Live Life Well®

Loblaw Companies Limited

2025 Annual Report

$2.1 billion

Invested back into the Canadian economy, and plans to invest more than $10 billion by 2030

25%

Average savings by switching from comparable brand to no name®

$4.6 billion

E-commerce revenue for the year

77

New stores opened

3.5 million +

Prescribing services provided by our pharmacists

250

Pharmacist-led clinics

18 million +

Active PC Optimum™ members

$1 billion +

Value of PC Optimum™ points redeemed by customers

98%

Recyclable or reusable control brand and store-supplied plastic packaging based on in-scope Consumer Goods Forum's Golden Design Rules

1 million

Children across Canada reached through President's Choice Children's Charity's signature Power Full Kids™ | Eat Well Program

Helping Canadians *Live Life Well*®

Focused on quality, value, and convenience, everywhere we serve

In 2025, our focus remained unwavering: to deliver meaningful value and quality to customers across Canada, even as external pressures continued to shape our operating environment. Guided by a strong Canadian spirit and a commitment to adaptability, we evolved how we serve our customers and communities by creating new solutions, strengthening our network, and investing where it matters most. From opening new stores and pharmacies to advancing our first automated distribution centre, we took important steps to build a more resilient, efficient, and connected network. Through thoughtful campaigns designed to make quality more accessible and value more tangible, we continued to earn the trust of Canadians, week after week.

These results reflect the collective effort of our teams across the country who continue to show resilience, creativity, and care. In a year that demanded flexibility and focus, our colleagues and employees rose to the challenge by finding smarter ways to work, supporting one another, and keeping quality and value at the centre of everything they do. It's this shared commitment that enables us to keep moving forward with confidence and continue delivering on our purpose of helping Canadians *Live Life Well*®.

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Our Stores, Our People, Our Strategy

Our commitment to helping Canadians *Live Life Well*® factors into how we operate our stores and pharmacies day-to-day, how we deliver on our long-term organizational strategy, and how we unlock value for customers in new and unique ways.

Our strategy keeps us intently focused on the realities of today, the opportunities of tomorrow, and the needs and expectations of consumers decades from now. Our efforts are underpinned by a solid foundation – an energetic base of colleagues working in great stores and pharmacies that operate efficiently and effectively. From there, we layer on value including everyday digital retail solutions, and outstanding loyalty offerings. Increasingly, we are connecting Canadians to healthcare solutions, both in our stores and online.

Retail Excellence

Through disciplined execution within our core retail operations, and by leveraging our scale and strategic assets, we are able to grow sales, optimize gross margins, and reduce operating costs – all while captivating and engaging customers. This requires promotional effectiveness, personalized value, quality service, and continued network investment and optimization to not only meet customer needs but deliver consistent results.

Driving Business Growth

We continue to invest in three targeted growth areas to further differentiate our portfolio of assets and generate competitive advantage: Loblaw Digital, Loblaw Advance™, and PC Optimum™.

Investing for the Future

Capital investments in the modernization and automation of our supply chain, the expansion of our retail network, and the evolution of our Connected Healthcare strategy are all examples of Loblaw investing for long-term success.

Supporting our Communities

When Canadian communities are strong, so is our business. That is why, grounded by our purpose – helping Canadians *Live Life Well*® – we are committed to fighting climate change and advancing social equity.

Fighting climate change for us means working to help mitigate the environmental causes and effects of climate change through measures such as: reducing our CO_2e emissions, reaching our net-zero targets, ensuring packaging compliance in accordance with the Golden Design Rules, and eliminating food waste[1]. Advancing social equity means building a diverse and inclusive workforce and supporting the health and well-being of women and children.

Colleagues, Culture and CORE Values

An engaged and collaborative workforce is key to our success, which is why we welcome authenticity, encourage strong connections, value trust, and make daily decisions with our CORE values – Care, Ownership, Respect, Excellence – top of mind.

[1] Plan development and processes utilized to measure progress against our 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.

Tariffs: Your dollar, your choice

When tariffs on U.S. goods began affecting grocery prices in 2025, many Canadians faced uncertainty about how it might change their shopping experience. To help customers navigate this new landscape, Loblaw introduced a clear way to identify products impacted by tariffs and made it easier to choose Canadian-prepared alternatives. In stores, a simple "T" symbol highlights U.S.-sourced items that could see price changes, while a red maple leaf marks products prepared in Canada. Teams worked to bring more Canadian products onto shelves, welcomed 267 new local suppliers, and sought affordable alternatives from Canada and other regions, all while keeping customers informed and offering choice and value during a changing trade environment.

From student job to national role at Loblaw

What began as a part-time job at Zehrs™ Conestoga Mall when he was 17 became the foundation of Cameron Hyjek's career at Loblaw. Early experiences in customer service, operations and teamwork helped him build skills that carried him from a summer student role into Loblaw's internship program and, within a year, into a national merchandising position. Today, Cameron leads the bulk foods portfolio, working across promotions, supply chain and vendor relationships while embracing mentorship and collaboration. His journey from in-store beginnings to national impact reflects the growth opportunities available to colleagues who seek them with determination, clear goals and supportive leadership.

Financial Highlights

+2.3%

FOOD RETAIL
SAME STORE SALES

+3.9%

DRUG RETAIL
SAME STORE SALES

+1.7%

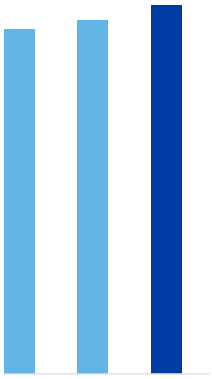
FRONT OF STORE

+6.0%

PHARMACY AND
HEALTHCARE SERVICES

+4.4%

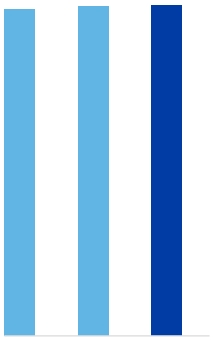
REVENUE[1, 2]
($ millions)



2023	2024	**2025**
58,681	60,123	**62,765**

31.4%

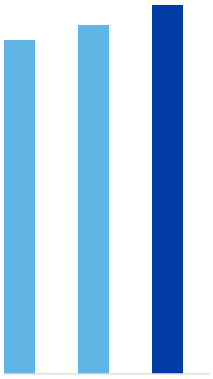
GROSS PROFIT MARGIN[1]



2023	2024	**2025**
31.0%	31.3%	**31.4%**

+5.6%

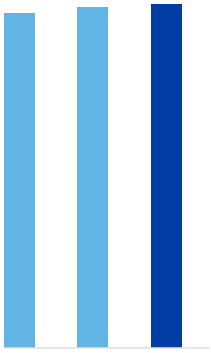
ADJUSTED EBITDA[1, 4]
($ millions)



2023	2024	**2025**
6,378	6,673	**7,050**

11.2%

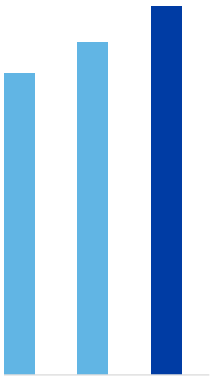
ADJUSTED EBITDA MARGIN[1, 4]



2023	2024	**2025**
10.9%	11.1%	**11.2%**

+10.7%

ADJUSTED DILUTED
NET EARNINGS
PER COMMON SHARE[3, 4]
($)



2023	2024	**2025**
1.94	2.14	**2.37**

+11.1%

DIVIDEND DECLARED
PER COMMON SHARE
($)

2023	2024	**2025**
0.436	0.496	**0.551**

[1] Results from continuing operations (Retail), presented on 52-week comparable basis.
[2] Including 53rd week revenue of $1,138 million, Revenue was $63,903 million, an increase of 6.3%.
[3] Total Company results, presented on 52-week comparable basis.
[4] See the Non-GAAP and Other Financial Measures section of the 2025 Annual Report – Financial Review.

Per Bank
President and Chief Executive Officer
Loblaw Companies Limited

President and CEO's Message

Dear Shareholders,

Our purpose as an organization – to the millions of Canadians who shop with us every week, and to anyone who chooses to invest in us – is to help Canadians *Live Life Well*®. In 2025, we faced unique challenges in delivering on this promise. A pronounced affordability crisis marked by stubbornly high food inflation continued to grip the country, and unexpected geopolitical tensions created added instability.

Our response, while reframed by these challenges, remained clear: to deliver as much value, in as many forms as possible, to our customers. And in 2025, we did just that.

Our plan to invest in our grocery network saw us open 48 new No Frills® and Maxi® stores (including 39 small format stores) and 2 T&T® Supermarkets, including our first foray in the United States. Beyond creating more choice for consumers, our grocery stores offered incredible pricing and promotional value and expanded multicultural selections in oft-underserved neighbourhoods. We continued to broaden our general merchandise offering with new brands and refreshed department designs, and leveraged the power of President's Choice® and no name® to deliver both innovation and reliability. And the PC Optimum™ program leveraged artificial intelligence and gamification to engage consumers – who ultimately redeemed over $1 billion in points in 2025.

We also continued to look for new opportunities to bring convenient healthcare solutions to Canadians. We added 27 new Shoppers Drug Mart® pharmacies and 97 new pharmacy care clinics in the year, and expanded our menu of services in line with more expansive government mandates in various regions. We're helping Canadians achieve their health and wellbeing objectives, with improvements in Beauty and new capabilities in weight control, among other enhancements.

We also continue to invest in our supply chain infrastructure. We have brought one automated distribution centre in Southern Ontario fully online, while construction of another continues in earnest. We are also scaling our freight- and warehouse-as-a-service capabilities, and seeing success within our retail media division Loblaw Advance™. Ultimately, we're solving problems for Canadian businesses and putting some of the world's best brands in touch with our customers – all while creating alternative profit streams.

Collectively, our efforts translated into solid financial results. We achieved same store sales growth of +2.3 per cent in food retail and +3.9 per cent in drug retail, with revenue of $62.8 billion, growing +4.4 per cent. Adjusted EBITDA was $7.1 billion, or +5.6 per cent. Adjusted diluted net earnings per share were $2.37 or +10.7 per cent. For the full-year, we generated $1.9 billion in free cash flow in our Retail business and continued to return capital to shareholders by increasing our dividend per share by 11.1 per cent and by repurchasing 34.8 million shares under a common share repurchase program.

Looking ahead, we believe our success is directly tied to the success of the communities we serve, which is why we will remain intently focused on unlocking value for Canadians. Fortunately, we have all the right assets needed to do just that – a strong culture grounded in authenticity, trust and connections; a solid financial framework and strategy rooted in retail excellence; and the passion of 220,000 colleagues and employees committed to serving Canadians in virtually every community in the country.

