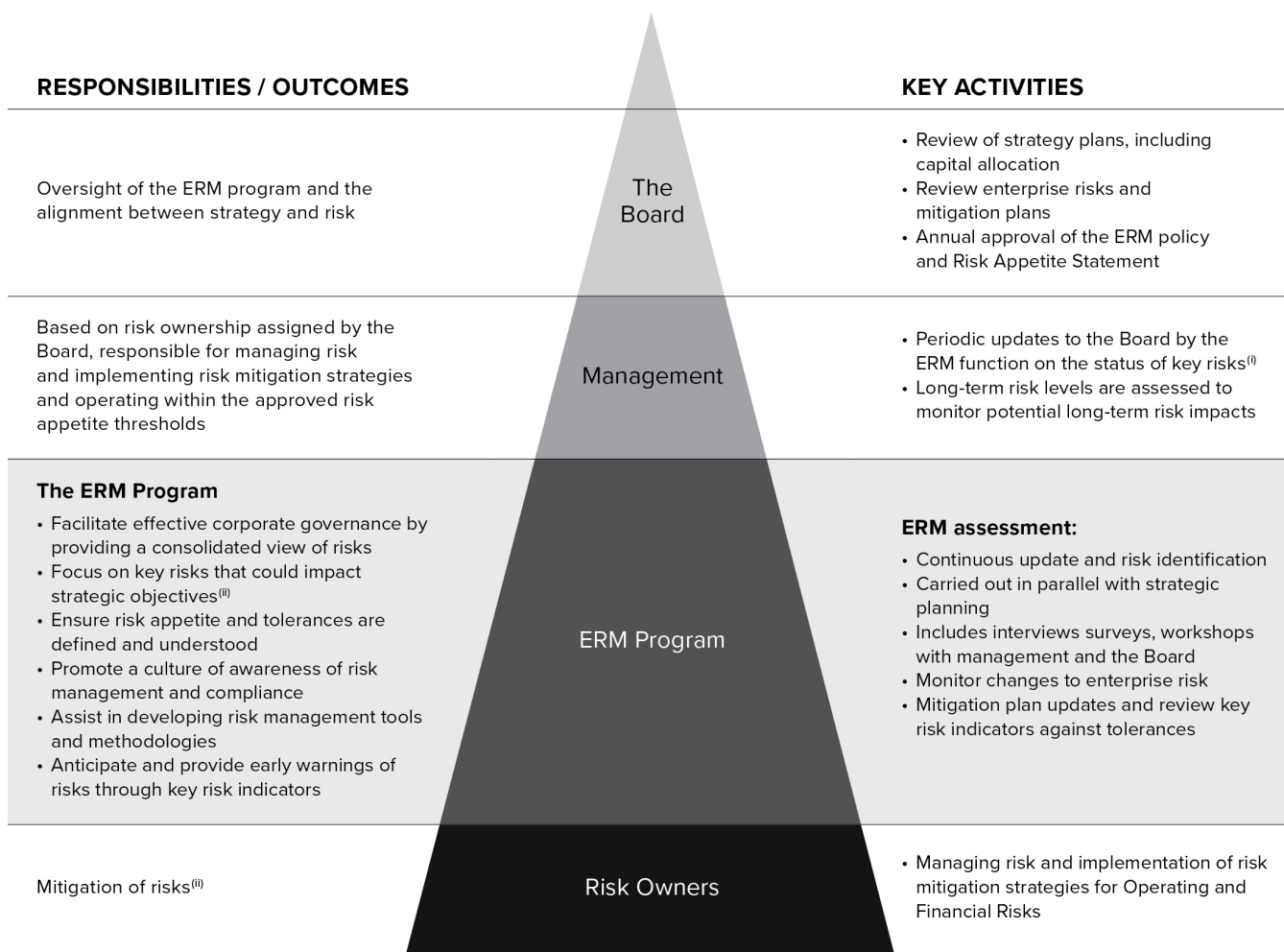
In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in Internal Control over Financial Reporting There were no changes in the Company's internal controls over financial reporting in 2024 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

12. Enterprise Risks and Risk Management

The Company is committed to maintaining a framework that ensures risk management is an integral part of its activities. The Company’s Enterprise Risk Management (“ERM”) program assists all areas of the business in managing risks within appropriate levels of tolerance by bringing a systematic approach and methodology for evaluating, measuring and monitoring key risks. The results of the ERM program and other business planning processes are used to identify emerging risks to the Company, prioritize risk mitigation activities and develop a risk-based internal audit plan.

Risks are not eliminated through the ERM program, but rather, are identified and managed in line with the Company’s Risk Appetite Statement and within approved risk tolerances. The Risk Appetite Statement articulates key aspects of the Company’s businesses, values, and brands and provides directional guidance on risk taking.



- (i) Risks are assessed and evaluated based on the Company’s vulnerability to the risk and the potential impact that the underlying risks would have on the Company’s ability to execute on its strategies and achieve its objectives.
- (ii) Any of the key risks have the potential to negatively affect the Company and its financial performance. The Company has risk management strategies in place for key risks. However, there can be no assurance that the risks will be mitigated or will not materialize or that events or circumstances will not occur that could adversely affect the reputation, operations or financial condition or performance of the Company.

12.1 Operating Risks and Risk Management

The following discussion of risks identifies significant factors that could have a material adverse effect on the Company's business, operations, financial condition or future financial performance.

The following risks are a subset of the key risks identified through the ERM program. They should be read in conjunction with the full set of risks inherent in the Company's business, as included in the Company's AIF for the year ended December 28, 2024, which is hereby incorporated by reference:

Economic Conditions	Competitive Environment and Strategy
Cybersecurity, Privacy and Data Breaches	Food, Drug, Product and Services Safety
IT Systems Implementations and Data Management	Labour Relations
Inventory Management and Shrink	Environmental and Social
Healthcare Reform	Business Continuity
Distribution and Supply Chain	Legal Proceedings
Associate-owned Drug Store Network and Relationships with Associates	Change Management, Process and Efficiency
Electronic Commerce and Disruptive Technologies	Franchisee Relationships
Regulatory Compliance	Service Providers
Colleague Attraction, Development and Succession Planning	

Economic Conditions The Company's revenue, profitability, brand and reputation may be impacted by general economic conditions. These economic conditions include inflation, impact of tariffs, price increases from suppliers, levels of employment, costs of borrowing, household debt, political uncertainty and government regulation, the impact of natural disasters, war or acts of terrorism, pandemics, changes in interest rates, tax rates, or exchange rates, and access to consumer credit. A number of these conditions could negatively impact consumer spending. As a result, these economic conditions may adversely impact demand for the Company's products and services which could adversely affect the Company's operations, financial performance, brand or reputation.

Cybersecurity, Privacy and Data Breaches The Company depends on the uninterrupted operation of its IT systems, networks and services including internal and public internet sites, data hosting and processing facilities, and cloud-based services and hardware, such as point-of-sale processing at stores, to operate its business.

In the ordinary course of business, the Company collects, processes, transmits and retains confidential, sensitive and personal information ("Confidential Information"), including payment card industry data and personal health and financial information regarding the Company and its employees, franchisees, Associates, vendors, customers, patients, credit card and *PC Money* Account holders and loyalty program members. Some of this Confidential Information is held and managed by third party service providers. As with other large companies, the Company is regularly subject to cyberattacks and such attempts are occurring more frequently, are constantly evolving in nature and are becoming more sophisticated.

The Company has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access of Confidential Information and to reduce the likelihood of disruptions to its IT systems. The Company continues to make strategic investments in this area in order to mitigate cyber threats. The Company also has security processes, protocols and standards that are applicable to its third party service providers.

Despite these measures, all of the Company's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, electronic theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events.

The Company or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Company's security measures or its third party service providers' information systems.

As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Company's security measures or those of its third party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Company's or its third party service providers' security measures, which could result in a breach of employee, franchisee, Associate, customer, patient, credit card or *PC Money* Account holder or loyalty program member privacy or Confidential Information.

If the Company does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the Company's or its third party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Company's business could be disrupted and the Company could, among other things, be subject to: transaction errors; processing inefficiencies; the loss of or failure to attract new customers; the loss of revenue; the loss or unauthorized access to Confidential Information or other assets; the loss of or damage to intellectual property or trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs. Any such occurrences could adversely affect the reputation, operations or financial performance of the Company.

IT Systems Implementations and Data Management The operations of the Company are reliant on the continuous and uninterrupted operations of critical technology systems, including the increasing use of automation technology. Any technology failure/outage pertaining to the availability, capacity or sustainability of the Company's IT systems may result in disruptions impacting the Company's customers or financial performance, or may negatively impact the Company's reputation. The Company continues to make investments in new IT systems to improve the operating effectiveness of the organization. Failure to successfully migrate from legacy systems to new IT systems or a significant disruption in the Company's current IT systems during the implementation of new systems could result in a lack of accurate data to effectively manage day-to-day operations of the business or achieve its operational objectives, causing significant disruptions to the business and potential financial losses.

Failure to successfully adopt or implement appropriate processes to support the new IT systems, or failure to effectively leverage or convert data from one system to another, may preclude the Company from optimizing its overall performance and could result in inefficiencies and duplication in processes, which in turn could adversely affect the reputation, operations or financial performance of the Company. Failure to realize the anticipated strategic benefits including revenue growth, anticipated cost savings or operating efficiencies associated with new IT systems could adversely affect the reputation, operations or financial performance of the Company.

The Company also depends on relevant and reliable information to operate its business. As the volume of data being generated and reported continues to increase across the Company, data accuracy, quality and governance are required for effective decision making. Failure by the Company to leverage data, including customer data, in a timely manner may adversely affect the Company's ability to execute its strategy and therefore its financial performance. Moreover, lack of sensitive data classification, protection and use case approval may result in operational or reputational risk.

Inventory Management and Shrink The Company is subject to risks associated with managing its inventory and controlling shrink. Failure to successfully manage such risks could result in shortages of inventory, excess or obsolete inventory which cannot be sold profitably or increases in levels of inventory shrink. Any of these outcomes could adversely affect the financial performance of the Company. Although the Company has implemented new IT systems, which are intended to provide increased visibility to integrated inventory and sales information at store level, the Company's failure to effectively implement such new IT systems and applicable processes may increase the risks associated with managing inventory, including the risk that inaccurate inventory could result in inaccurate financial statements.

The Company's Retail segment is also examining its fundamental processes related to article lifecycle management, with the goal of making existing processes more efficient. This will impact existing workflow and system processes across procurement, supply chain and merchandising. Such simplification and efficiency processes are critical to the organization's ability to implement longer term system solutions and achieve efficiencies across the Retail divisions. Any failure to effectively deliver this enterprise core solution could negatively impact the Company's operations or financial performance.