Per Bank
President and Chief Executive Officer
Loblaw Companies Limited

Chairman's Message

Galen G. Weston
Chairman
Loblaw Companies Limited

Dear fellow shareholders,

Founded in 1919, Loblaw introduced Canadians to a new self-serve approach to grocery shopping. Customers gravitated to Loblaw's groceterias for their convenience and value – among them, my grandfather, Garfield Weston. He appreciated the concept so much that he purchased a stake in the business in 1953. Three years later, Loblaw went public, giving investors like yourself the chance to participate in our efforts.

Fast forward 70 years, we remain driven by our purpose – to help Canadians *Live Life Well®*. As a source of the food and wellness essentials Canadians count on every day, we believe that the better Canada does, the better we do. That guides our decision-making as an organization, and reinforces our commitment to supporting affordability, wellness, and the local communities where more than 18 million Canadians shop with us each week.

In 2025, that meant opening and converting 78 locations, including hard discount stores in underserved markets where they immediately lowered the cost of food, and pharmacy clinics – now totalling 250 across the country – which are making care more accessible. At the same time, Loblaw opened one of the country's most advanced distribution centres, creating thousands of jobs, while lowering our cost to serve. These investments, part of a 5-year commitment to return $10 billion to our country by 2030, position Loblaw to provide even better value to our customers, a key part of how we are helping Canadians *Live Life Well®*.

We also continue to invest in our climate and social equity priorities. Our control brand and store supplied plastic packaging now meet the applicable Golden Design Rules – a goal we committed to in 2021. At the same time, we continue to prioritize the resilience of our food systems and the pursuit of our net-zero and food waste reduction ambitions. We're actively supporting the health and well-being of women via the Shoppers Foundation for Women's Health™. And with our help, the President's Choice Children's Charity is now reaching 1 million kids annually. These objectives matter to Canadians, and to our 220,000 colleagues and employees – all of whom benefit when our communities are at their best.

As we contribute toward Canada's prosperity through our efforts, we've remained committed to steady financial returns, and I am pleased to present Loblaw's consolidated financial results for 2025. In the pages that follow, you'll find evidence of our focus on delivering value, quality, service, and convenience to our customers. And, during a year defined by a prolonged period of economic uncertainty, Loblaw again delivered its well-established financial framework for shareholders by providing everyday essentials for Canadians.

Galen G. Weston
Chairman
Loblaw Companies Limited

Supporting our Communities

At Loblaw, our prosperity is directly linked to the prosperity of the communities we serve – a belief that has guided our nearly two decades of work to fight climate change and advance social equity.

1 million

Number of kids reached through President's Choice Children's Charity

Our goal is to deliver robust and transparent Environmental, Social and Governance ("ESG") disclosures in a timely manner for our stakeholders. To provide timely and relevant information to our stakeholders, we are pleased to release our 2025 Priority ESG Disclosure Report, available at loblaw.ca/en/responsibility.

Loblaw is monitoring the potential future adoption of the International Financial Reporting Standards ("IFRS") Sustainability Disclosure Standards and Canadian Sustainability Disclosure Standards ("CSDS") by the Canadian Securities Administrators ("CSA").

Carbon Net-Zero

- Completed more than 300 carbon reduction projects[1].
- Achieved a 16% reduction of Scope 1 and Scope 2 emissions relative to the 2020 baseline.

Tackling Plastic Waste

- Achieved 98% compliance to our 2025 target for tackling plastic waste[2].

Eliminating Food Waste Sent to Landfill by 2030

- Loblaw customers saved $58 million on groceries using the Flashfood app in 2025[3].
- Diverted more than 80,000 metric tonnes of food waste from landfill.

Be Canada's Most Diverse and Inclusive Employer

- Continued focus on sustaining and accelerating our Executive and Corporate Management Representation Goals to better reflect the Canadian labour market and the customers we serve.
- Remained focused on bringing b3 training, our culture shaping workshop, to thousands of front line colleagues across the country.

Support the Health and Well-Being of Children and Women

- Continued support for PC Children's Charity, ensuring 100% of personal donations go towards school nutrition programs.
- Raised and donated more than $240 million to support research, charities and non-profits across Canada.
- Donated more than 180 million pounds of food to food charities across Canada, in support of Feed More Families™ since the launch of the program in 2022.
- Supported the Shoppers Foundation for Women's Health™ to achieve their commitment to donate $50 million cumulatively since 2022, making care more equitable and accessible for all women in Canada.
- Expanded internal volunteering program, giving teams the opportunity to support Canadians facing food insecurity, while ensuring surplus food isn't wasted.

[1] Relates to the following activities: store refrigerant conversions, store lighting upgrades, franchise store recommissioning for efficiencies and calibrations of systems, automated refrigerant leak detection, DC retrofits including lighting and refrigeration, and fleet electrification. A project is defined at the individual site or fleet vehicle level.

[2] Compliance is relative to the in-scope Consumer Goods Forum's Golden Design Rules for control brand and store-supplied plastic packaging based on vendor provided data.

[3] Flashfood calculates the approximate pounds of food diverted from landfill using a methodology that incorporates the total dollar value of food sold on the app, average retail price per pound (based on data from US Bureau of Labor Statistics and Statistics Canada, which is updated annually based on prior year prices) and an assumed average 50% discount across all products.

Big solar power for a brighter future

At Loblaw's new East Gwillimbury Distribution Centre, a 1.2-million-square-foot facility serving more than 1,400 stores, sustainability was built into the design from the start. When completed in 2026, the centre will feature Canada's largest rooftop solar array, covering about 435,000 square feet and is projected to generate over 8.5 million kWh of clean on-site power each year, roughly a quarter of the site's electricity needs. The installation, part of a long-standing partnership with Canadian solar developer Great Circle Solar, complements other low-carbon features such as fully electric shunt trucks and advanced energy-management systems. This landmark project reflects Loblaw's continued effort to reduce greenhouse-gas emissions and advance toward its net-zero goals.

Opening doors: Jordan's journey at Joe Fresh

Jordan O'Neal's journey at Joe Fresh reflects how inclusive workplaces can unlock potential. Living with a disability, Jordan entered the workforce through a supportive environment that focused on his abilities, not limitations. Through Loblaw's partnership with Holland Bloorview, he gained early exposure to meaningful work, along with thoughtful accommodations and hands-on support. Starting in a store-based role, Jordan built confidence and skills that opened the door to broader responsibilities within the Joe Fresh team. His experience highlights how inclusion, partnership and a culture of belonging can help colleagues grow, contribute and thrive.

1 billion +

Customer transactions annually across grocery, pharmacy and financial services

Our Divisions

We operate more than 2,800 stores, pharmacies and clinics across Canada, employing directly, or through our franchisees and associates, approximately 220,000 Canadians in full-time and part-time positions. With 90% of Canadians living within 10 kilometres of one of our stores, we are immersed in the communities we serve, and welcome the opportunity to deliver value to our customers, ultimately helping them lead better and healthier lives.

Passionate about food and about creating exceptional customer experiences, our **Super Market** division operates a variety of banners – including Loblaws®, Loblaws City Market®, Your Independent Grocer®, Real Atlantic Superstore®, Zehrs®, Provigo®, Provigo Le Marché®, Real Canadian Superstore®, Real Canadian Wholesale Club®, Real Canadian Liquorstore™, Fortinos® and T&T® stores – and ultimately helps Canadians bring the best to their tables. Also part of Super Market, our Joe Fresh® division provides uniquely accessible shopping to Canadians, mixing modern designs with exceptional value for the entire family.

With more than 1,350 associate-owned locations, **Shoppers Drug Mart®** is Canada's leading pharmacy retailer, delivering care and wellness to millions of Canadians weekly – in-store and virtually. We operate luxury beauty retail outlets, a specialty drug distribution network, pharmacy services for long-term care and retirement communities, a generic drug manufacturer, a unique health app, and an electronic medical records platform. We also own Canada's leading provider of outpatient physiotherapy, massage therapy, occupational therapy, chiropractic, mental health, and other ancillary rehabilitation services.

Our **Hard Discount** division, which includes No Frills® and Maxi®, proudly offers Canadians easy and affordable access to life's necessities. With a diligent focus on value and a strong range of products and assortment that flexes based on the needs and expectations of local demographics, our Hard Discount stores exist to help Feed Everyone.

PC Financial® provides unprecedented value to customers, simplifying financial products to help Canadians *Live Life Well®*. Through the PC® Mastercard® and the PC Money™ Account, more than 2.4 million customers have earned millions in PC Optimum™ points to redeem for beauty, groceries, gas, apparel, and more. With our Services business, we meet the needs of Canadians through The Mobile Shop™, The Gift of Choice, and PC® Insurance. In 2025, Loblaw announced a strategic transaction and relationship with EQB Inc., which will see our PC Financial® and PC® Insurance businesses acquired by EQB, and make EQB the exclusive financial partner for the PC Optimum™ program. The transaction will unite two of Canada's most innovative banking brands, redefining the sector by delivering extraordinary value, products and services to Canadians. Loblaw expects the transaction to close in the second half of 2026, pending regulatory approval.

Helping customers feel at home, in any language

When Loblaw began expanding its Language Pins program nationwide, Anne Fontaine, Store Manager at a Winnipeg Real Canadian Superstore®, immediately saw the potential. The program helps colleagues signal the languages they speak by wearing pins written in those languages, making it easier for customers to ask for help in a way that feels comfortable and familiar. Now rolled out across Real Canadian Superstore, Loblaws, Zehrs and Wholesale Club locations, the initiative represents more than 150 languages spoken by colleagues across the country. For Anne, the impact is clear: stronger customer connections, improved accessibility in everyday moments, and a store environment where both customers and colleagues feel seen, supported and understood.

Enabling the future of pharmacy

As pharmacy continues to evolve, Loblaw is helping expand the role pharmacists play in delivering accessible health care. In 2024, nearly five million Canadians received clinical services through Shoppers Drug Mart and Loblaw Pharmacy, including medication reviews, vaccinations and minor ailment care - easing pressure on emergency rooms and other providers. In 2025, this shift accelerated with the opening of the seventh pharmacy care clinic in Surrey, B.C., the milestone opening of the 200th clinic, and progress toward having 250 clinics by year-end. At the same time, seven Central Pharmacy Services sites supported more than 1,110 pharmacies, filling tens of millions of prescriptions annually and freeing pharmacists to spend more time delivering patient-centred care closer to home.

Our Leading Assets

We deliver on our purpose – to help Canadians *Live Life Well*® – through an exceptional internal infrastructure, a unique and customer-centric culture, and a clear set of expectations for colleagues at all levels of the organization.

3

Of the country's top ten brands – President's Choice®, no name® and Farmer's Market™

Brands

Our control brands – including President's Choice®, no name®, Farmer's Market™ and Life Brand™ – positively impact the lives of consumers each day, with award-winning products that consistently push the boundaries of what is possible to elevate the life experiences of Canadians.

PC Optimum™

With over 18 million active members, PC Optimum™ is unique in its reach and customer engagement. The program is continually refined and enhanced to provide our customers with greater value and the personalization they seek.

Technology and Analytics

Loblaw Technology and Analytics ("LTA") department enables critical enterprise business processes by providing infrastructure and technology solutions and data and analytics products that power customer and patient engagement. In LTA we help Canadians to *Live Life Well*® by connecting them with grocery, healthcare, and financial products and services through our technology and data in a relevant, meaningful, seamless, responsible, and secure manner.

Supply Chain

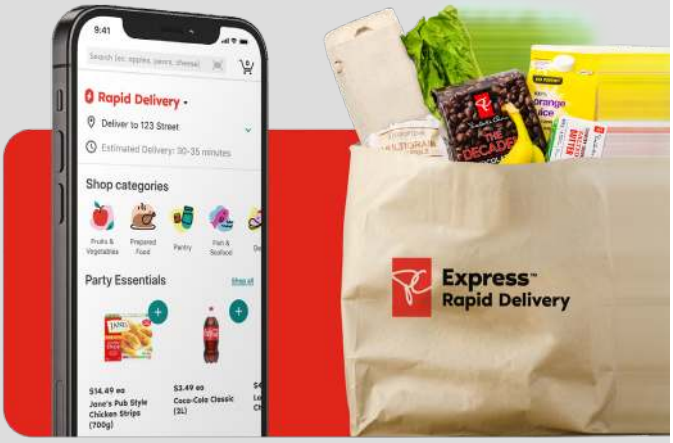
As one of the largest supply chain networks in North America, we are committed to efficiency, responsiveness, and serving the evolving needs of our stores and customers. Continuous investment in advanced technology, strategic automation, and ongoing process optimization enable us to increase our capacity, source with integrity, and reliably serve Canadians across the country.

Compliance and Ethical Conduct

Loblaw is committed to conduct business ethically and in compliance with the law. We ensure our colleagues and employees understand and follow regulatory and legal obligations through clear policies, continuous training, and regular communication. We empower colleagues and vendors to report unethical or non-compliant behaviour using the Integrity Action Line ("IAL"), and we take action while prohibiting retaliation against those who report in good faith. Our approach creates a culture where colleagues/employees and vendors conduct themselves ethically and remain compliant with applicable rules and regulations.

The journey of a product: From idea to shelf

Bringing a new product to shelf is about more than innovation — it's about earning a place in customers' everyday lives. For PC® products, that journey begins with deep customer insight and hands-on development in the PC Test Kitchen, where recipes are created, tested and refined to deliver on flavour, quality and value. Teams work closely with suppliers to recreate cherished tastes customers know and love, while also introducing new ideas that reflect how Canadians eat today. This disciplined, end-to-end process helps ensure PC products feel both relevant and familiar when they reach stores, building trust, consistency and loyalty with every launch.



Bringing on-demand groceries to 8 million Canadians

As Canadians' lives become busier, Loblaw continues to expand PC Express™ Rapid Delivery to help customers get what they need, when they need it. Launched in 2022 in partnership with DoorDash, the service has grown from four cities to 18 regions, now reaching more than eight million Canadians. With delivery in as little as 30 minutes, no minimum order and a curated assortment of over 7,000 everyday essentials and local favourites, Rapid Delivery has become a cornerstone of Loblaw's digital strategy. By extending convenience beyond traditional store hours and locations, PC Express Rapid Delivery is helping customers manage everyday moments with greater ease and flexibility.

Corporate Governance Practices

The Board of Directors and senior executives of Loblaw Companies Limited are committed to strong corporate governance practices as a foundation to the effective management of the Company and its achievement of strategic, financial, and operational objectives.

The Governance Committee regularly reviews the Company's corporate governance practices to ensure they reflect evolving best practices in a rapidly changing environment. The Company's website, **loblaw.ca**, includes additional governance information, including the Company's Code of Conduct (the "Code"), Disclosure Policy, Majority Voting Policy, position descriptions for the Chairman, President and Chief Executive Officer, and its committee chairs, as well as mandates of the Board of Directors (the "Board") and its committees.

Director Independence

The Canadian Securities Administrators' Corporate Governance Guidelines provide that a director is independent if he or she has no material relationship with the Company or its affiliates that could reasonably be expected to interfere with the exercise of the director's independent judgement. Approximately 84% (11/13) of the directors on the Board are independent. The independent directors meet separately following each Board meeting. Information relating to each of the directors, including their independence, committee memberships, other public company boards on which they serve as well as their attendance record for all Board and committee meetings, can be found in the Company's Management Proxy Circular.

Board Leadership

Galen G. Weston is the Chairman of the Board. The Chairman directs the operations of the Board. He chairs each meeting of the Board, is responsible for the management and effective functioning of the Board generally and provides leadership to the Board in all matters. These and other key responsibilities of the Chairman are set out in a position description established by the Board.

The Board has also appointed an independent director, William A. Downe, to serve as lead director. The lead director provides leadership to the Board and particularly to the independent directors. He ensures that the Board operates independently of management and that directors have an independent leadership contact.

Board Responsibilities and Duties

The Board, directly and through its committees, supervises and oversees the management of the business and affairs of the Company. A copy of the Board's mandate can be found on the Company's website, **loblaw.ca**. The Board reviews the Company's strategic direction, assigns responsibility to management for the achievement of the strategy, approves major policy decisions, delegates to management the authority and responsibility of handling day-to-day affairs, and reviews management's performance and effectiveness. The Board's expectations of management are communicated to management directly and through committees of the Board.

The Board regularly receives reports on the operating results of the Company as well as reports on certain non-operational matters, including insurance, pensions,

corporate governance, ESG, workplace health and safety, legal, compliance and treasury matters. The Board also oversees the enterprise risk management (ERM) process, which is designed to assist all areas of the business in managing appropriate levels of risk tolerance by bringing a systematic approach, a methodology and tools 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 management activities and develop a risk-based internal audit plan.

Ethical Business Conduct

The Code reflects the Company's long-standing commitment to high standards of ethical conduct and business practices. The Code is reviewed annually to ensure it is current and reflects best practices in the area of ethical business conduct and integrity and includes a strong "tone from the top" message. All directors, officers, colleagues/employees and contractors of the Company are required to comply with the Code and must acknowledge their commitment to abide by the Code on a periodic basis. The Company encourages the reporting of violations and potential violations and has established an Integrity Action Line, a toll-free number that any director, officer, supplier or colleague/employee may use to report conduct which he or she feels violates the Code or otherwise constitutes fraudulent or unethical conduct. A fraud reporting protocol has also been implemented to ensure that fraud is reported to senior management in a timely manner. In addition, the Audit Committee has endorsed procedures for the anonymous receipt, retention and handling of complaints regarding accounting, internal control or auditing matters. These procedures are available on the Company's website, **loblaw.ca**.

Board Committees

The following is a brief summary of some of the responsibilities of each committee of the Board.

Audit Committee

The Audit Committee is responsible for the oversight of the integrity of the Company's financial statements and related public disclosure, as well as the adequacy and effectiveness of applicable controls related to its ESG disclosures. In doing so, the Audit Committee reviews management's administration of the Company's internal controls over financial reporting, disclosure controls and procedures, internal audit function and related party transactions. The Audit Committee also oversees procedures for the receipt, retention and follow-up of any complaints regarding the Company's accounting, internal controls and auditing matters.

Governance, Talent and Compensation Committee

The Governance, Talent and Compensation Committee is responsible for the oversight of the Company's governance practices, including the development and implementation of good governance principles, consistent with high standards of corporate governance. The Governance, Talent and Compensation Committee oversees the succession planning and compensation for the Board and senior management. The Chair of the Governance, Talent and Compensation Committee, who is an independent director, has also been appointed by the Board to serve as lead director.

Patient Care and Quality Committee

The Patient Care and Quality Committee is responsible for the oversight of the quality of care related to the Company's health services offerings. The Patient Care and Quality Committee is comprised of Board members, external expert advisors who serve as non-voting ex-officio members as well as an associate advisor.

The external experts provide industry and healthcare expertise to support the Patient Care and Quality Committee in overseeing the quality of care.

Risk and Compliance Committee

The Risk and Compliance Committee is responsible for the oversight of the Company's legal and regulatory compliance and ethics compliance program, ERM program, ESG program, policy, pharmacy and drug safety matters, food safety and product safety matters, and information systems and technology matters.

ESG Governance

The Board oversees and monitors the Corporation's approach, policies and practices related to ESG matters. Management has established an ESG Steering Committee, comprised of senior leaders, responsible for setting priorities, tracking metrics and championing program initiatives across the Corporation. Various management committees are responsible for setting priorities and implementing and monitoring ESG-related initiatives across the organization.

Board of Directors

GALEN G. WESTON, B.A., M.B.A.
Chairman and Former President, Loblaw Companies Limited; Chairman and Chief Executive Officer, George Weston Limited; Chairman of President's Choice Bank; Chairman, Wittington Investments Limited; and President of the Weston Family Foundation.

SCOTT B. BONHAM, B.Sc., M.B.A.[1, 2]
Corporate Director; Co-founder of Intentional Capital Corp.; Former Co-Founder of GGV Capital; Former Vice-President, Capital Group Companies; Former Director, The Bank of Nova Scotia; Board Member of Canadian Institute of Advanced Research and the DenmarkBridge.

SHELLEY G. BROADER, B.A.[1, 3]
Corporate Director; Former President and Chief Executive Officer of Chicos FAS, Inc.; Former President and Chief Executive Officer of Walmart EMEA Ltd. and Walmart Canada; Former President and Chief Operating Officer of The Michaels Companies, Inc.; Director, IFCO Systems US LLC; Board Member, The Vita Coco Company; Member of the U.S. Advisory Board of Amoobi SA; and Former Director of Walmart Canada Corporation and Walmart Mexico.

CHRISTIE J.B. CLARK, B. COMM., M.B.A., F.C.A., F.C.P.A.[1*, 4]
Corporate Director; Former Chief Executive Officer and Senior Partner, PricewaterhouseCoopers LLP; Director, Air Canada; Director, AtkinsRéalis Canada Inc. (formerly SNC-Lavalin Group Inc.); Former Trustee, Choice Properties Real Estate Investment Trust; Former Director, Hydro One Inc., Hydro One Limited; Former Board Member, Canadian Olympic Committee, Canadian Olympic Foundation, Own the Podium; Board Member, the Sunnybrook Foundation, Vibrant Community Health.