Healthcare Reform The Company is reliant on prescription drug sales for a significant portion of its sales and profits. Prescription drugs and their sales are subject to numerous federal, provincial, territorial and local laws and regulations. Changes to these laws and regulations, including the potential implementation of a national pharmacare system, changes in the models used to fund prescription drugs such as the introduction of a pharmacare system, or non-compliance with these laws and regulations, could adversely affect the reputation, operations or financial performance of the Company.

Federal and provincial laws and regulations that establish public drug plans typically regulate prescription drug coverage, patient eligibility, pharmacy reimbursement, drug product eligibility and drug pricing. With respect to pharmacy reimbursement, such laws and regulations typically regulate the allowable drug cost of a prescription drug product, the permitted mark-up on a prescription drug product and the professional or dispensing fees that may be charged on prescription drug sales to patients eligible under the public drug plan. With respect to drug product eligibility, such laws and regulations typically regulate the requirements for listing the manufacturer's products as a benefit or partial benefit under the applicable governmental drug plan, drug pricing and, in the case of generic prescription drug products, the requirements for designating the product as interchangeable with a branded prescription drug product. In addition, other federal, provincial, territorial and local laws and regulations govern the approval, packaging, labeling, sale, marketing, advertising, handling, storage, distribution, dispensing and disposal of prescription drugs.

Sales of prescription drugs, pharmacy reimbursement and drug prices may be affected by changes to the healthcare industry, including legislative or other changes that impact patient eligibility, drug product eligibility, the allowable cost of a prescription drug product, the mark-up permitted on a prescription drug product, the amount of professional or dispensing fees paid by payers or the provision or receipt of manufacturer allowances by pharmacies and pharmacy suppliers.

The majority of prescription drug sales are reimbursed or paid by three types of payers: (i) government or public, (ii) private insurers or employers, and (iii) out-of-pocket by the patient. These payers have pursued and continue to pursue measures to manage the costs of their drug plans. Canada and each of the provinces has implemented legislative and/or other measures directed towards managing pharmacy service costs and controlling increasing drug costs incurred by public drug plans and private payers, which impact pharmacy reimbursement levels and the availability of manufacturer allowances. Legislative measures to control drug costs include lowering of generic drug pricing. Additionally, the pan-Canadian Pharmaceutical Alliance continues its work regarding cost reduction initiatives for pharmaceutical products and services.

Legislation in certain provincial jurisdictions establishes listing requirements that ensure that the selling price for a prescription drug product will not be higher than any selling price established by the manufacturer for the same prescription drug product under other provincial drug insurance programs. In some provinces, elements of the laws and regulations that impact pharmacy reimbursement and manufacturer allowances for sales to the public drug plans are extended by legislation to sales to private payers. Also, private payers (such as corporate employers and their insurers) are looking or may look to benefit from any measures implemented by government payers to reduce prescription drug costs for public plans by attempting to extend these measures to prescription drug plans they own or manage. Accordingly, changes to pharmacy reimbursement and manufacturer allowances for a public drug plan could also impact pharmacy reimbursement and manufacturer allowances for private payers. In addition, private payers could reduce pharmacy reimbursement for prescription drugs provided to their members or could elect to reimburse members only for products included on closed formularies or available from preferred providers.

Changes impacting pharmacy reimbursement programs and prescription drug pricing, legislative or otherwise, are expected to continue to put downward pressure on the value of prescription drug sales. These changes may have a material adverse effect on the Company's business, sales and profitability. In addition, the Company could incur significant costs in the course of complying with any changes in the regulatory regime affecting prescription drugs and pharmacy services. Non-compliance with any such existing or proposed laws or regulations, particularly those that provide for the licensing and conduct of wholesalers, the licensing and conduct of pharmacists, the regulation and ownership of pharmacies, the advertising of pharmacies and prescription services, the provision of information concerning prescription drug products, the pricing of prescription drugs, privacy and confidentiality and interactions with provincial drug and eHealth systems, could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Company.

Distribution and Supply Chain The Company's ability to satisfy its customers' demands and achieve its cost objectives depends on its ability to maintain key logistic and transport arrangements. The Company's distribution and supply chain could be negatively affected by unforeseen disruptions due to fire, severe weather conditions, natural disasters or other catastrophic events, public health events, labour disagreements, disruptions to critical technology systems, including automation, or other transportation problems. The loss of or disruption to these types of arrangements could interrupt product supply, which in turn could adversely affect the assortment and product availability at the store and digital retail level. If not effectively managed or remedied, these events could negatively impact customer experience and the Company's ability to attract and retain customers, and could adversely affect the Company's operations or financial performance.

Associate-owned Drug Store Network and Relationships with Associates The success of the Company and the reputation of its brands are closely tied to the performance of the Shoppers Drug Mart Associate-owned drug stores. Accordingly, the Company relies on Associates to successfully operate, manage and execute retail programs and strategies at their respective drug store locations. Associates are independent business operators that have entered into agreements with the Company to own and operate retail stores in accordance with prescribed procedures and standards. The success of the operations and financial performance of their respective drug stores may be beyond the Company's control. In addition, Associates are subject to franchise legislation. Disruptions to the Company's relationships with Shoppers Drug Mart Associate-owned drug stores or changes in legislation could negatively affect revenue from Associates, which in turn could adversely affect the reputation, operations or financial performance of the Company.

Electronic Commerce and Disruptive Technologies The Company's e-commerce strategy is a growing business initiative. Customers expect innovative concepts and a positive customer experience, including a user-friendly website, customer offerings that are integrated with the Company's loyalty program, reliable data, safe and reliable processing of payments and a well-executed merchandise pick up or delivery process. If systems are damaged or cease to function properly, capital investment may be required. The Company is also vulnerable to various additional uncertainties associated with e-commerce including website downtime and other technical failures, changes in applicable federal and provincial regulations, security breaches, and consumer privacy concerns. If these technology-based systems and related processes do not function effectively, or if the Company is unable to identify and adapt to technological efficiencies, such as artificial/cognitive intelligence or automation in a timely manner, the Company's ability to grow its e-commerce business could be adversely affected. The Company has increased its investment in improving the digital customer experience, but there can be no assurances that the Company will be able to recover the costs incurred to date.

Regulatory Compliance The Company is subject to a wide variety of laws, regulations and orders across all countries in which it does business, including those laws involving product liability, labour and employment, anti-trust and competition, pharmacy, food safety, intellectual property, privacy, environmental and other matters. The Company is subject to taxation by various taxation authorities in Canada and a number of foreign jurisdictions. Changes to any of the laws, rules, regulations or policies applicable to the Company's business, including tax laws, minimum wage laws, and laws affecting the production, processing, preparation, distribution, packaging and labelling of food, pharmaceuticals and general merchandise products, could adversely affect the operations, financial condition or performance of the Company.

Failure by the Company to comply with applicable laws, regulations and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect the reputation, operations or financial condition or performance of the Company. In the course of complying with changes to laws, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business. 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.

The Company is subject to capital requirements from OSFI, the primary regulator of PC Bank. PC Bank's capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory capital requirements as defined by OSFI. PC Bank uses Basel III as its regulatory capital management framework which includes a target common equity Tier 1 capital ratio of 7.0%, a Tier 1 capital ratio of 8.5% and a total capital ratio of 10.5%. In addition to the regulatory capital ratios requirement, PC Bank is subject to the Basel III Leverage ratio and OSFI's Guideline on Liquidity Adequacy Requirements ("LARs"). The LARs guideline establishes standards based on the Basel III framework. PC Bank would be assessed fines and other penalties for non-compliance with these and other regulations. In addition, failure by PC Bank to comply, understand, acknowledge and effectively respond to applicable regulations could result in regulatory intervention and reputational damage.

Colleague Attraction, Development and Succession Planning The Company's operations and continued growth are dependent on its ability to hire, retain and develop colleagues, including leaders. Any failure to effectively attract and retain colleagues and leaders, including those with scarce and/or specialized skills, and to establish adequate leadership succession planning, could result in a lack of requisite knowledge, skill and experience. This could erode the Company's competitive position or result in increased costs due to the competition for, or high turn-over of, colleagues. Any of the foregoing could negatively affect the Company's ability to operate its business, which in turn could adversely affect the Company's reputation, operations or financial performance.

Competitive Environment and Strategy The retail industry in Canada is highly competitive. The Company competes against a wide variety of retailers including supermarket and retail drug store operators, as well as mass merchandisers, warehouse clubs, online retailers, mail order prescription drug distributors, limited assortment stores, discount stores, convenience stores and specialty stores. Many of these competitors offer a selection of food, drug and general merchandise, while others remain focused on supermarket-type merchandise. In addition, the Company is subject to competitive pressures from new entrants into the marketplace and from the expansion or renovation of existing competitors, particularly those expanding into the grocery and retail drug markets and those offering e-commerce retail platforms. The Company's loyalty program is a valuable offering to customers and provides a key differentiating marketing tool for the business. The marketing, promotional and other business activities related to the Company's loyalty program must be well managed and coordinated to preserve positive customer perception. The Company has made significant investments in support of its strategic growth areas of Everyday Digital Retail, Payments and Rewards and Connected Healthcare, which are all subject to competitive pressures. Failure to achieve these or other strategic priorities could adversely affect the Company's financial position and its competitiveness.

The Company's inability to effectively predict market activity, leverage customer preferences and spending patterns and respond in a timely manner to trends, or compete effectively with its current or future competitors could result in, among other things, reduced market share and reduced profitability. If the Company is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be adversely affected. The failure to effectively respond to customer trends may adversely impact the Company's relationship with its customers. The Company closely monitors market developments and market share trends. Failure by the Company to sustain its competitive position could adversely affect the Company's financial performance.

Food, Drug, Product and Services Safety The Company's products may expose it to risks associated with product safety and defects and product handling in relation to the manufacturing, design, packaging and labeling, storage, distribution, and display of products. The Company cannot be certain that active management of these risks, including maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems, will eliminate all the risks related to food and product safety. The Company could be adversely affected in the event of a significant outbreak of food-borne illness or food safety issues, including food tampering or contamination. In addition, failure to trace or locate any contaminated or defective products could affect the Company's ability to be effective in a recall situation. The Company is also subject to risk associated with the distribution of drug products, errors related to medication dispensing or compounding, injections, patient services or consultation. The occurrence of such events or incidents, as well as any failure to maintain the cleanliness and health standards at store level, could result in harm to customers and negative publicity, could adversely affect the Company's brands, reputation, operations or financial performance and could lead to unforeseen liabilities from legal claims or otherwise.