DANIEL DEBOW, B.A., J.D./M.B.A., L.L.M.[2, 4]
Former Vice President, Product, Shopify Inc.; Former Founder and Chief Executive Officer, Helpful.com; Co-Founder and Former Co-Chief Executive Officer of Rypple; Founding team member of Workbrain.

WILLIAM A. DOWNE, C.M., M.B.A.[2*]
Corporate Director; Former Chief Executive Officer, Chief Operating Officer, Head of BMO Capital Markets, BMO Financial Group; Former Director, Bank of Montreal and its subsidiaries, BMO Nesbitt Burns Holding Corporation and BMO Financial Corp.; Former Lead Director, ManpowerGroup Inc.; Former Chairman, Trans Mountain Corporation; Director, Rush University System for Health; Board Member, Social and Economic Policy Advisory Board, Rand Corporation.

JANICE FUKAKUSA, F.C.P.A., F.C.A., B.A., M.B.A.[1, 4*]
Corporate Director; Former Chief Financial Officer and Chief Administrative Officer, Royal Bank Of Canada; Director, Cineplex Inc., Brookfield Corporation (formerly Brookfield Asset Management Inc.), RioCan REIT; Chancellor, Toronto Metropolitan University.

M. MARIANNE HARRIS, B.Sc., J.D., M.B.A.[1, 2]
Corporate Director; Former Managing Director and President, Corporate and Investment Banking, Merrill Lynch Canada Inc., Former Head of Financial Institutions Group Americas, Merrill Lynch Pierce Fenner & Smith; Director, George Weston Limited, Public Sector Pension Investment Board; Former Director, Hydro One Inc./ Hydro One Limited, Sun Life Financial Inc.; Former Chair, Investment Industry Regulatory Organization of Canada (IIROC); Member of Dean's Advisory Council, Schulich School of Business; Advisory Council, Hennick Centre for Business and Law.

KEVIN HOLT, B.Sc.[1,4]
Corporate Director; Former Chief Executive Officer of Ahold Delhaize USA; Former Chief Operating Officer of Ahold USA; Former Chief Operating Officer of Delhaize America; Former Executive Vice President of Delhaize Group; Former Chief Executive Officer of Delhaize America; Former Director, Ahold Delhaize USA Inc. and Ahold Delhaize NV.; Former Director and Vice Chair, Industry Relations of Food Marketing Institute.

CLAUDIA KOTCHKA, B.B.A., C.P.A.[2, 4]
Corporate Director; Former Vice President, Design Innovation & Strategy, Procter & Gamble; Former Trustee, Cooper Hewitt Smithsonian Design Museum; Director, American Red Cross, Los Angeles Region; Former Director, American Red Cross, Greater Miami and the Keys; Former Trustee of the Cooper Hewitt Smithsonian Design Museum; Board Member, International Women's Forum.

RIMA QURESHI, B.COMM., M.B.A.[1, 3]
Corporate Director; Former Chief Strategy Officer, Verizon, Former CEO North America, Ericsson; Director, Mastercard Inc.; Former Board Member, GSMA, Great West LifeCo, and Wolters Kluwer.

SARAH RAISS, B.S., M.B.A.[2, 3*]
Corporate Director; Former Executive, TransCanada Corporation; Former Lead Director, Commercial Metals Company; Director, RB Global, Inc. (formerly Ritchie Bros Auctioneers Inc.); Former Chair, Alberta Electric Systems; Former Director, Canadian Oil Sands Limited, Shoppers Drug Mart Corporation, Vermillion Energy Inc.

CORNELL WRIGHT, B.A., J.D., M.B.A.[3,4]
President and Director of Wittington Investments, Limited; Director, George Weston Limited, BCE, Inc.; Trustee, Choice Properties Real Estate Investment Trust, Former Partner, Torys LLP; Board Chair, the National Ballet of Canada; Trustee of University Health Network; and Executive in Residence at the University of Toronto's Rotman School of Management.

Notes
[1] Audit Committee
[2] Governance, Talent and Compensation Committee
[3] Patient Care and Quality Committee
[4] Risk and Compliance Committee
[*] Chair of the Committee

Leadership

GALEN G. WESTON
Chairman

PER BANK
President and Chief Executive Officer

RICHARD DUFRESNE
Chief Financial Officer

ROBERT WIEBE
Chief Administrative Officer

FRANK GAMBIOLI
President, Super Market Division

MELANIE SINGH
President, Hard Discount Division

GREGERS WEDELL-WEDELLSBORG
President, Shoppers Drug Mart

TINA LEE
Chief Executive Officer, T&T Supermarkets

MARK WILSON
Executive Vice President, Chief Human Resources Officer

NICK HENN
Executive Vice President, Chief Legal Officer and Secretary

DAVID MARKWELL
Executive Vice President, Chief Technology and Analytics Officer

MARY MACISAAC
Executive Vice President, Chief Marketing Officer

LAUREN STEINBERG
Executive Vice President, Chief Digital Officer

SONJA BOCH
Senior Vice President, Strategy and Business Development

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2025 Annual Report – Financial Review

2025 Annual Report

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Financial Highlights[1]

As announced on December 3, 2025, the Company entered into an agreement with EQB Inc. ("EQB") pursuant to which EQB will acquire President's Choice Bank ("PC Bank") and certain other affiliated entities (collectively, "PC Financial") (the "Sale of PC Financial"). Closing is expected to occur within calendar 2026, subject to customary closing conditions and regulatory approvals. Accordingly, PC Financial results are presented as discontinued operations. Unless otherwise indicated, all financial information represents the Company's results from continuing operations (Retail).

As at or for the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025 (53 weeks)**	2024 (52 weeks)
Consolidated Results of Operations		
Revenue	**$ 63,903**	$ 60,123
Revenue growth	**6.3 %**	2.5 %
Operating income	**$ 4,424**	$ 3,474
Gross profit[2]	**20,032**	18,835
Gross profit %[2]	**31.3 %**	31.3 %
Adjusted EBITDA[2]	**$ 7,156**	$ 6,673
Adjusted EBITDA margin[2]	**11.2 %**	11.1 %
Depreciation and amortization	**$ 2,692**	$ 2,918
Net interest expense and other financing charges	**742**	683
Adjusted net interest expense and other financing charges[2]	**742**	683
Income taxes	**1,080**	731
Adjusted income taxes[2]	**1,023**	927
Effective tax rate	**29.3 %**	26.2 %
Adjusted effective tax rate[2]	**26.4 %**	26.0 %
Net earnings	**$ 2,738**	$ 2,275
Continuing operations	**2,602**	2,060
Discontinued operations	**136**	215
Net earnings available to common shareholders of the Company[i]	**2,667**	2,155
Continuing operations	**2,531**	1,940
Discontinued operations	**136**	215
Adjusted net earnings available to common shareholders of the Company[2]	**2,913**	2,637
Continuing operations	**2,777**	2,524
Discontinued operations	**136**	113
Consolidated per Common Share ($)		
Diluted net earnings	**$ 2.22**	$ 1.75
Continuing operations	**2.11**	1.58
Discontinued operations	**0.11**	0.17
Adjusted diluted net earnings[2]	**$ 2.43**	$ 2.14
Continuing operations	**2.32**	2.05
Discontinued operations	**0.11**	0.09
Dividends		
Dividends declared per common share ($)	**$ 0.551475**	$ 0.496250

(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.

Financial Highlights[1]

As at or for the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025** **(53 weeks)**	2024 (52 weeks)
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents and short term investments[ii]	**$ 2,095**	$ 2,110
Cash flows from operating activities[iii]	**6,264**	5,802
Capital investments[i][iii]	**2,062**	2,200
Free cash flow[2][iii]	**2,049**	1,671
Financial Measures		
Debt to Adjusted EBITDA[2]	**2.3 x**	2.4 x
Adjusted return on equity[2]	**26.3 %**	23.6 %
Adjusted return on capital[2]	**12.4 %**	11.8 %
Operating Statistics		
Food retail same-store sales growth[3]	**2.3 %**	1.5 %
Drug retail same-store sales growth[3]	**3.9 %**	2.4 %
Drug retail same-store pharmacy sales growth[3]	**6.0 %**	6.3 %
Drug retail same-store front store sales growth/(decline)[3]	**1.7 %**	(1.3)%
Total retail square footage (in millions)	**73.3**	72.0
Total number of stores[iv]	**2,504**	2,492

(i) 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 year. There were no prepayments transferred to fixed assets for the years ended January 3, 2026 and December 28, 2024.

(ii) Cash and cash equivalents and short term investments includes amounts classified as held for sale. See note 5 "Assets Held for Sale and Discontinued Operations" of the Company's consolidated financial statements.

(iii) These cash flow metrics are presented on a total Company basis, inclusive of continuing and discontinued operations.

(iv) The change in the total number of stores includes the sale of 48 stores in the first quarter of 2025, including 42 locations related to the sale of Wellwise. See the "Capital Investments and Store Activity" within Section 6.1 "Cash Flows" for details.

Financial Highlights Endnotes

(1) For financial definitions and ratios, see the Glossary of Terms section included within the Company's 2025 Annual Report.

(2) See Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis for the reconciliation of such non-GAAP and other financial measures to the most directly comparable GAAP measures.

(3) Results are presented on a comparable number of week basis. Comparable number of weeks would be 12 weeks versus 12 weeks or 52 weeks versus 52 weeks.

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 January 3, 2026 (“consolidated financial statements”) included within the 2025 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.

In the third quarter of 2025, the Company completed a four-for-one stock split of its outstanding common shares. The stock split was implemented by way of a stock dividend, with shareholders receiving three additional common shares for each common share held. The stock split was effective at the close of business on August 18, 2025, for shareholders of record as of the close of business on August 14, 2025. All share, equity award and per share amounts presented herein have been retrospectively adjusted to reflect the stock split. For additional information, see note 22 ”Share Capital” of the Company’s consolidated financial statements.

On December 3, 2025, the Company entered into a definitive agreement (the “Transaction Agreement”) with EQB Inc. (“EQB”) pursuant to which EQB will acquire President's Choice Bank ("PC Bank"), PC Financial Insurance Agency Inc., PC Financial Insurance Broker Inc. and certain other affiliated entities of PC Bank (collectively, "PC Financial") (the “Sale of PC Financial”). EQB will acquire PC Financial for consideration satisfied through a combination of EQB shares and cash, subject to adjustment pursuant to the terms of the Transaction Agreement. Closing is expected to occur within calendar 2026, subject to customary closing conditions and regulatory approvals.

As at January 3, 2026, the assets and liabilities of PC Financial have been classified as held for sale and PC Financial’s results, net of intersegment eliminations, have been presented separately as discontinued operations in the Company’s current and comparative results. Unless otherwise indicated, all financial information represents the Company’s results from continuing operations (Retail).

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 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 16 “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 24, 2026, unless otherwise noted. A glossary of terms can be found at the end of the 2025 Annual Report.

Unless otherwise indicated, all comparisons of results for the fourth quarter of 2025 (13 weeks ended January 3, 2026) are against results for the fourth quarter of 2024 (12 weeks ended December 28, 2024) and all comparisons of results for the full-year of 2025 (53 weeks ended January 3, 2026) are against the results for the full-year of 2024 (52 weeks ended December 28, 2024).

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 "Business Developments", Section 5.2 "Consolidated Results of Operations", Section 6 "Liquidity and Capital Resources", Section 8 "Quarterly Results of Operations", Section 11 "Enterprise Risks and Risk Management", Section 13 "Critical Accounting Estimates and Judgments", Section 14 "Accounting Standards", Section 15 "Strategic Update and Outlook" and Section 16 "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 2025 Annual Report, and the Company's Annual Information Form ("AIF") for the year ended January 3, 2026. 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;
- 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 pharmacist owners of corporations licensed to operate retail drug stores at specific locations using the Company's trademarks ("Associates");
- failure to attract and retain colleagues may impact the Company's ability to effectively operate and achieve financial performance goals;
- 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;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;
- failure to effectively manage product liability, intellectual property, and related regulatory risks associated with alternative sourcing and procurement of generic prescription drug products;

- 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 effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- 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 January 3, 2026. 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's continuing retail operations are comprised of several operating segments and now represent the only reportable segment due to the similar nature of the products and services offered. All material operations are carried out in Canada. The segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores and e-commerce platforms, and includes in-store pharmacies, healthcare services, other health and beauty products, apparel, other general merchandise, wireless products and services, logistics services, retail media and the PC Optimum™ loyalty program. The Company also provides credit card and everyday banking services and insurance brokerage services through its PC Financial business. PC Financial's results, net of intersegment eliminations, have been presented separately as discontinued operations in the Company's current and comparative results (see Section 5.1 "Business Developments" for details regarding the sale of PC Financial).

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[(i)] 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 CO_2e emissions, reaching the Company's net-zero targets, ensuring packaging compliance influenced by the Golden Design Rules ("GDRs") as defined by the Consumer Goods Forum ("CGF"), and eliminating food waste. 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]

As a result of the announcement of the sale of PC Financial, the results of PC Financial, net of intersegment eliminations, are presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from continuing operations (Retail).

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 January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025** **(53 weeks)**	2024 (52 weeks)
Revenue growth	**6.3 %**	2.5 %
Gross profit[2]	**20,032**	18,835
Gross profit %[2]	**31.3 %**	31.3 %
Operating income	**$ 4,424**	$ 3,474
Adjusted EBITDA[2]	**7,156**	6,673
Adjusted EBITDA margin[2]	**11.2 %**	11.1 %
Net earnings	**$ 2,738**	$ 2,275
Continuing operations	**2,602**	2,060
Discontinued operations	**136**	215
Net earnings available to common shareholders of the Company[i]	**2,667**	2,155
Continuing operations	**2,531**	1,940
Discontinued operations	**136**	215
Adjusted net earnings available to common shareholders of the Company[2]	**2,913**	2,637
Continuing operations	**2,777**	2,524
Discontinued operations	**136**	113
Diluted net earnings per common share ($)	**$ 2.22**	$ 1.75
Continuing operations	**2.11**	1.58
Discontinued operations	**0.11**	0.17
Adjusted diluted net earnings per common share[2] ($)	**$ 2.43**	$ 2.14
Continuing operations	**2.32**	2.05
Discontinued operations	**0.11**	0.09
Cash and cash equivalents and short term investments[iii]	**$ 2,095**	$ 2,110
Cash flows from operating activities[iv]	**6,264**	5,802
Capital investments[ii][iv]	**2,062**	2,200
Free cash flow[2][iv]	**2,049**	1,671
Financial Measures		
Debt to Adjusted EBITDA[2]	**2.3 x**	2.4 x
Adjusted return on equity[2]	**26.3 %**	23.6 %
Adjusted return on capital[2]	**12.4 %**	11.8 %
Operating Statistics		
Food retail same-store sales growth[5]	**2.3 %**	1.5 %
Drug retail same-store sales growth[5]	**3.9 %**	2.4 %
Total retail square footage (in millions)	**73.3**	72.0
Total number of stores[v]	**2,504**	2,492

(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.

(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 year. There were no prepayments transferred to fixed assets for the years ended January 3, 2026 and December 28, 2024.

(iii) Cash and cash equivalents and short term investments includes amounts classified as held for sale. See note 5 "Assets Held for Sale and Discontinued Operations" of the Company's consolidated financial statements.

(iv) These cash flow metrics are presented on a total Company basis, inclusive of continuing and discontinued operations.

(v) The change in the total number of stores includes the sale of 48 stores in the first quarter of 2025, including 42 locations related to the sale of Wellwise by Shoppers. See the "Capital Investments and Store Activity" section within Section 6.1 "Cash Flows" for details.

5. Overall Financial Performance

5.1 Business Developments

Sale of PC Financial On December 3, 2025, Loblaw Companies Limited entered into a definitive agreement (the "Transaction Agreement") with EQB Inc. ("EQB") pursuant to which EQB will acquire PC Bank, PC® Financial Insurance Agency Inc., PC® Financial Insurance Broker Inc. and certain other affiliated entities of PC Bank (collectively, "PC Financial") (the "Sale of PC Financial"). EQB will acquire PC Financial for consideration satisfied through a combination of EQB shares and cash, subject to adjustment pursuant to the terms of the Transaction Agreement. Closing is expected to occur within calendar 2026, subject to customary closing conditions and regulatory approvals.

As at January 3, 2026, the assets and liabilities of PC Financial have been classified as held for sale and PC Financial's results, net of intersegment eliminations, have been presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from continuing operations (Retail).

In connection with the closing of the Sale of PC Financial, EQB will enter into a long-term strategic relationship with Loblaw pursuant to a commercial agreement to become the exclusive financial partner of the PC Optimum™ loyalty program. Additionally, in connection with the closing of the Sale of PC Financial, EQB and Loblaw will enter into an investor rights agreement pursuant to which Loblaw will have Board of Directors ("Board") nomination rights, registration rights and pre-emptive rights, and will be subject to a four-year lock-up and a standstill restricting Loblaw and its affiliates from acquiring common shares of EQB if it would bring Loblaw's ownership above 25% of the issued and outstanding EQB common shares.

In the fourth quarter of 2025, the Company recorded transaction and other related costs of $10 million in connection with the Sale of PC Financial. The Company also recorded a deferred tax expense of $107 million on temporary differences in respect of the Company's investment in PC Financial that are expected to reverse in the foreseeable future.

Wind-down of Theodore & Pringle® optical business In the third quarter of 2025, the Company entered into an agreement with Specsavers Canada Inc. ("Specsavers") to open Specsavers locations in select Loblaw grocery stores nationwide, resulting in the wind-down of the *Theodore & Pringle* optical business operations. Accordingly, the Company recorded charges of $30 million in selling, general and administrative expenses ("SG&A"), primarily related to the write-down of optical equipment, labour and other closure costs.

Sale of Wellwise by Shoppers ("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, including 42 Wellwise locations, for cash proceeds and recorded a net fair value write-down of $23 million in SG&A. The transaction closed in the first quarter of 2025 and the Company recorded a gain of $5 million in SG&A.

5.2 Consolidated Results of Operations

Unless otherwise indicated, all financial information represents the Company's results from continuing operations (Retail).

The following is a summary of selected consolidated financial information for 2025:

As at or for the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025 (53 weeks)**	2024 (52 weeks)	$ Change	% Change
Revenue	**$ 63,903**	$ 60,123	$ 3,780	6.3 %
Operating income	**4,424**	3,474	950	27.3 %
Gross profit[2]	**20,032**	18,835	1,197	6.4 %
Gross profit %[2]	**31.3 %**	31.3 %		
Adjusted EBITDA[2]	**7,156**	6,673	483	7.2 %
Adjusted EBITDA margin[2]	**11.2 %**	11.1 %		
Depreciation and amortization	**$ 2,692**	$ 2,918	$ (226)	(7.7)%
Net interest expense and other financing charges	**742**	683	59	8.6 %
Adjusted net interest expense and other financing charges[2]	**742**	683	59	8.6 %
Income taxes	**1,080**	731	349	47.7 %
Adjusted income taxes[2]	**1,023**	927	96	10.4 %
Effective tax rate	**29.3 %**	26.2 %		
Adjusted effective tax rate[2]	**26.4 %**	26.0 %		
Net earnings attributable to non-controlling interests	**$ 71**	$ 104	$ (33)	(31.7)%
Net earnings available to common shareholders of the Company[i]	**2,667**	2,155	512	23.8 %
Continuing operations	**2,531**	1,940	591	30.5 %
Discontinued operations	**136**	215	(79)	(36.7)%
Adjusted net earnings available to common shareholders of the Company[2]	**2,913**	2,637	276	10.5 %
Continuing operations	**2,777**	2,524	253	10.0 %
Discontinued operations	**136**	113	23	20.4 %
Diluted net earnings per common share ($)	**$ 2.22**	$ 1.75	$ 0.47	26.9 %
Continuing operations	**$ 2.11**	$ 1.58	$ 0.53	33.5 %
Discontinued operations	**$ 0.11**	$ 0.17	$ (0.06)	(35.3)%
Adjusted diluted net earnings per common share[2] ($)	**$ 2.43**	$ 2.14	$ 0.29	13.6 %
Continuing operations	**$ 2.32**	$ 2.05	$ 0.27	13.2 %
Discontinued operations	**$ 0.11**	$ 0.09	$ 0.02	22.2 %
Diluted weighted average common shares outstanding (in millions)	**1,199.4**	1,234.1		

(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.

The Company's performance in the fourth quarter capped a successful 2025. Loblaw continued to invest in its future growth by opening 77 new stores across its banners, and successfully ramping the first of two automated, one million square foot distribution centres. The previously announced sale of PC Financial to EQ Bank will streamline the Company's operations, and the associated long-term strategic relationship as the exclusive financial partner of the *PC Optimum* loyalty program is expected to result in expanded growth of high-value, loyalty-based financial services customers. 2025 also marked significant growth rates in the Company's margin accretive logistics as a service, retail media and Lifemark Health Group ("Lifemark") businesses. Loblaw is confident that its best-in-class assets, resilient business model and investments for the future position it well to meet the evolving needs of Canadians, creating a foundation for consistent and sustainable growth.