Labour Relations The Company's workforce is comprised of both unionized and non-unionized colleagues. With respect to those colleagues that are covered by collective agreements, there can be no assurance as to the outcome of any labour negotiations or the timing of their completion. Renegotiating collective agreements or the failure to successfully renegotiate collective agreements and changes to business operations could result in strikes, work stoppages or business interruptions, and if any of these events were to occur, they could adversely affect the reputation, operations and financial performance of the Company. If non-unionized colleagues become unionized, the terms of the resulting collective agreements would have implications for the affected operations, such as higher labour costs.

Environmental and Social As a leading Canadian food and pharmacy retailer, Loblaw is committed to creating positive environmental and social change by focusing on issues that matter most to the Company's customers, employees, communities and other stakeholders, with a particular focus on combatting climate change and advancing social equity. Any failure or perceived failure to advance the environmental or social priorities of the Company or its stakeholders may negatively affect the Company's reputation, operations or financial performance.

Environmental The Company faces environmental risks that could, directly or indirectly, negatively impact the Company's reputation, operations or performance over the short or long term.

In particular, the Company is confronted with issues relating to climate change. As a large company, Loblaw has the opportunity to make a significant positive impact on the environment. To address this opportunity, Loblaw is focused on several strategic initiatives, including reducing emissions, food and plastic waste. Federal and provincial governments are also striving to combat climate change, including through the consideration and/or implementation of carbon reduction targets and financial mechanisms to reduce carbon emissions, such as carbon taxes, carbon pricing and caps and trade. In addition to its own initiatives, the Company may be required to make operational changes and/or incur significant financial costs to comply with the various governmental reforms, which may differ across jurisdictions. Additionally, certain global climate change patterns (e.g. rising sea levels, changing rainfall) may impact sourcing of food and food ingredients. Any failure to meet its strategic objectives, adhere to climate change reforms or to adapt to the impacts of climate change, such as failure to reduce emissions, eliminate food and plastic waste or mitigate sourcing and supply chain disruptions, could result in fines or could adversely affect the Company's reputation, operations or financial performance.

The Company maintains a portfolio of real estate and other facilities and is subject to environmental risks associated with the contamination of such properties and facilities, whether by previous owners or occupants, neighbouring properties or by the Company itself. In particular, the Company has a number of underground fuel storage tanks, the majority of which are used for its supply chain transport fleets. Contamination resulting from leaks from these tanks is possible. Additional environmental issues relating to matters or sites may require the Company to incur significant additional costs. The Company also operates refrigeration equipment in its stores and distribution centres to preserve perishable products as they pass through the supply chain and ultimately to consumers. These systems contain refrigerant gases which could be released if equipment fails or leaks. A release of these gases could have adverse effects on the environment. Failure to properly manage any of these environmental risks could adversely affect the reputation, operations or financial performance of the Company.

The Company is subject to legislation that imposes liabilities on retailers, brand owners and importers for costs associated with recycling and disposal of consumer goods packaging and printed materials distributed to consumers. There is a risk that the Company will be subject to increased costs associated with these laws. In addition, the Company could be subject to increased or unexpected costs associated with environmental incidents and the related remediation activities, including litigation and regulatory related costs, all of which could adversely affect the reputation or financial performance of the Company.

Social The Company faces risks associated with social issues and has established certain priorities in response, including achieving adequate representation of traditionally under-represented groups in management positions and the colleague population as a whole, building a culture of inclusion and investing in communities, particularly by supporting women's and children's health. In the event that the Company is not perceived to have robust diversity and inclusion programs, its ability to attract, develop and retain colleagues could be compromised. The Company recognizes its responsibility to respect and protect the human rights of all people who support and intersect with the business, and is committed to not tolerating abuse, discrimination or harassment in any form. Ineffective action or inaction in response to social matters, including a failure or perceived failure to adequately address its priorities, could adversely affect the Company's reputation or financial performance.

Business Continuity The Company's ability to continue critical operations and processes could be negatively impacted by adverse events resulting from various incidents, including severe weather, work stoppages, prolonged IT systems failure, terrorist activity, power failures, border closures or a pandemic or other national or international catastrophe. The Company has business continuity plans in place to manage any such events. Despite this, ineffective contingency planning, business interruptions, crises or potential disasters could adversely affect the reputation, operations or financial performance of the Company.

Legal Proceedings In the ordinary course of business, the Company is involved in and potentially subject to legal proceedings. The proceedings may involve suppliers, customers, patients, Associates, franchisees, regulators, tax authorities or other persons. The potential outcome of legal proceedings and claims is uncertain.

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 licensed 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 Superior 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, the Company filed a Notice of Cross-Appeal. A hearing for the appeals was held on February 14, 2024 and on February 15, 2024. On August 29, 2024, the Court of Appeal dismissed both the appeal and cross appeal, with the exception that the plaintiff's appeal was allowed to correct the amount Shoppers Drug Mart received in professional allowances during the class period. Accordingly, the Company has not recorded any amounts related to the potential liability associated with this lawsuit. The Company 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 Weston announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits were commenced against the Company and Weston as well as a number of other major grocery retailers and another bread wholesaler. On July 24, 2024, the Company and Weston entered into binding Minutes of Settlement and on January 31, 2025, the Company and Weston entered into a Settlement Agreement with the lawyers representing consumers to settle those class action lawsuits for \$500 million. The Company and Weston will each pay for a portion of the settlement, with Loblaw paying \$253 million and Weston paying \$247 million. The Company will receive credit for the \$96 million it previously paid to customers in the form of Loblaw cards, resulting in it being required to pay \$157 million in cash towards the settlement. The Settlement Agreement is subject to the approval of the courts. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Weston will not face criminal charges or penalties. In response to such class action lawsuits, certain major grocery retailers have crossclaimed against the Company and Weston, and the Company and Weston 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 the Company and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks unquantified damages for the expenses incurred by the federal government, provinces, and territories of Canada in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in Canada. During the second quarter of 2021, the claim against Loblaw Companies Limited was discontinued. In May 2019, two further opioid-related class actions were commenced in each of Ontario and Quebec against a large group of defendants, including Sanis Health Inc. In February 2022, the plaintiff and Sanis Health Inc. agreed to settle the Quebec action for a nominal amount, with no admission of liability and for the express purpose of avoiding the delays, disruption, and expenses associated with the litigation. The settlement has been approved by the court and is now final. On December 12, 2024, the Ontario action was dismissed against Sanis Health Inc., with costs. In December 2019, a further opioid-related class action was commenced in British Columbia against a large group of defendants, including Sanis Health Inc., Shoppers Drug Mart Inc. and the Company. The allegations in the civil British Columbia class action are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that the December 2019 claim seeks recovery of damages on behalf of opioid users directly. In April 2021, the Company, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with another opioid-related class action that was started in Alberta against multiple defendants. The claim seeks damages on behalf of municipalities and local governments in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. In September 2021, the Company, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with a class action started in Saskatchewan by Peter Ballantyne Cree Nation and Lac La Ronge Indian Band on behalf of all Indigenous, Metis, First Nation and Inuit communities and governments in Canada to recover costs they have incurred as a result of the opioid crisis, including healthcare costs, policing costs and societal costs. In October 2024, the claim was discontinued against Shoppers Drug Mart Inc. In January 2024, Shoppers Drug Mart Inc. was served with a second class action in Saskatchewan started by Lac La Ronge Indian Band. The case is brought on behalf of Band members and is claiming damages relating to abatement costs, the diversion of financial and other resources, the reduction in the value of the reserve lands and interests, and lost tax revenues. Shoppers Drug Mart Inc. is being sued as a representative of an international defendant subclass of opioid "dealers" and Sanis Health Inc. is a proposed supplier class member. The Company believes these proceedings are without merit and is vigorously defending them. The Company does not currently have any significant accruals or provisions for these matters recorded in the consolidated financial statements.

In 2022, the Tax Court released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaws Inc. in respect of redemptions of loyalty points. PC Bank subsequently filed a Notice of Appeal with the FCA and in March 2024, the matter was heard by the FCA. In the third quarter of 2024, the FCA released its decision and reversed the decision of the Tax Court. As a result, PC Bank reversed charges of \$155 million, including \$111 million initially recorded in 2022. In addition, \$10 million was recorded related to interest income on cash tax refunds. Certain taxation years subsequent to the periods covered by the FCA decision remain under review by the tax authorities.

Change Management, Process and Efficiency Many initiatives are underway to reduce the complexity and cost of the Company's business operations, ensuring a low cost operating structure that allows for continued investments in the Company's strategic growth areas. These efforts include initiatives focused on improving processes and generating efficiencies across the Company's administrative, store and distribution network infrastructures. The success of these initiatives is dependent on effective leadership and realizing intended benefits. Ineffective change management could result in a lack of integrated processes and procedures, unclear accountabilities and decision-making rights, decreased colleague engagement, ineffective communication and training or a lack of requisite knowledge. Any of the foregoing could disrupt operations, increase the risk of customer dissatisfaction, adversely affect the Company's reputation or financial performance or adversely affect the ability of the Company to implement and achieve its long-term strategic objectives.

Franchisee Relationships The Company has entered into agreements with third party franchisees that permit the franchisees to own and operate retail stores in accordance with prescribed procedures and standards. A substantial portion of the Company's revenues and earnings comes from amounts paid by franchisees in connection with their store operations and leased property. Franchisees are independent operators and their operations may be negatively affected by factors beyond the Company's control. If franchisees do not operate their stores in accordance with the Company's standards or otherwise in accordance with good business practices, franchisee fees and rent paid to the Company could be negatively affected, which in turn could adversely affect the Company's reputation, operations or financial performance. In addition, the Company's reputation could be harmed if a significant number of franchisees were to experience operational failures, health and safety exposures or were unable to pay the Company for products, fees or rent.

The Company's franchise system is also subject to franchise legislation enacted by a number of provinces. Any new legislation or failure to comply with existing legislation could adversely affect operations and could add administrative costs and burdens, any of which could affect the Company's relationship with its franchisees.

Supply chain or system changes by the Company could cause or be perceived to cause disruptions to franchised store operations and could result in negative effects on the financial performance of franchisees. Relationships with franchisees could pose significant risks if they are disrupted, which could adversely affect the reputation, operations or financial performance of the Company.

Service Providers The Company has a wide range of key business relationships with third parties including vendors, suppliers, distributors and contractors. The Company relies on vendors, including offshore vendors in both mature and developing markets, to provide the Company with goods and services. Offshore sourcing increases certain risks to the Company, including risks associated with food safety and general merchandise product defects, non-compliance with ethical and safe business practices and inadequate supply of products. The Company has no direct influence over how vendors are managed. Negative events affecting vendors or inefficient, ineffective or incomplete vendor management strategies, policies and/or procedures, including those related to ethical sourcing, could adversely impact the Company's reputation and impair the Company's ability to meet customer needs or control costs and quality, which could adversely affect the reputation, operations or financial performance of the Company.

The Company relies on service providers including transport carriers or other delivery service providers, logistic service providers and operators of warehouses and distribution facilities. Ineffective selection, contractual terms or relationship management could impact the Company's ability to source products (both national brand and control brand products), to have products available for customers, to market to customers or to operate efficiently and effectively. Disruption in services from suppliers could interrupt the delivery of merchandise to stores or customers, which in turn could adversely affect the operations or financial performance of the Company.

PC Bank uses third party service providers to process credit card transactions, operate call centres and operationalize certain risk management strategies for the PC[®] Mastercard[®] and *PC Money Account*. A significant disruption in the services provided by third party service providers could adversely affect the financial performance of PC Bank and the Company.

The Company has outsourced certain administrative functions of its business to service providers including account payments, payroll services, IT support, investment management and custodial relationships, and benefit plan administration. Any disruption in the services provided by these suppliers could adversely affect the return on these assets or liquidity of the Company.

12.2 Financial Risks and Risk Management

The Company is exposed to a number of financial risks, including those associated with financial instruments, which have the potential to affect its operating and financial performance. The Company uses OTC derivative instruments to offset certain of these risks. Policies and guidelines prohibit the use of any derivative instrument for trading or speculative purposes. The fair value of derivative instruments is subject to changing market conditions which could adversely affect the financial performance of the Company.

The following is a summary of the Company's financial risks which are discussed in detail below:

Liquidity	Credit
Commodity Prices	Interest Rates
Currency Exchange Rates	Credit Ratings

Liquidity Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost effective manner to fund its obligations as they come due. The Company is exposed to liquidity risk through, among other areas, PC Bank, which requires a reliable source of funding for its credit card business. PC Bank relies on its securitization programs, demand deposits from customers and the acceptance of GIC deposits to fund the receivables of its credit cards. The Company would experience liquidity risks if it fails to maintain appropriate levels of cash and short-term investments, is unable to access sources of funding or fails to appropriately diversify sources of funding. If any of these events were to occur, they could adversely affect the financial performance of the Company.

Liquidity risk is mitigated by maintaining appropriate levels of cash and cash equivalents and short term investments, actively monitoring market conditions, and by diversifying sources of funding, including the Company's committed credit facilities, and maintaining a well diversified maturity profile of debt and capital obligations.

Commodity Prices The Company is exposed to increases in the prices of commodities in operating its stores and distribution networks, as well as to the indirect effect of changing commodity prices on the price of consumer products. Rising commodity prices could adversely affect the financial performance of the Company. To manage a portion of this exposure, the Company uses purchase commitments and derivative instruments in the form of exchange traded futures contracts and forward contracts to minimize cost volatility related to commodities.

Currency Exchange Rates The Company is exposed to foreign currency exchange rate variability, primarily on its U.S. dollar denominated purchases in trade payables and other liabilities. A depreciating Canadian dollar relative to the U.S. dollar will have a negative impact on year-over-year changes in reported operating income and net earnings, while an appreciating Canadian dollar relative to the U.S. dollar will have the opposite impact. To manage a portion of this exposure, the Company uses derivative instruments in the form of futures contracts and forward contracts to minimize cost volatility related to foreign exchange.

Credit The Company is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to the Company, including derivative instruments, cash and cash equivalents, short term investments, security deposits, PC Bank's credit card receivables, finance lease receivable, pension assets held in the Company's defined benefit plans and accounts receivable, including amounts due from government and third-party drug plans arising from prescription drug sales, independent accounts and amounts owed from vendors. Failure to manage credit risk could adversely affect the financial performance of the Company.

The risk related to derivative instruments, cash and cash equivalents and short term investments is reduced by policies and guidelines that require that the Company enters into transactions only with counterparties or issuers that have a minimum long term "A-" credit rating from a recognized credit rating agency and place minimum and maximum limits for exposures to specific counterparties and instruments.

PC Bank manages its credit card receivable risk by employing stringent credit scoring techniques, actively monitoring the credit card portfolio and reviewing techniques and technology that can improve the effectiveness of the collection process. In addition, these receivables are dispersed among a large, diversified group of credit card customers.

Finance lease receivable and accounts receivable, including amounts due from governments and third-party drug plans arising from prescription drug sales, independent accounts and amounts owed from vendors and tenants, are actively monitored on an ongoing basis and settled on a frequent basis in accordance with the terms specified in the applicable agreements.

Interest Rates The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt and from the refinancing of existing financial instruments. An increase in interest rates could adversely affect the operations or financial performance of the Company. The Company manages interest rate risk by monitoring the respective mix of fixed and floating rate debt and by taking action as necessary to maintain an appropriate balance considering current market conditions, with the objective of maintaining the majority of its debt at fixed interest rates.

Credit Ratings Credit ratings assigned to the Company and any of its securities may be changed at any time based on the judgment of the credit rating agencies and may also be impacted by a change in the credit rating of Weston, Choice Properties Real Estate Investment Trust (“Choice Properties”) and their respective affiliates. In addition, the Company, Weston, Choice Properties and their respective affiliates may incur additional indebtedness in the future, which could impact current and future credit ratings. A reduction in credit ratings could materially adversely affect the market value of the Company’s outstanding securities and the Company’s access to and cost of financing.

13. Related Party Transactions

The Company’s controlling shareholder is Weston, which owns, directly and indirectly, 158,853,468 of the Company’s common shares, representing approximately 52.6% of the Company’s outstanding common shares. Galen G. Weston beneficially owns or controls, directly and indirectly, including through Wittington Investments, Limited (“Wittington”), a total of 76,697,812 of Weston’s common shares, representing approximately 59.0% of Weston’s outstanding common shares. Galen G. Weston also beneficially owns 473,636 of the Company’s common shares, representing approximately 0.2% of the Company’s outstanding common shares.

Weston is the controlling shareholder of Choice Properties. Therefore, Choice Properties is a related party by virtue of common control. As at December 28, 2024, Weston’s ownership interest in Choice Properties was approximately 61.7% (December 30, 2023 – 61.7%). The Company is Choice Properties’ largest tenant, representing approximately 57.7% (December 30, 2023– 57.1%) of Choice Properties’ rental revenue as at December 28, 2024.

Transactions with Related Parties

(millions of Canadian dollars)	Transaction Value	
	2024	2023
Included in cost of sales		
Inventory purchases from a related party ⁽ⁱ⁾	\$ —	\$ 41
Operating income		
Transactions with Weston and Wittington		
Cost sharing agreements with Weston ⁽ⁱⁱ⁾	\$ 56	\$ 58
Net administrative services provided by Weston ⁽ⁱⁱⁱ⁾	23	19
Lease payments to Wittington	1	1
Transactions with Choice Properties		
Lease payments to Choice Properties ^(iv)	\$ 797	\$ 763
Lease surrender payments received from Choice Properties	—	(8)
Site intensification payments received from Choice Properties	(4)	(17)
Equity transactions with Weston		
Dividends declared on common shares	\$ 319	\$ 290

- (i) Associated British Foods plc. was not a related party of the Company during 2024. In 2023, Associated British Foods plc. was a related party by virtue of a common director of such entity’s parent company and Wittington.
- (ii) The Company and Weston have each entered into certain contracts with third parties for administrative and corporate services, including telecommunication services and IT related matters on behalf of itself and the related party. Through cost sharing agreements that have been established between the Company and Weston concerning these costs, the Company has agreed to be responsible to Weston for the Company’s proportionate share of the total costs incurred.
- (iii) The Company and Weston have entered into an agreement whereby certain administrative services are provided by one party to the other. The services to be provided under this agreement include those related to commodity management, information systems, risk management, treasury, certain accounting functions and legal. Payments are made quarterly based on the actual costs of providing these services. Where services are provided on a joint basis for the benefit of the Company and Weston together, each party pays the appropriate proportion of the costs.
- (iv) During 2024, lease payments paid to Choice Properties included base rent of \$548 million (2023 – \$534 million) and operating expenses of \$249 million (2023 – \$229 million).

The net balances due to (from) related parties are comprised as follows:

(millions of Canadian dollars)	As at December 28, 2024	As at December 30, 2023 ⁽ⁱ⁾
Weston ⁽ⁱⁱ⁾	\$ 97	\$ 13
Choice Properties	(16)	(31)

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

(ii) Balances relate to trade payables and other liabilities due to Weston, including dividends declared on common shares, net of receivables from Weston.

Other Transactions and Agreements with Choice Properties

Strategic Alliance Agreement The Strategic Alliance Agreement established on the initial public offering (“IPO”) of Choice Properties creates a series of rights and obligations between Choice Properties and the Company, intended to establish a preferential and mutually beneficial business and operating relationship. The Strategic Alliance Agreement will expire on the earlier of July 5, 2033 or the date on which Weston and its affiliates own less than 50% effective interest in Choice Properties (on a fully diluted basis).

Commitments The following is a summary of the Company's future undiscounted contractual lease payments to Choice Properties:

(millions of Canadian dollars)	Payments due by year						As at December 28, 2024	As at December 30, 2023
	2025	2026	2027	2028	2029	Thereafter	Total	Total
Lease payments	\$ 629	\$ 572	\$ 524	\$ 427	\$ 377	\$ 1,309	\$ 3,838	\$ 3,880

Financial Liabilities with Choice Properties In 2023, the Company disposed of two retail properties to Choice Properties for proceeds of \$86 million. The properties were subsequently leased back by the Company. The transactions did not meet the criteria for sale in accordance with IFRS 15, “Revenue from and Contracts with Customers” (“IFRS 15”) as the Company did not relinquish control of the properties under the terms of the leases (see note 27 of the Company's Consolidated Financial Statements).

Sale and Leaseback Transactions with Choice Properties In the fourth quarter of 2024, the Company sold one property to a joint arrangement between a third party and Choice Properties for proceeds of \$25 million and recognized a gain of \$3 million. This property was leased back by the Company. In the fourth quarter of 2023, the Company also sold three properties to Choice Properties for proceeds of \$80 million and recognized a gain of \$8 million. All of these properties were leased back by the Company. During 2024, the Company sold one property (2023 – four properties) to Choice Properties and four properties (2023 – nil) to a joint arrangement between a third party and Choice Properties for proceeds of \$316 million (2023 – \$92 million) and recognized a gain of \$54 million (2023 – gain of \$11 million). All (2023 – all) of these properties were leased back by the Company (see note 27 of the Company's Consolidated Financial Statements).