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 $2,667 million ($2.22 per common share), an increase of $512 million ($0.47 per common share) or 23.8%, which included the impact of the 53rd week of $75 million or $0.06. The increase was primarily driven by the impact of lower costs related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and the impact of prior year charges related to the settlement of class action lawsuits.

Adjusted net earnings available to common shareholders of the Company[(2)] were $2,913 million, an increase of $276 million, or 10.5%, which included the impact of the 53rd week of $75 million. Adjusted diluted net earnings per common share[(2)] were $2.43, an increase of $0.29, or 13.6%, which included the impact of the 53rd week of $0.06.

Net Earnings Available to Common Shareholders of the Company from Continuing Operations and Diluted Net Earnings Per Common Share from Continuing Operations Net earnings available to common shareholders of the Company from continuing operations were $2,531 million ($2.11 per common share), an increase of $591 million ($0.53 per common share) or 30.5% when compared to 2024. The increase included a favourable change in adjusting items totaling $338 million and an improvement in the underlying operating performance of $253 million as described below:

- the favourable change in adjusting items totaling $338 million ($0.26 per common share) was primarily due to the following:
  - the year-over-year favourable change in amortization of intangible assets of $258 million ($0.21 per common share) primarily related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized;
  - the favourable impact of the prior year charges related to the settlement of class action lawsuits of $121 million ($0.10 per common share);
  - the favourable impact of the prior year charge related to the *PC Optimum* loyalty program of $71 million ($0.06 per common share); and
  - the year-over-year favourable change in impact related to the sale of Wellwise of $34 million ($0.01 per common share);

  partially offset by,
  - the unfavourable impact of deferred tax on the outside basis difference related to the Sale of PC Financial of $107 million ($0.09 per common share);
  - the unfavourable impact of the wind-down of the *Theodore & Pringle* optical business of $22 million ($0.02 per common share); and
  - the unfavourable impact of the charges related to the Sale of PC Financial of $9 million ($0.01 per common share).
- the improvement in the underlying operating performance of $253 million ($0.20 per common share) was primarily due to the following:
  - an increase in gross profit[(2)], partially offset by an increase in SG&A and depreciation and amortization.
- diluted net earnings per common share also included the favourable impact from 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)] from continuing operations were $2,777 million, an increase of $253 million or 10.0%, when compared to 2024. Adjusted net earnings per common share[(2)] from continuing operations were $2.32 per common share, an increase of $0.27 or 13.2%.

Revenue

Revenue represents retail revenue, and is primarily comprised of Food retail and Drug retail sales. The following table provides a breakdown of the Company's total and same-store sales.

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025 (53 weeks)**		2024 (52 weeks)			
	Sales	**Same-store sales[5]**	Sales	Same-store sales	Sales $ Change	Sales % Change
Food retail[i]	**$ 45,234**	**2.3 %**	$ 42,503	1.5 %	$ 2,731	6.4 %
Drug retail	**18,669**	**3.9 %**	17,620	2.4 %	1,049	6.0 %
Pharmacy and healthcare services	**9,935**	**6.0 %**	9,182	6.3 %	753	8.2 %
Front store	**8,734**	**1.7 %**	8,438	(1.3)%	296	3.5 %
Revenue	**$ 63,903**		$ 60,123		$ 3,780	6.3 %

(i) As a result of the announcement of the Sale of PC Financial, Food retail sales now includes revenue related to PC Services, primarily related to sales attributable to *The Mobile Shop* in the current and comparative period presented, including revenue of $353 million in 2025 (2024 – $337 million).

Revenue was $63,903 million in 2025, an increase of $3,780 million, or 6.3% compared to 2024, which included the impact of the 53rd week of $1,138 million. This increase is primarily driven by the following factors:

- Food retail same-store sales growth[5] was 2.3% (2024 – 1.5%).
  - Same-store sales growth[5] in food was moderate;
  - Same-store sales growth[5] in pharmacy was moderate;
  - The Company's internal food inflation was lower than the Consumer Price Index for Food Purchased From Stores of 3.5% (2024 – 2.2%); and
  - Food retail traffic increased[5] and basket size increased[5].
- Drug retail same-store sales growth[5] was 3.9% (2024 – 2.4%).
  - Pharmacy and healthcare services same-store sales growth[5] was 6.0% (2024 – 6.3%) led by specialty prescriptions. The number of prescriptions dispensed increased by 4.6% (2024 – 2.5%). On a same-store[5] basis, the number of prescriptions dispensed increased by 2.8% (2024 – 2.5%) and the average prescription value increased by 3.9% (2024 – 2.9%);
  - Front store same-store sales growth[5] was 1.7% (2024 – decline of 1.3%). The growth[5] in front store same-store sales was primarily driven by higher sales of beauty and over-the-counter ("OTC") products, partially offset by the decision to exit certain low margin electronics categories.

In 2025, 77 food and drug stores were opened, and 65 food and drug stores were closed, and net retail square footage increased by 1.3 million to 73.3 million square feet or 1.8% compared to 2024.

Operating Income Operating income was $4,424 million in 2025, an increase of $950 million, or 27.3% compared to 2024, which included the impact of the 53rd week of $106 million. The increase was driven by a favourable change in adjusting items totaling $591 million and an improvement in underlying operating performance of $359 million, as described below:

- the favourable change in adjusting items totaling $591 million was primarily due to the following:
  - the year-over-year favourable change in the amortization of intangible assets of $350 million primarily related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized;
  - the favourable impact of the prior year charges related to the settlement of class action lawsuits of $164 million;
  - the favourable impact of the prior year charge related to the *PC Optimum* loyalty program of $99 million; and
  - the year-over-year favourable change in impact related to the sale of Wellwise of $28 million;

  partially offset by,
  - the unfavourable impact of the wind-down of the *Theodore & Pringle* optical business of $30 million;
  - the unfavourable impact of the charges related to the Sale of PC Financial of $10 million;
  - the year-over-year unfavourable change in fair value adjustments on fuel and foreign currency contracts of $8 million;
  - the year-over-year unfavourable change in fair value adjustments on non-operating properties of $1 million; and
  - the year-over-year unfavourable impact of sale of non-operating properties of $1 million;
- the improvement in underlying operating performance of $359 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 $20,032 million in 2025, an increase of $1,197 million, or 6.4% compared to 2024. Gross profit percentage[(2)] of 31.3% was flat when compared to 2024. On a 52-week comparable basis, gross profit percentage[(2)] increased by 10 basis points, primarily driven by improvements in shrink, partially offset by changes in sales mix in Drug Retail pharmacy categories.

Adjusted EBITDA[(2)] Adjusted EBITDA[(2)] was $7,156 million in 2025, an increase of $483 million, or 7.2% compared to 2024, which included the impact of the 53rd week of $106 million. The increase was driven by an increase in gross profit[(2)] of $1,197 million, partially offset by an increase in SG&A of $714 million. SG&A as a percentage of sales was 20.1%, a favourable decrease of 10 basis points when compared to 2024. On a 52-week comparable basis, SG&A as a percentage of sales was flat at 20.2%, primarily driven by operating leverage from higher sales and the year-over-year impact of certain real estate activities offset by incremental costs related to opening new stores and the automated distribution facility.

Depreciation and Amortization Depreciation and amortization was $2,692 million, a decrease of $226 million or 7.7% when compared to 2024. This decrease was primarily driven by the impact of lower amortization related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized, a decrease in depreciation of IT assets, and the impact of prior year accelerated depreciation as a result of network optimization. This was partially offset by an increase in depreciation of leased assets, and an increase in depreciation of fixed assets related to opening new stores and the automated distribution facility, and conversions of retail locations.

Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of $149 million (2024 – $499 million).

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $742 million, an increase of $59 million or 8.6% when compared to 2024. The increase was primarily driven by an increase in interest expense from lease liabilities and long term debt.

Income Taxes Income tax expense in 2025 was $1,080 million (2024 – $731 million) and the effective tax rate was 29.3% (2024 – 26.2%). The increase to the effective tax rate was primarily attributable to the recognition of deferred tax on the outside basis difference upon classifying PC Financial as held for sale and the non-taxable portion of the gain from real estate dispositions during 2024.

Adjusted income tax expense[(2)] in 2025 was $1,023 million (2024 – $927 million) and the adjusted effective tax rate[(2)] was 26.4% (2024 – 26.0%). The increase to the adjusted effective tax rate[(2)] was primarily attributable to the non-taxable portion of the gain from real estate dispositions during 2024.

Net Earnings Attributable To Non-Controlling Interests Net earnings attributable to non-controlling interests were $71 million, a decrease of $33 million or 31.7% when compared to 2024, primarily driven by a decrease 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.

Discontinued Operations As a result of the announcement of the sale of PC Financial to EQB described above, the results of PC Financial are presented in discontinued operations, net of intersegment eliminations.

Revenue Revenue, included in discontinued operations, was $911 million in 2025, an increase of $20 million compared to 2024. The increase in revenue was primarily driven by higher insurance commission income and higher interchange income.

Net Earnings Available to Common Shareholders of the Company from Discontinued Operations Net Earnings Available to Common Shareholders of the Company from discontinued operations was $136 million in 2025, a decrease of $79 million compared to 2024. The decrease was primarily driven by:

- lapping of prior year recovery of $125 million relating to a commodity tax matter, including of $7 million of interest income; and
- higher customer acquisition expenses and operating costs, from lapping of prior year ongoing benefits associated with the renewal of a long-term agreement with Mastercard International Incorporated ("Mastercard");

partially offset by,

- lapping of prior year *PC Optimum* loyalty liability charge of $23 million relating to the revaluation of the existing loyalty liability for outstanding points to reflect a higher anticipated redemption rate
- higher revenue as described above; and
- the year-over-year favourable impact of the expected credit loss provision and lower charge-offs.

(millions of Canadian dollars except where otherwise indicated)	**As at January 3, 2026**	As at December 28, 2024	$ Change	% Change
Average quarterly net credit card receivables	**$ 4,051**	$ 4,010	$ 41	1.0 %
Credit card receivables	**4,240**	4,230	10	0.2 %
Allowance for credit card receivables	**255**	263	(8)	(3.0)%
Annualized yield on average quarterly gross credit card receivables	**14.4 %**	14.3 %		
Annualized credit loss rate on average quarterly gross credit card receivables	**4.3 %**	4.5 %		

Credit Card Receivables As at January 3, 2026, credit card receivables were classified as assets held for sale. As at January 3, 2026, credit card receivables were $4,240 million, an increase of $10 million compared to December 28, 2024. This increase was primarily driven by an increase in customer spending. The expected credit loss allowance for credit card receivables was $255 million, a decrease of $8 million compared to December 28, 2024. The decrease is reflective of the current consumer credit trends.