Other Transactions

Venture Fund During 2020, Loblaw, Weston and a wholly owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington (“Venture Fund I”). A wholly owned subsidiary of Wittington is the general partner of the Venture Fund, which hired an external fund manager to oversee it. The purpose of the 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 33% interest in the Venture Fund I. The Company has a total capital commitment of \$33 million over a 10-year period.

During 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 purpose of Venture Fund II is consistent with Venture Fund I. The Company has a 50% interest in Venture Fund II and has a total capital commitment of \$60 million over a 10-year period.

Post-Employment Benefit Plans The Company sponsors a number of post-employment plans, which are related parties. Contributions made by the Company to these plans are disclosed in note 24 of the Company's Consolidated Financial Statements.

Income Tax Matters From time to time, the Company, Weston and its affiliates may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations.

Key Management Personnel The Company's key management personnel are comprised of the Board and certain members of the executive team of the Company, as well as both the Board and certain members of the executive team of Weston and Wittington to the extent that they have the authority and responsibility for planning, directing and controlling the day-to-day activities of the Company.

Compensation of Key Management Personnel Annual compensation of key management personnel that is directly attributable to the Company was as follows:

(millions of Canadian dollars)	2024	2023 ⁽ⁱ⁾
Salaries, director fees and other short term employee benefits	\$ 10	\$ 13
Equity-based compensation	8	8
Total compensation	\$ 18	\$ 21

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

Other transactions with related parties, as defined by IFRS Accounting Standards, were not significant during the year.

14. Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of the 2024 Annual Report, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

14.1 Consolidation

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entity's returns. The Company consolidates all of its wholly owned subsidiaries. Judgment is applied in determining whether the Company controls the entities in which it does not have ownership rights or does not have full ownership rights. Most often, judgment involves reviewing contractual rights to determine if rights are participating (giving power over the entity) or protective rights (protecting the Company's interest without giving it power).

14.2 Inventories

Key Estimations Inventories are carried at the lower of cost and net realizable value which requires the Company to utilize estimates related to fluctuations in shrink, future retail prices, the impact of vendor rebates on cost, seasonality and costs necessary to sell the inventory.

14.3 Impairment of Non-Financial Assets (Goodwill, Intangible Assets, Fixed Assets and Right-of-Use Assets)

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining cash generating units ("CGUs") for the purpose of testing fixed assets, right-of-use assets and intangible assets for impairment. Judgment is also used to determine the goodwill CGUs for the purpose of testing goodwill for impairment. The Company has determined that each retail location is a separate CGU. Intangible assets are allocated to the CGUs (or groups of CGUs) to which they relate. Goodwill is allocated to CGUs (or groups of CGUs) based on the level at which management monitors goodwill, which cannot be higher than an operating segment. The allocation of goodwill is made to CGUs (or groups of CGUs) that are expected to benefit from the synergies and future growth of the business combination from which they arose. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed. In applying this judgment management considers profitability of the CGU and other qualitative factors.

Key Estimations In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines fair value less costs to sell using such estimates as market rental rates for comparable properties, discount rates and capitalization rates. The Company determines value in use by using estimates including projected future sales and earnings, and discount rates consistent with external industry information reflecting the risk associated with the specific cash flows.

14.4 Impairment of Credit Card Receivables

Judgments Made in Relation to Accounting Policies Applied and Key Estimations In each stage of the expected credit loss ("ECL") model, impairment is determined based on the probability of default, loss given default, and expected exposures at default on drawn and undrawn exposures on credit card receivables. The application of the ECL model requires management to apply the following significant judgments, assumptions and estimations:

- Movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on credit card receivables. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- Thresholds for significant increase in credit risk based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- Forecasts of future economic conditions, namely the unemployment rate. Management uses an average of unemployment rate forecasts published by major Canadian Chartered Banks and the Conference Board of Canada to establish the base case scenario and other representative ranges of possible forecast scenarios.

14.5 Customer Loyalty Awards Program

Key Estimations The Company defers revenue at the time the award is earned by members based on the relative fair value of the award. The relative fair value is determined by allocating consideration between the fair value of the loyalty awards earned by loyalty program members, net of breakage, and the goods and services on which the awards were earned, based on their relative stand-alone selling price. The estimated fair value per point for the *PC Optimum* loyalty program is determined based on the program reward schedule and is \$1 for every 1,000 points earned. The breakage rate of the program is an estimate of the amount of points that will never be redeemed. The rate is reviewed on an ongoing basis and is estimated utilizing historical redemption activity and anticipated earn and redeem behaviour of members. In 2024, the Company recorded a charge of \$129 million, of which \$99 million was recorded in the Retail segment and \$30 million was recorded in the Financial Services segment. This charge represents the revaluation of the loyalty liability for outstanding points.

14.6 Income and Other Taxes

Judgments Made in Relation to Accounting Policies Applied The calculation of current and deferred income taxes requires management to make certain judgments including expectations about future operating results, the timing and reversal of temporary differences, and the interpretation of tax rules in jurisdictions where the Company performs activities. Where the amount of tax payable or recoverable is uncertain, the Company establishes provisions based on the most likely amount of the liability or recovery.

14.7 Segment Information

Judgments Made in Relation to Determining the Aggregation of Operating Segments The Company uses judgment in assessing the criteria used to determine the aggregation of operating segments. The Retail reportable operating segment consists of several operating segments comprised primarily of food retail and Associate-owned drug stores, and also includes in-store pharmacies and healthcare services and other health and beauty products, apparel and other general merchandise. The Company has aggregated its retail operating segments on the basis of their similar economic characteristics, customers and nature of products. This similarity in economic characteristics reflects the fact that the Company's retail operating segments operate primarily in Canada and are therefore subject to the same economic market pressures and regulatory environment. The Company's retail operating segments are subject to similar competitive pressures such as price and product innovation and assortment from existing competitors and new entrants into the marketplace. The similar economic characteristics also include the provision of centralized, common functions such as marketing and IT across all retail operating segments.

The retail operating segments' customer profile is primarily individuals who are purchasing goods for their own or their family's personal needs and consumption. The nature of products and the product assortment sold by each of the retail operating segments is also similar and includes grocery, pharmaceuticals, cosmetics, electronics and housewares. The aggregation of the retail operating segments reflects the nature and financial effects of the business activities in which the Company engages and the economic environment in which it operates.

14.8 Provisions

Judgments made in Relation to Accounting Policies Applied and Key Estimations The recording of provisions requires management to make certain judgments regarding whether there is a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle the obligation and if a reliable estimate of the amount of the obligation can be made. The Company has recorded provisions primarily in respect of self-insurance and legal claims. The Company reviews the merits, risks and uncertainties of each provision, based on current information, and the amount expected to be required to settle the obligation. Provisions are reviewed on an ongoing basis and are adjusted accordingly when new facts and events become known to the Company.

14.9 Leases

Judgments Made in Relation to Accounting Policies Applied Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, store performances, past business practice and the length of time remaining before the option is exercisable. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact management's assessment of lease terms, and any changes in management's estimate of lease terms may have a material impact on the Company's consolidated balance sheets and statements of earnings.

Key Estimations In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate using a base risk-free interest rate estimated by reference to the Government of Canada bond yield with an adjustment that reflects the Company's credit rating, the security, lease term and value of the underlying leased asset, and the economic environment in which the leased asset operates. The incremental borrowing rates are subject to change due to changes in the business and macroeconomic environment.

15. Accounting Standards

15.1 Future Accounting Standards and Amendments

Amendments to IFRS 9 and IFRS 7 In May 2024, amendments to IFRS 9, "Financial Instruments" ("IFRS 9") and IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7") were issued. The amendments clarify the timing of recognition and derecognition for a financial asset or financial liability, including clarifying that a financial liability is derecognized on the settlement date. In addition to these clarifications, the amendments introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date, if specific conditions are met. Also included in the amendments, are clarifications regarding the classification of financial assets, including those with features linked to environmental, social and corporate governance. Under the amendments, additional disclosures are required for financial instruments with contingent features and investments in equity instruments classified at fair value through other comprehensive income. These amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted, with an option to early adopt only the amendments to the classification of financial assets. The adoption is not expected to have a material impact on the Company's consolidated financial statements.

Amendments to IFRS 9 and IFRS 7 In December 2024, amendments to IFRS 9 and IFRS 7 were issued to enhance the transparency of nature-dependent electricity contracts. The amendments allow a company to apply an own-use exemption to certain power purchase agreements if certain requirements are met. The amendments require further disclosure where an own-use exemption is applied regarding the contractual features exposing the company to variability in electricity volume and risk of oversupply, unrecognized contractual commitments and the effect of the contracts on an entity's financial performance. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. The Company is currently assessing the impact of these amendments.

IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18"), has been issued to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, "Presentation of Financial Statements", impacts the presentation of primary financial statements and notes, mainly the income statement where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. IFRS 18 will require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company is currently assessing the impact of the new standard.

16. Strategic Update and Outlook⁽³⁾

Strategic Update Loblaw's portfolio of businesses remains strong and well-positioned as economic pressures continue to drive consumers to its banners, in search for value, quality, service and convenience. The Company's best in class assets continue to meet customers' everyday needs for food, health and wellness – supporting Loblaw's purpose: helping Canadians *Live Life Well*. The Company will continue to focus on three strategic pillars in 2025: delivering retail excellence; driving growth; and investing for the future.

Retail Excellence Loblaw creates value through disciplined execution of core retail operations and by leveraging its scale and strategic assets. This retail excellence is underpinned by process and efficiency initiatives and helps grow sales, optimize gross margins, and reduce operating costs. The Company remains focused on strategic procurement opportunities to deliver reliability, improve product selection and drive economies of scale across its grocery and pharmacy network. Leveraging its customer loyalty program and more than one billion customer transactions across food, pharmacy, apparel, and financial services, Loblaw will increase its promotional effectiveness while delivering personalized value and unmatched service to Canadians. The Company will continue to invest in and refine its retail network to better meet customer needs and improve its overall profitability. This includes an increased focus on its Hard Discount business, where Loblaw has a unique opportunity to bring its NoFrills and Maxi stores to more communities and neighbourhoods across Canada. Management's clear commitment to food and drug retail excellence, together with a sense of urgency, is focused on delivering consistent strong operational and financial performance.

Driving Growth Loblaw continues to invest in targeted growth areas to further evolve and differentiate its portfolio of assets and generate competitive advantage. A differentiator and area of focus is Loblaw's ability to digitally engage customers with a suite of proprietary assets – Loblaw Digital (including PC Express™), Loblaw Advance™, and PC Optimum, Canada's strongest loyalty program. The Company will focus on enhancing these platforms across each of its businesses, improving the customer experience and functionality. In particular, the Company's PC Optimum loyalty program continues to evolve, with more meaningful personalized offers, and more effective promotions, all toward strengthening the loyalty loop and increasing the share of customer wallet. The Company is also evolving and tailoring its store network to better serve customers. In 2024, the Company converted 38 stores to Hard Discount banners, opened 52 new food and drug retail locations, and added 78 new pharmacy care clinics across Canada, driving sales growth across its divisions.

Investing For The Future Loblaw will continue to make capital investments towards the modernization and automation of its supply chain and the expansion of its retail network. These investments will be partially funded by proceeds from real estate dispositions. Loblaw will continue to invest in its Connected Healthcare strategy with the goal of growing its healthcare ecosystem by connecting patients and providers through an unmatched network of pharmacies, healthcare professionals and technology solutions. Pharmacies will play an increasing role in the delivery of healthcare services to Canadians through expanded scope of practice changes and the expansion of pharmacist care clinics. In 2025, Loblaw plans to further invest in its network by opening approximately 80 new food and drug stores, and 100 new pharmacist care clinics. In January 2025, the Company began migrating operations to its 1.2 million square foot, multi-temperature, fully automated distribution centre in East Gwillimbury, Ontario. The Company will begin construction of a similar fully automated facility in Caledon, Ontario in 2025. Together these investments reflect the Company's continued drive to advance its supply chain to better serve customers and meet their evolving needs.

Outlook⁽³⁾ Loblaw will remain focused on retail excellence while advancing its growth initiatives with the goal of delivering consistent operational and financial results in 2025. The Company's businesses remain well positioned to meet the everyday needs of Canadians.

In 2025, the Company's results will include the impact of a 53rd week, which is expected to benefit adjusted net earnings per common share⁽²⁾ growth by approximately 2%. On a full-year comparative basis, excluding the impact of the 53rd week, the Company expects:

- its Retail business to grow earnings faster than sales;
- adjusted net earnings per common share⁽²⁾ growth in the high single-digits;
- to continue investing in our store network and distribution centres by investing a net amount of \$1.9 billion in capital expenditures, which reflects gross capital investments of approximately \$2.2 billion, net of approximately \$300 million of proceeds from property disposals; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

17. Non-GAAP and Other Financial Measures

The Company uses the following non-GAAP and other financial measures and ratios: Retail segment gross profit; Retail segment adjusted gross profit; Retail segment adjusted gross profit percentage; adjusted earnings before income taxes, net interest expense and other financing charges and depreciation and amortization ("adjusted EBITDA"); adjusted EBITDA margin; adjusted operating income; adjusted net interest expense and other financing charges; adjusted income taxes; adjusted effective tax rate; adjusted net earnings available to common shareholders; adjusted diluted net earnings per common share; free cash flow; retail debt to retail adjusted EBITDA; adjusted return on equity; adjusted return on capital; and same-store sales. The Company believes these non-GAAP and other financial measures and ratios provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

Management uses these and other non-GAAP and other financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing underlying consolidated and segment operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. The Company adjusts for these items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

Retail Segment Gross Profit, Retail Segment Adjusted Gross Profit and Retail Segment Adjusted Gross Profit Percentage The following tables reconcile adjusted gross profit by segment to gross profit by segment, which is reconciled to revenue and cost of sales measures as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that Retail segment gross profit and Retail segment adjusted gross profit are useful in assessing the Retail segment's underlying operating performance and in making decisions regarding the ongoing operations of the business.

Retail segment adjusted gross profit percentage is calculated as Retail segment adjusted gross profit divided by Retail segment revenue.

	2024 (12 weeks)				2023 (12 weeks)			
	Retail	Financial Services	Eliminations	Total	Retail	Financial Services	Eliminations	Total
For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars)								
Revenue	\$ 14,579	\$ 476	\$ (107)	\$ 14,948	\$ 14,157	\$ 487	\$ (113)	\$ 14,531
Cost of sales	10,074	97	—	10,171	9,748	110	—	9,858
Gross profit	\$ 4,505	\$ 379	\$ (107)	\$ 4,777	\$ 4,409	\$ 377	\$ (113)	\$ 4,673
Adjusted gross profit	\$ 4,505	\$ 379	\$ (107)	\$ 4,777	\$ 4,409	\$ 377	\$ (113)	\$ 4,673

	2024 (52 weeks)				2023 (52 weeks)			
	Retail	Financial Services	Eliminations	Total	Retail	Financial Services	Eliminations	Total
For the years ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars)								
Revenue	\$59,786	\$ 1,586	\$ (358)	\$ 61,014	\$58,345	\$ 1,540	\$ (356)	\$59,529
Cost of sales	41,065	223	—	41,288	40,262	230	—	40,492
Gross profit	\$ 18,721	\$ 1,363	\$ (358)	\$ 19,726	\$18,083	\$ 1,310	\$ (356)	\$ 19,037
Adjusted gross profit	\$ 18,721	\$ 1,363	\$ (358)	\$ 19,726	\$18,083	\$ 1,310	\$ (356)	\$ 19,037

Adjusted Operating Income, Adjusted EBITDA and Adjusted EBITDA Margin The following tables reconcile adjusted operating income and adjusted EBITDA to operating income, which is reconciled to net earnings attributable to shareholders of the Company as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted EBITDA is useful in assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue.

For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars)	2024 (12 weeks)			2023 (12 weeks)		
	Retail	Financial Services	Total	Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			\$ 469			\$ 544
Add impact of the following:						
Non-controlling interests			(1)			16
Net interest expense and other financing charges			199			195
Income taxes			185			188
Operating income	\$ 777	\$ 75	\$ 852	\$ 843	\$ 100	\$ 943
Add (deduct) impact of the following:						
PC Optimum loyalty program	\$ 99	\$ 30	\$ 129	\$ —	\$ —	\$ —
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	115	—	115	115	—	115
Fair value write-down related to sale of Wellwise	23	—	23	—	—	—
Fair value adjustment on non-operating properties	3	—	3	9	—	9
Recovery related to PC Bank commodity tax matter	—	—	—	—	(13)	(13)
Fair value adjustment on fuel and foreign currency contracts	—	—	—	14	—	14
Gain on sale of non-operating properties	(3)	—	(3)	—	—	—
Adjusting items	\$ 237	\$ 30	\$ 267	\$ 138	\$ (13)	\$ 125
Adjusted operating income	\$ 1,014	\$ 105	\$ 1,119	\$ 981	\$ 87	\$ 1,068
Depreciation and amortization	680	14	694	666	14	680
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(115)	—	(115)	(115)	—	(115)
Adjusted EBITDA	\$ 1,579	\$ 119	\$ 1,698	\$ 1,532	\$ 101	\$ 1,633

	2024 (52 weeks)			2023 (52 weeks)		
	Retail	Financial Services	Total	Retail	Financial Services	Total
For the years ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars)						
Net earnings attributable to shareholders of the Company			\$ 2,171			\$ 2,100
Add impact of the following:						
Non-controlling interests			104			87
Net interest expense and other financing charges			821			803
Income taxes			806			714
Operating income	\$3,465	\$ 437	\$3,902	\$ 3,500	\$ 204	\$ 3,704
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 499	\$ —	\$ 499	\$ 499	\$ —	\$ 499
Charges related to settlement of class action lawsuits	164	—	164	—	—	—
PC Optimum loyalty program	99	30	129	—	—	—
Fair value write-down related to sale of <i>Wellwise</i>	23	—	23	—	—	—
Fair value adjustment on non-operating properties	3	—	3	9	—	9
Gain on sale of non-operating properties	(3)	—	(3)	(12)	—	(12)
Fair value adjustment on fuel and foreign currency contracts	(5)	—	(5)	16	—	16
(Recoveries) Charge related to PC Bank commodity tax matters	—	(155)	(155)	—	24	24
Adjusting items	\$ 780	\$ (125)	\$ 655	\$ 512	\$ 24	\$ 536
Adjusted operating income	\$4,245	\$ 312	\$4,557	\$ 4,012	\$ 228	\$ 4,240
Depreciation and amortization	2,916	50	2,966	2,848	58	2,906
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(499)	—	(499)	(499)	—	(499)
Adjusted EBITDA	\$6,662	\$ 362	\$7,024	\$ 6,361	\$ 286	\$ 6,647

In addition to the items described in the Retail segment adjusted gross profit section above, when applicable, adjusted EBITDA was impacted by the following:

Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark The acquisition of Shoppers Drug Mart in 2014 included approximately \$6,050 million of definite life intangible assets, which are being amortized over their estimated useful lives. In 2024, the annual amortization associated with the acquired intangibles was \$479 million. The annual amortization will decrease to approximately \$130 million in 2025, including \$110 million in the first quarter of 2025, and approximately \$30 million thereafter.

The acquisition of Lifemark in 2022 included approximately \$299 million of definite life intangible assets, which are being amortized over their estimated useful lives.

Charges related to settlement of class action lawsuits On July 24, 2024, the Company and Weston entered into binding Minutes of Settlement and on January 31, 2025, the Company and Weston entered into a Settlement Agreement to resolve nationwide class action lawsuits against them relating to their role in an industry-wide price-fixing arrangement. In the second quarter of 2024, charges of \$164 million were recorded in the Retail segment in SG&A, relating to the Company's portion of the total settlement and related costs.

PC Optimum loyalty program In the fourth quarter of 2024, the Company recorded a charge of \$129 million, of which \$99 million was recorded in the Retail segment and \$30 million was recorded in the Financial Services segment. This charge represents the revaluation of the loyalty liability for outstanding points, reflecting higher PC Optimum member participation and higher redemption rates.

Fair value write-down related to sale of Wellwise In the fourth quarter of 2024, the Company entered into an agreement with a third party to sell all of the shares of its Wellwise business for cash proceeds. Accordingly, the Company recorded a net fair value write-down of \$23 million in the Retail segment in SG&A. The transaction is expected to close in the first quarter of 2025.

Fair value adjustment on non-operating properties The Company measures non-operating properties, which are investment properties and assets held for sale that were transferred from investment properties, at fair value. Under the fair value model, non-operating properties are initially measured at cost and subsequently measured at fair value. Fair value using the income approach include assumptions as to market rental rates for properties of similar size and condition located within the same geographical areas, recoverable operating costs for leases with tenants, non-recoverable operating costs, vacancy periods, tenant inducements and terminal capitalization rates. Gains and losses arising from changes in the fair value are recognized in operating income in the period in which they arise.

Gain on sale of non-operating properties In the fourth quarter of 2024 and year-to-date, the Company recorded a gain related to the sale of non-operating properties of \$3 million (fourth quarter of 2023 and year-to-date – gain of nil and \$12 million, respectively).