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 January 3, 2026, December 28, 2024, and December 30, 2023, included within the 2025 and 2024 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.

As a result of the announcement of the sale of PC Financial, the results of PC Financial, net of intersegment eliminations, are presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from continuing operations (Retail).

For the years ended January 3, 2026, December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	**2025 (53 weeks)**	2024 (52 weeks)	2023 (52 weeks)
Revenue	**$ 63,903**	$ 60,123	$ 58,681
Operating income	**4,424**	3,474	3,515
Adjusted EBITDA[(2)]	**7,156**	6,673	6,378
Adjusted EBITDA margin[(2)]	**11.2 %**	11.1 %	10.9 %
Depreciation and amortization	**$ 2,692**	$ 2,918	$ 2,850
Net interest expense and other financing charges	**742**	683	660
Adjusted net interest expense and other financing charges[(2)]	**742**	683	660
Adjusted effective tax rate[(2)]	**26.4 %**	26.0 %	25.4 %
Net earnings	**$ 2,738**	$ 2,275	$ 2,187
Continuing operations	**2,602**	2,060	2,138
Discontinued operations	**136**	215	49
Net earnings available to common shareholders of the Company[(i)]	**2,667**	2,155	2,088
Continuing operations	**2,531**	1,940	2,039
Discontinued operations	**136**	215	49
Adjusted net earnings available to common shareholders of the Company[(2)]	**2,913**	2,637	2,480
Continuing operations	**2,777**	2,524	2,414
Discontinued operations	**136**	113	66
Basic net earnings per common share ($)	**$ 2.24**	$ 1.77	$ 1.65
Continuing operations	**2.13**	1.59	1.61
Discontinued operations	**0.11**	0.18	0.04
Diluted net earnings per common share ($)	**$ 2.22**	$ 1.75	$ 1.63
Continuing operations	**2.11**	1.58	1.59
Discontinued operations	**0.11**	0.17	0.04
Adjusted diluted net earnings per common share[(2)] ($)	**$ 2.43**	$ 2.14	$ 1.94
Continuing operations	**2.32**	2.05	1.89
Discontinued operations	**0.11**	0.09	0.05
Diluted weighted average common shares (in millions)	**1,199.4**	1,234.1	1,280.0
Dividends declared per common share ($)	**$ 0.551**	$ 0.496	$ 0.436
Dividends declared per Second Preferred Share, Series B ($)	**$ 0.029**	$ 1.325	$ 1.325
Total assets	**$ 41,577**	$ 40,880	$ 38,979
Total long term debt[(ii)]	**$ 8,613**	$ 8,201	$ 7,852
Lease liabilities	**10,414**	10,183	9,458
Long term financial liabilities	**$ 19,027**	$ 18,384	$ 17,310

(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.

(ii) Total long term debt as at January 3, 2026 includes $2,722 million long term debt classified as liabilities associated with assets held for sale.

Revenue Revenue was $63,903 million in 2025, an increase of $3,780 million when compared to 2024, which included the impact of the 53rd week of $1,138 million. Food retail same-store sales growth[5] was 2.3% (2024 – 1.5%). Drug retail same-store sales growth[5] was 3.9% (2024 – 2.4%).

Revenue was $60,123 million in 2024, an increase of $1,442 million when compared to 2023. Food retail same-store sales growth[5] was 1.5% (2023 – 3.9%). Drug retail same-store sales growth[5] was 2.4% (2023 – 5.4%).

The Company's sales have continued to grow despite the pressure of a highly competitive retail market, and impacts of global economic uncertainties over the last three years. 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. In 2025, consumers remained focused on value which benefitted the Company's sales due to its high mix of hard discount stores, strength in private label products, and personalized promotions through its *PC Optimum* loyalty program. In Drug Retail, strong cosmetics and OTC sales continued, while pharmacy services demonstrated strong growth.

Net Earnings Available to Common Shareholders of the Company from Continuing Operations and Diluted Net Earnings Per Common Share from Continuing Operations Net earnings available to common shareholders of the Company from continuing operations and diluted net earnings per common share from continuing operations continued to grow over the last three years and were impacted by certain adjusting items set out in Section 16 "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 from continuing operations and diluted net earnings per common share from continuing operations were primarily due to:

- changes in underlying operating performance, including positive same-store sales growth[5] in both Food retail and Drug retail in 2025, 2024 and 2023. The Company's financial results for the year ended January 3, 2026 and December 28, 2024 had higher revenue and cost of sales when compared to 2023;
- the impact of the 53rd week in fiscal year 2025;
- cost savings, operating efficiencies and investments in and benefits from strategic initiatives;
- the favourable impact of the repurchase of common shares for cancellation; and
- the impact of certain adjusting items, including:
    - amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark;
    - wind-down of *Theodore & Pringle* optical business;
    - deferred tax on outside basis difference related to Sale of PC Financial;
    - charges related to settlement of class action lawsuits;
    - the *PC Optimum* loyalty program, including the revaluation of the loyalty liability;
    - fair value adjustments on non-operating properties;
    - the Sale of PC Financial;
    - fair value adjustments on fuel and foreign currency;
    - the impact related to the sale of Wellwise; and
    - the gains and losses on sale of non-operating properties.

Total Assets and Long Term Financial Liabilities In 2025, total assets of $41,577 million increased by 1.7% compared to 2024. The increase was primarily driven by an increase in fixed assets and right-of-use assets. This was partially offset by a decrease in intangible assets. Long term financial liabilities of $19,027 million increased by 3.5% compared to 2024. This was primarily driven by an increase in lease liability and higher net issuance of long term debt.

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.

6. Liquidity and Capital Resources

6.1 Cash Flows

The following Major Cash Flow Components are presented on a total Company basis, inclusive of continuing and discontinued operations.

Major Cash Flow Components

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025** **(53 weeks)**	2024 (52 weeks)	$ Change	% Change
Cash and cash equivalents, beginning of year	**$ 1,462**	$ 1,488	$ (26)	(1.7)%
Cash flows from (used in):				
Operating activities	**$ 6,264**	$ 5,802	$ 462	8.0 %
Investing activities	**(1,888)**	(2,021)	133	6.6 %
Financing activities	**(4,441)**	(3,816)	(625)	(16.4)%
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(5)**	9	(14)	(155.6)%
Change in cash and cash equivalents	**$ (70)**	$ (26)	$ (44)	(169.2)%
Cash and cash equivalents, end of year[(i)]	**$ 1,392**	$ 1,462	$ (70)	(4.8)%

(i) The major cash flow components are presented on a total operations basis. See note 5 "Assets Held for Sale and Discontinued Operations" of the Company's consolidated financial statements for cash flow information related to discontinued operations.

Cash Flows from Operating Activities Cash flows from operating activities were $6,264 million, an increase of $462 million when compared to 2024. The increase was primarily driven by higher cash earnings and lower taxes paid in 2025, partially offset by an unfavourable change in non-cash working capital and the year-over-year change in provisions.

Cash Flows used in Investing Activities Cash flows used in investing activities were $1,888 million, a decrease of $133 million when compared to 2024. The decrease was primarily driven by a decrease in investments in fixed and intangible assets and lower purchases of short term investments, partially offset by lower proceeds from disposal of assets.

Capital Investments and Store Activity

	As at January 3, 2026	As at December 28, 2024	Change[i]
Number of corporate stores	**566**	603	(37)
Number of franchise stores	**562**	528	34
Number of Associate-owned drug stores	**1,376**	1,361	15
Total number of stores	**2,504**	2,492	12

	As at January 3, 2026	As at December 28, 2024	% Change
Corporate square footage (in millions)	**36.2**	35.9	0.8 %
Franchise square footage (in millions)	**17.4**	16.8	3.6 %
Associate-owned drug store square footage (in millions)	**19.7**	19.3	2.1 %
Total retail square footage (in millions)	**73.3**	72.0	1.8 %
Average store size (square feet)			
Corporate	**64,000**	59,500	7.6 %
Franchise	**31,000**	31,800	(2.5)%
Associate-owned drug store	**14,300**	14,200	0.7 %

(i) The change in the total number of stores includes the sale of 48 stores in the first quarter of 2025, including 42 locations related to the sale of Wellwise.

Capital Investments Capital investments were $2,062 million, a decrease of $138 million or 6.3%, compared to 2024. The decrease was driven by lower fixed asset purchases and intangible asset additions.

Cash Flows used in Financing Activities Cash flows used in financing activities were $4,441 million, an increase of $625 million when compared to the same period in 2024. The increase was primarily driven by a decrease in net issuances of long term debt in the current year, higher dividends paid due to timing of the fourth quarter dividend payment in 2025, the redemption of all issued and outstanding Preferred Shares, Series B on January 8, 2025, an increase in lease payments, and higher repurchases of common shares in the current year, partially offset by a decrease in repayments of long term debt in the current year and an increase in demand deposits from customers.

Free Cash Flow[2]

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars)	**2025 (53 weeks) Continuing Operations**	**Discontinued Operations**	**Total**	2024 (52 weeks) Continuing Operations	Discontinued Operations	Total
Cash flows from operating activities	**$ 5,945**	**$ 319**	**$ 6,264**	$ 5,486	$ 316	$ 5,802
Less:						
Capital investments[i]	**2,030**	**32**	**2,062**	2,162	38	2,200
Interest paid	**307**	**148**	**455**	295	148	443
Lease payments, net	**1,698**	**—**	**1,698**	1,488	—	1,488
Free cash flow[2]	**$ 1,910**	**$ 139**	**$ 2,049**	$ 1,541	$ 130	$ 1,671

(i) 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 year. There were no prepayments transferred to fixed assets for the years ended January 3, 2026 and December 28, 2024.

Free cash flow[2] from continuing operations was $1,910 million, an increase of $369 million when compared to 2024. The increase was primarily driven by higher cash earnings and lower taxes paid in 2025, partially offset by the year-over-year change in provisions and an unfavourable change in non-cash working capital. Continuing operations were also impacted by a decrease in capital investments, partially offset by higher interest and lease payments when compared to 2024.

Free cash flow[2] from discontinued operations was $139 million, an increase of $9 million when compared to 2024. The increase was driven by higher cash earnings and a decrease in capital investments when compared to 2024.