Fair value adjustment on fuel and foreign currency contracts The Company is exposed to commodity price and U.S. dollar exchange rate fluctuations. In accordance with the Company's commodity risk management policy, the Company enters into exchange traded futures contracts and forward contracts to minimize cost volatility relating to fuel prices and the U.S. dollar exchange rate. These derivatives are not acquired for trading or speculative purposes. Pursuant to the Company's derivative instruments accounting policy, changes in the fair value of these instruments, which include realized and unrealized gains and losses, are recorded in operating income. Despite the impact of accounting for these commodity and foreign currency derivatives on the Company's reported results, the derivatives have the economic impact of largely mitigating the associated risks arising from price and exchange rate fluctuations in the underlying commodities and U.S. dollar commitments.

(Recoveries) Charge related to PC Bank commodity tax matters In 2022, the Tax Court released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaw's Inc. in respect of redemptions of loyalty points. PC Bank subsequently filed a Notice of Appeal with the FCA and in March 2024, the matter was heard by the FCA. In the third quarter of 2024, the FCA released its decision and reversed the decision of the Tax Court. As a result, PC Bank reversed charges of \$155 million, including \$111 million initially recorded in 2022. In addition, \$10 million was recorded related to interest income on cash tax refunds.

In 2023, the Federal government enacted certain commodity tax legislation that applied to PC Bank on a retroactive basis. A charge of \$37 million, inclusive of interest, was recorded for this matter. In the fourth quarter of 2023, the Company reversed \$13 million of previously recorded charges. The reversal was a result of new guidance issued by the Canada Revenue Agency.

Adjusted Net Interest Expense and Other Financing Charges The following table reconciles adjusted net interest expense and other financing charges to net interest expense and other financing charges as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted net interest expense and other financing charges is useful in assessing the Company's underlying financial performance and in making decisions regarding the financial operations of the business.

For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars)	2024 (12 weeks)	2023 (12 weeks)	2024 (52 weeks)	2023 (52 weeks)
Net interest expense and other financing charges	\$ 199	\$ 195	\$ 821	\$ 803
Add: Recovery related to PC Bank commodity tax matter	—	—	10	—
Adjusted net interest expense and other financing charges	\$ 199	\$ 195	\$ 831	\$ 803

In the third quarter of 2024 and on a full-year basis, \$10 million was recorded related to interest income on cash tax refunds on the PC Bank commodity tax matter discussed above.

Adjusted Income Taxes and Adjusted Effective Tax Rate The following table reconciles adjusted income taxes to income taxes as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted income taxes is useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

Adjusted effective tax rate is calculated as adjusted income taxes divided by the sum of adjusted operating income less adjusted net interest expense and other financing charges.

For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	2024 (52 weeks)	2023 (52 weeks)
Adjusted operating income ⁽ⁱ⁾	\$ 1,119	\$ 1,068	\$ 4,557	\$ 4,240
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	199	195	831	803
Adjusted earnings before taxes	\$ 920	\$ 873	\$ 3,726	\$ 3,437
Income taxes	\$ 185	\$ 188	\$ 806	\$ 714
Add impact of the following:				
Tax impact of items included in adjusted earnings before taxes ⁽ⁱⁱ⁾	60	36	163	144
Adjusted income taxes	\$ 245	\$ 224	\$ 969	\$ 858
Effective tax rate	28.3 %	25.1 %	26.2 %	24.6 %
Adjusted effective tax rate	26.6 %	25.7 %	26.0 %	25.0 %

(i) See reconciliations of adjusted operating income and adjusted net interest expense and other financing charges in the tables above.

(ii) See the adjusted operating income, adjusted EBITDA and adjusted EBITDA margin table and the adjusted net interest expense and other financing charges table above for a complete list of items included in adjusted earnings before taxes.

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net Earnings Per Common

Share The following table reconciles adjusted net earnings available to common shareholders of the Company and adjusted net earnings attributable to shareholders of the Company to net earnings attributable to shareholders of the Company and then to net earnings available to common shareholders of the Company for the periods ended as indicated. The Company believes that adjusted net earnings available to common shareholders and adjusted diluted net earnings per common share are useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	2024 (52 weeks)	2023 (52 weeks)
Net earnings attributable to shareholders of the Company	\$ 469	\$ 544	\$ 2,171	\$ 2,100
Prescribed dividends on preferred shares in share capital	(3)	(3)	(12)	(12)
Impact of preferred share redemption	(4)	—	(4)	—
Net earnings available to common shareholders of the Company	\$ 462	\$ 541	\$ 2,155	\$ 2,088
Net earnings attributable to shareholders of the Company	\$ 469	\$ 544	\$ 2,171	\$ 2,100
Adjusting items (refer to the following table)	207	89	482	392
Adjusted net earnings attributable to shareholders of the Company	\$ 676	\$ 633	\$ 2,653	\$ 2,492
Prescribed dividends on preferred shares in share capital	(3)	(3)	(12)	(12)
Impact of preferred share redemption	(4)	—	(4)	—
Adjusted net earnings available to common shareholders of the Company	\$ 669	\$ 630	\$ 2,637	\$ 2,480
Diluted weighted average common shares outstanding (millions)	304.4	314.9	308.5	320.0

The following table reconciles adjusted net earnings available to common shareholders of the Company and adjusted diluted net earnings per common share to net earnings available to common shareholders of the Company and diluted net earnings per common share for the periods ended as indicated.

Management's Discussion and Analysis

	2024 (12 weeks)		2023 (12 weeks)		2024 (52 weeks)		2023 (52 weeks)	
	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share
For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars/Canadian dollars)								
As reported	\$ 462	\$ 1.52	\$ 541	\$ 1.72	\$ 2,155	\$ 6.99	\$ 2,088	\$ 6.52
Add (deduct) impact of the following:								
PC Optimum loyalty program	\$ 94	\$ 0.31	\$ —	\$ —	\$ 94	\$ 0.30	\$ —	\$ —
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	84	0.27	85	0.27	367	1.20	367	1.15
Fair value write-down related to sale of Wellwise	29	0.10	—	—	29	0.09	—	—
Fair value adjustment on non-operating properties	3	0.01	6	0.02	3	0.01	6	0.02
Charges related to settlement of class action lawsuits	—	—	—	—	121	0.39	—	—
Fair value adjustment on fuel and foreign currency contracts	—	—	10	0.03	(4)	(0.01)	12	0.04
(Recoveries) Charge related to PC Bank commodity tax matters	—	—	(12)	(0.04)	(125)	(0.41)	17	0.05
Gain on sale of non-operating properties	(3)	(0.01)	—	—	(3)	(0.01)	(10)	(0.03)
Adjusting items	\$ 207	\$ 0.68	\$ 89	\$ 0.28	\$ 482	\$ 1.56	\$ 392	\$ 1.23
Adjusted	\$ 669	\$ 2.20	\$ 630	\$ 2.00	\$ 2,637	\$ 8.55	\$ 2,480	\$ 7.75

Free Cash Flow The following table reconciles, by reportable operating segments, free cash flow to cash flows from operating activities. The Company believes that free cash flow is the appropriate measure in assessing the Company's cash available for additional financing and investing activities.

For the periods ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars)	2024 (12 weeks)				2023 (12 weeks)			
	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total
Cash flows from (used in) operating activities	\$ 1,748	\$ (209)	\$ 48	\$ 1,587	\$ 1,495	\$ (131)	\$ 41	\$ 1,405
Less:								
Capital investments ⁽ⁱⁱ⁾	619	9	—	628	666	10	—	676
Interest paid ⁽ⁱ⁾	51	—	48	99	60	—	41	101
Lease payments, net	250	—	—	250	257	—	—	257
Free cash flow	\$ 828	\$ (218)	\$ —	\$ 610	\$ 512	\$ (141)	\$ —	\$ 371

For the years ended December 28, 2024 and December 30, 2023 (millions of Canadian dollars)	2024 (52 weeks)				2023 (52 weeks)			
	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total
Cash flows from operating activities	\$ 5,449	\$ 205	\$ 148	\$ 5,802	\$ 5,480	\$ 46	\$ 128	\$ 5,654
Less:								
Capital investments ⁽ⁱⁱ⁾	2,160	40	—	2,200	2,069	40	—	2,109
Interest paid ⁽ⁱ⁾	295	—	148	443	293	—	128	421
Lease payments, net	1,488	—	—	1,488	1,424	—	—	1,424
Free cash flow	\$ 1,506	\$ 165	\$ —	\$ 1,671	\$ 1,694	\$ 6	\$ —	\$ 1,700

(i) Interest paid is included in cash flows from operating activities under the Financial Services segment.

(ii) Capital investments are the sum of fixed asset purchases and intangible asset additions as presented in the Company's Consolidated Statements of Cash Flows, and prepayments transferred to fixed assets in the current period. Capital investments in the fourth quarter of 2023 and for the year-ended December 30, 2023 included \$37 million of prepayments transferred to fixed assets.

Retail Debt to Retail Adjusted EBITDA, Adjusted Return on Equity and Adjusted Return on Capital The Company uses the following metrics to measure its leverage and profitability. The definitions of these ratios are presented below.

- **Retail Debt to Retail Adjusted EBITDA** Retail segment total debt divided by Retail segment adjusted EBITDA for the last four quarters. Please refer to section "7.2 Liquidity and Capital Structure" of this MD&A.
- **Adjusted Return on Equity** Adjusted net earnings available to common shareholders of the Company for the last four quarters divided by average total equity attributable to common shareholders of the Company. Please refer to section "7.4 Financial Condition" of this MD&A.
- **Adjusted Return on Capital** Tax-effected adjusted operating income for the last four quarters divided by average capital where capital is defined as total debt, plus equity attributable to shareholders of the Company, less cash and cash equivalents, and short term investments. Please refer to section "7.4 Financial Condition" of this MD&A.

Same-Store Sales Same-store sales are retail segment sales for stores in operation in both comparable periods, including relocated, converted, expanded, contracted or renovated stores. The Company believes this metric is useful in assessing sales trends excluding the effect of the opening and closure of stores.

Non-GAAP and Other Financial Measures - Selected Quarterly and Three Year Summary Reconciliations to GAAP Measures

Adjusted Operating Income, Adjusted EBITDA and Adjusted EBITDA Margin The following table provides a reconciliation of adjusted EBITDA to operating income, which is reconciled to GAAP net earnings attributable to shareholders of the Company reported for the quarters and years ended as indicated.

	2024					2023		2022			
	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	Total (52 weeks)
(unaudited) (millions of Canadian dollars)											
Net earnings attributable to shareholders of the Company	\$ 462	\$ 460	\$ 780	\$ 469	\$ 2,171	\$ 421	\$ 511	\$ 624	\$ 544	\$2,100	\$ 1,921
Add (deduct) impact of the following:											
Non-controlling interests	27	38	40	(1)	104	16	30	25	16	87	73
Net interest expense and other financing charges	194	190	238	199	821	181	193	234	195	803	683
Income taxes	178	180	263	185	806	151	193	182	188	714	665
Operating income	\$ 861	\$ 868	\$ 1,321	\$ 852	\$3,902	\$ 769	\$ 927	\$1,065	\$ 943	\$3,704	\$3,342
Add (deduct) impact of the following:											
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 114	\$ 115	\$ 155	\$ 115	\$ 499	\$ 114	\$ 116	\$ 154	\$ 115	\$ 499	\$ 497
Charges related to settlement of class action lawsuits	—	164	—	—	164	—	—	—	—	—	—
PC Optimum loyalty program	—	—	—	129	129	—	—	—	—	—	—
Fair value write-down related to sale of Wellwise	—	—	—	23	23	—	—	—	—	—	—
Fair value adjustment on non-operating properties	—	—	—	3	3	—	—	—	9	9	(6)
Lifemark transaction costs	—	—	—	—	—	—	—	—	—	—	16
Restructuring and other related (recoveries) costs	—	—	—	—	—	—	—	—	—	—	(15)
(Gain) Loss on sale of non-operating properties	—	—	—	(3)	(3)	1	—	(13)	—	(12)	(57)
Fair value adjustment on fuel and foreign currency contracts	(7)	2	—	—	(5)	3	5	(6)	14	16	(5)
(Recoveries) Charges related to PC Bank commodity tax matters	—	—	(155)	—	(155)	—	37	—	(13)	24	111
Adjusting items	\$ 107	\$ 281	\$ —	\$ 267	\$ 655	\$ 118	\$ 158	\$ 135	\$ 125	\$ 536	\$ 541
Adjusted operating income	\$ 968	\$ 1,149	\$ 1,321	\$ 1,119	\$4,557	\$ 887	\$1,085	\$1,200	\$1,068	\$4,240	\$3,883
Depreciation and amortization	690	679	903	694	2,966	675	671	880	680	2,906	2,795
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(114)	(115)	(155)	(115)	(499)	(114)	(116)	(154)	(115)	(499)	(497)
Adjusted EBITDA	\$1,544	\$ 1,713	\$2,069	\$1,698	\$7,024	\$1,448	\$1,640	\$1,926	\$1,633	\$6,647	\$ 6,181

Adjusted Net Interest Expense and Other Financing Charges The following table reconciles adjusted net interest expense and other financing charges to GAAP net interest expense and other financing charges reported for the periods ended as indicated.

(unaudited) (millions of Canadian dollars)	2024 (52 weeks)	2023 (52 weeks)	2022 (52 weeks)
Net interest expense and other financing charges	\$ 821	\$ 803	\$ 683
Add impact of the following:			
Recovery related to PC Bank commodity tax matter	10	—	—
Recovery related to Glenhuron	—	—	11
Adjusted net interest expense and other financing charges	\$ 831	\$ 803	\$ 694

Recovery related to PC Bank commodity tax matter In the third quarter of 2024 and on a full-year basis, \$10 million was recorded related to interest income on cash tax refunds on the PC Bank commodity tax matter discussed above.

Recovery related to Glenhuron In 2021, the Supreme Court of Canada ruled in favour of the Company on the Glenhuron matter. As a result of related reassessments received during the first quarter of 2022, the Company reversed \$35 million of previously recorded charges, of which \$2 million was recorded as interest income and \$33 million was recorded as an income tax recovery, and an additional \$9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds.

Adjusted Income Taxes and Adjusted Effective Tax Rate The following table reconciles the effective tax rate applicable to adjusted earnings before taxes to the GAAP effective tax rate applicable to earnings before taxes as reported for the periods ended as indicated.

(unaudited) (millions of Canadian dollars except where otherwise indicated)	2024 (52 weeks)	2023 (52 weeks)	2022 (52 weeks)
Adjusted operating income ⁽ⁱ⁾	\$ 4,557	\$ 4,240	\$ 3,883
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	831	803	694
Adjusted earnings before taxes	\$ 3,726	\$ 3,437	\$ 3,189
Income taxes	\$ 806	\$ 714	\$ 665
Add impact of the following:			
Tax impact of items included in adjusted earnings before taxes ⁽ⁱⁱ⁾	163	144	143
Recovery related to Glenhuron	—	—	33
Adjusted income taxes	\$ 969	\$ 858	\$ 841
Effective tax rate	26.2 %	24.6 %	25.0%
Adjusted effective tax rate	26.0 %	25.0 %	26.4%

(i) See reconciliations of adjusted operating income and adjusted net interest expense and other financing charges in the tables above.

(ii) See the adjusted operating income, adjusted EBITDA and adjusted EBITDA margin table and the adjusted net interest expense and other financing charges table above for a complete list of items included in adjusted earnings before taxes.

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net Earnings Per Common

Share The following tables reconcile adjusted net earnings available to common shareholders of the Company and adjusted diluted net earnings per common share to GAAP net earnings available to common shareholders of the Company and diluted net earnings per common share as reported for the quarters and years ended as indicated.

	2024					2023		2022			
	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	Total (52 weeks)
(unaudited) (millions of Canadian dollars)											
As reported	\$ 459	\$ 457	\$ 777	\$ 462	\$ 2,155	\$ 418	\$ 508	\$ 621	\$ 541	\$ 2,088	\$ 1,909
Add (deduct) impact of the following ⁽ⁱ⁾ :											
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 84	\$ 84	\$ 115	\$ 84	\$ 367	\$ 84	\$ 85	\$ 113	\$ 85	\$ 367	\$ 365
Charges related to settlement of class action lawsuits	—	121	—	—	121	—	—	—	—	—	—
PC Optimum loyalty program	—	—	—	94	94	—	—	—	—	—	—
Fair value write-down related to sale of Wellwise	—	—	—	29	29	—	—	—	—	—	—
Fair value adjustment on non-operating properties	—	—	—	3	3	—	—	—	6	6	(4)
Lifemark transaction costs	—	—	—	—	—	—	—	—	—	—	12
Restructuring and other related (recoveries) costs	—	—	—	—	—	—	—	—	—	—	(14)
Recovery related to Glenhuron	—	—	—	—	—	—	—	—	—	—	(42)
(Gain) Loss on sale of non-operating properties	—	—	—	(3)	(3)	1	—	(11)	—	(10)	(45)
Fair value adjustment on fuel and foreign currency contracts	(6)	2	—	—	(4)	2	4	(4)	10	12	(4)
(Recoveries) Charges related to PC Bank commodity tax matters	—	—	(125)	—	(125)	—	29	—	(12)	17	86
Adjusting items	\$ 78	\$ 207	\$ (10)	\$ 207	\$ 482	\$ 87	\$ 118	\$ 98	\$ 89	\$ 392	\$ 354
Adjusted⁽ⁱ⁾	\$ 537	\$ 664	\$ 767	\$ 669	\$ 2,637	\$ 505	\$ 626	\$ 719	\$ 630	\$ 2,480	\$ 2,263

(i) Net of income taxes and non-controlling interests, as applicable.

(unaudited) (\$ except where otherwise indicated)	2024					2023		2022			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total	Total
	(12 weeks)	(12 weeks)	(16 weeks)	(12 weeks)	(52 weeks)	(12 weeks)	(12 weeks)	(16 weeks)	(12 weeks)	(52 weeks)	(52 weeks)
As reported	\$ 1.47	\$ 1.48	\$ 2.53	\$ 1.52	\$ 6.99	\$ 1.29	\$ 1.58	\$ 1.95	\$ 1.72	\$ 6.52	\$ 5.75
Add (deduct) impact of the following ⁽ⁱ⁾ :											
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 0.27	\$ 0.27	\$ 0.38	\$ 0.27	\$ 1.20	\$ 0.26	\$ 0.26	\$ 0.35	\$ 0.27	\$ 1.15	\$ 1.11
Charges related to settlement of class action lawsuits	—	0.39	—	—	0.39	—	—	—	—	—	—
PC Optimum loyalty program	—	—	—	0.31	0.30	—	—	—	—	—	—
Fair value write-down related to sale of <i>Wellwise</i>	—	—	—	0.10	0.09	—	—	—	—	—	—
Fair value adjustment on non-operating properties	—	—	—	0.01	0.01	—	—	—	0.02	0.02	(0.01)
Lifemark transaction costs	—	—	—	—	—	—	—	—	—	—	0.04
Restructuring and other related (recoveries) costs	—	—	—	—	—	—	—	—	—	—	(0.04)
Recovery related to Glenhuron	—	—	—	—	—	—	—	—	—	—	(0.13)
(Gain) Loss on sale of non-operating properties	—	—	—	(0.01)	(0.01)	—	—	(0.03)	—	(0.03)	(0.14)
Fair value adjustment on fuel and foreign currency contracts	(0.02)	0.01	—	—	(0.01)	—	0.01	(0.01)	0.03	0.04	(0.01)
(Recoveries) Charges related to PC Bank commodity tax matters	—	—	(0.41)	—	(0.41)	—	0.09	—	(0.04)	0.05	0.25
Adjusting items	\$ 0.25	\$ 0.67	\$(0.03)	\$ 0.68	\$ 1.56	\$ 0.26	\$ 0.36	\$ 0.31	\$ 0.28	\$ 1.23	\$ 1.07
Adjusted⁽ⁱ⁾	\$ 1.72	\$ 2.15	\$ 2.50	\$ 2.20	\$ 8.55	\$ 1.55	\$ 1.94	\$ 2.26	\$ 2.00	\$ 7.75	\$ 6.82
Diluted weighted average common shares outstanding (millions)	311.9	308.8	306.9	304.4	308.5	324.8	322.5	318.4	314.9	320.0	331.7

(i) Net of income taxes and non-controlling interests, as applicable.

18. Additional Information

Additional information about the Company has been filed electronically with various securities regulators in Canada through SEDAR+ and is available online at www.sedarplus.ca and with OSFI as the primary regulator for the Company's subsidiary, PC Bank.

February 19, 2025

Toronto, Canada

MD&A Endnotes

- (1) For financial definitions and ratios refer to the Glossary of Terms section included within the Company's 2024 Annual Report.
 - (2) See Section 17 "Non-GAAP and Other Financial Measures", which includes the reconciliation of such non-GAAP and other measures to the most directly comparable GAAP measures.
 - (3) To be read in conjunction with Section 1 "Forward-Looking Statements".
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