6.2 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.

The following table presents total debt:

	As at January 3, 2026	As at December 28, 2024
(millions of Canadian dollars)	**Total**	Total
Demand deposits from customers	**—**	353
Short term debt	**—**	800
Long term debt due within one year	**—**	631
Long term debt[(i)]	**5,891**	7,570
Certain other liabilities[(ii)]	**315**	294
Total debt excluding lease liabilities and liabilities associated with assets held for sale	**$ 6,206**	$ 9,648
Lease liabilities due within one year	**1,584**	1,648
Lease liabilities	**8,830**	8,535
Total debt excluding liabilities associated with assets held for sale	**$ 16,620**	$ 19,831
Total debt and demand deposits from customers included in liabilities associated with assets held for sale[(iii)]	**$ 4,158**	$ —
Total Company debt[(iv)]	**$ 20,778**	$ 19,831

(i) The Company has a committed credit facility with maturity date of March 27, 2030, provided by a syndicate of lenders. The facility contains certain financial covenants and, as at January 3, 2026 and throughout 2025, the Company was in compliance with these covenants.

(ii) As at January 3, 2026, certain other liabilities include financial liabilities of $204 million that did not meet the criteria for sale (December 28, 2024 – $192 million) (see note 27 "Leases" of the Company's consolidated financial statements).

(iii) As at January 3, 2026, debt of $4,158 million related to PC Financial was included in liabilities associated with assets held for sale. See note 5 "Assets Held for Sale and Discontinued Operations" of the Company's consolidated financial statements. As at December 28, 2024, PC Financial debt was $4,066 million and is comprised of demand deposits from customers, short-term debt, long-term debt due within one year, and $2,282 million of long-term debt.

(iv) As at January 3, 2026, Total Company debt, excluding debt related to PC Financial was $16,620 million (December 28, 2024 - $15,765 million).

Retail Operations The Company manages its capital structure with the objective of maintaining credit metrics consistent with those of investment grade retailers. The Company calculates the Debt to Adjusted EBITDA[(2)] ratio to measure the leverage being employed.

	As at January 3, 2026	As at December 28, 2024
Debt to Adjusted EBITDA[(2)]	**2.3 x**	2.4 x

The Debt to Adjusted EBITDA[(2)] ratio as at January 3, 2026 decreased compared to December 28, 2024, primarily driven by an improvement in adjusted EBITDA[(2)], partially offset by an increase in debt.

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 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 January 3, 2026 and throughout the quarter, the Company was in compliance with such covenants. As at January 3, 2026 and throughout the quarter, PC Bank has met all applicable regulatory requirements.

6.3 Components of Total Debt

Debentures The following table summarizes the debentures issued in 2025 and 2024:

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	Principal Amount 2025
Loblaw Companies Limited Notes[(i)]	4.39%	June 16, 2035	**$ 500**
Total debentures issued			**$ 500**

(i) The Company used the net proceeds of this issuance to repay outstanding indebtedness under the Company's syndicated revolving credit facility and for general corporate purposes.

(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.

There were no debentures repaid in 2025. The following table summarizes the debentures repaid in 2024:

(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 March 27, 2030, provided by a syndicate of lenders. This committed credit facility contains certain financial covenants (see note 23 "Capital Management" of the Company's consolidated financial statements). As at January 3, 2026 and December 28, 2024, 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 Credit Card Trust ("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 January 3, 2026**	As at December 28, 2024
Securitized to independent securitization trusts:		
Securitized to Eagle Credit Card Trust	**$ 1,450**	$ 1,450
Securitized to Other Independent Securitization Trusts	**650**	800
Total securitized to independent securitization trusts[(i)]	**$ 2,100**	$ 2,250

(i) See note 5 "Assets Held for Sale and Discontinued Operations" of the Company's consolidated financial statements.

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 January 3, 2026 and throughout 2025.

During 2025, Eagle issued $300 million of senior and subordinated term notes with a maturity date of June 17, 2030. These notes have a weighted average interest rate of 4.02%. In connection with this issuance, $150 million of bond forward agreements were settled, resulting in a realized fair value loss of $1 million before income taxes. The loss on the bond forwards will be reclassified to net earnings over the life of the notes. This settlement resulted in a net effective interest rate of 4.07% on the notes issued.

Senior and subordinated term notes of $300 million at a weighted average interest rate of 1.34%, previously issued by Eagle, matured and were repaid on July 17, 2025.

Independent Funding Trusts As at January 3, 2026, the independent funding trusts had drawn $704 million (December 28, 2024 – $590 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 January 3, 2026, the Company provided a credit enhancement of $80 million (December 28, 2024 – $64 million) for the benefit of the independent funding trusts representing not less than 10% (December 28, 2024 – not less than 10%) of the principal amount of loans outstanding.

The Company has a $1 billion revolving committed credit facility that is the source of funding to the independent funding trusts that has a maturity date of March 27, 2028.

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions, in 2025 and 2024:

(millions of Canadian dollars)	**January 3, 2026 (53 weeks)**	December 28, 2024 (52 weeks)
Balance, beginning of year	**$ 1,477**	$ 1,654
GICs issued	**145**	375
GICs matured	**(340)**	(552)
Balance, end of year[(i)]	**$ 1,282**	$ 1,477

(i) See note 5 "Assets Held for Sale and Discontinued Operations" of the Company's consolidated financial statements.

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 January 3, 2026, the Company's maximum obligation in respect of such guarantees was $580 million (December 28, 2024 – $580 million) with an aggregate amount of $32 million (December 28, 2024 – $476 million) in available lines of credit allocated to the Associates by the various banks. As at January 3, 2026, Associates had drawn a nominal amount (December 28, 2024 – a nominal amount) 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.

6.4 Financial Condition

Adjusted return on equity[2] and Adjusted return on capital[2]

Adjusted return on equity[2] and Adjusted return on capital[2] are ratios calculated on a total Company basis (including continued and discontinued operations). See Section 16 "Non-GAAP and Other Financial Measures" for the definition of these measures.

	As at January 3, 2026	As at December 28, 2024
Adjusted return on equity[2]	**26.3 %**	23.6 %
Adjusted return on capital[2]	**12.4 %**	11.8 %

The Adjusted return on equity[2] as at January 3, 2026 increased compared to December 28, 2024, due to an improvement in the underlying operating performance and decrease in average equity.

Adjusted return on capital[2] as at January 3, 2026 increased compared to December 28, 2024, 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, long term debt and demand deposits from customers.

6.5 Credit Ratings

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

	Morningstar DBRS		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB (high)	Positive	BBB+	Stable
Medium term notes	BBB (high)	Positive	BBB+	n/a

In the second quarter of 2025, Morningstar Dominion Bond Rating Service ("DBRS") confirmed the credit ratings of the Company and changed the trend from stable to positive. Standard and Poor's Global Ratings confirmed the credit ratings and outlook of the Company.

6.6 Share Capital

First Preferred Shares (authorized - 1.0 million shares) There were no First Preferred Shares outstanding as at January 3, 2026 and December 28, 2024.

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 January 3, 2026, there were no Second Preferred Shares outstanding.

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:

	January 3, 2026 (53 weeks)			December 28, 2024 (52 weeks)		
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares[i]**		**Common Share Capital**	Number of Common Shares[i]		Common Share Capital
Issued and outstanding, beginning of year	**1,206,944,212**	**$**	**6,215**	1,242,105,516	$	6,281
Issued for settlement of stock options	**2,976,888**		**67**	8,712,528		166
Purchased and cancelled	**(34,774,899)**		**(192)**	(43,873,832)		(232)
Issued and outstanding, end of year	**1,175,146,201**	**$**	**6,090**	1,206,944,212	$	6,215
Shares held in trust, beginning of period	**(3,928,496)**	**$**	**(19)**	(5,076,956)	$	(25)
Purchased for future settlement of RSUs and PSUs	**(1,240,000)**		**(6)**	(1,680,000)		(8)
Released for settlement of RSUs and PSUs	**1,957,068**		**10**	2,828,460		14
Share held in trust, end of year	**(3,211,428)**	**$**	**(15)**	(3,928,496)	$	(19)
Issued and outstanding, net of shares held in trust, end of year	**1,171,934,773**	**$**	**6,075**	1,203,015,716	$	6,196
Weighted average outstanding, net of shares held in trust	**1,187,971,932**			1,220,204,360		

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

In the third quarter of 2025, the Company completed a four-for-one stock split of its outstanding common shares. The stock split was implemented by way of a stock dividend, with shareholders receiving three additional common shares for each common share held. The stock split was effective at the close of business on August 18, 2025, for shareholders of record as of the close of business on August 14, 2025.

Dividends The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the 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 2025, the Board raised the quarterly dividend by $0.128250 to $0.141075 per common share.

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

	2025	2024
Dividends declared per share ($)		
Common Share[(i)(ii)]	**$ 0.551475**	$ 0.496250
Second Preferred Share, Series B	**$ 0.029440**	$ 1.325000

(i) The Common Share dividends declared in the fourth quarter of 2025 of $0.141075 per share had a payment date of December 30, 2025.
(ii) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

(millions of Canadian dollars)	**2025**	2024
Dividends declared		
Common Share	**$ 654**	$ 604
Second Preferred Share, Series B	**—**	12
Total dividends declared	**$ 654**	$ 616

Subsequent to January 3, 2026, the Board declared a quarterly dividend of $0.141075 per common share, payable on April 1, 2026 to shareholders of record on March 15, 2026.

Normal Course Issuer Bid Activities under the Company's Normal Course Issuer Bid ("NCIB") for the years ended January 3, 2026 and December 28, 2024 were as follows:

(millions of Canadian dollars except where otherwise indicated)	**2025**	2024
Common shares repurchased under the NCIB for cancellation (number of shares)[(i)(ii)]	**34,774,899**	43,873,832
Cash consideration paid[(iii)]	**$ 1,875**	$ 1,754
Premium charged to retained earnings[(iv)]	**1,889**	1,661
Reduction in common share capital[(v)]	**192**	232
Common shares repurchased under the NCIB and held in trust (number of shares)[(i)]	**1,240,000**	1,680,000
Cash consideration paid	**$ 69**	$ 72
Premium charged to retained earnings	**65**	64
Reduction in common share capital	**6**	8

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

(ii) Common shares repurchased and cancelled as at January 3, 2026 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.

(iii) $3 million of cash consideration related to common shares repurchased under NCIB for cancellation in the third quarter of 2025 was paid in the fourth quarter of 2025.

(iv) Premium charged to retained earnings includes $351 million related to the automatic share purchase plan, as described below.

(v) Includes $32 million related to the automatic share purchase plan, as described below.

In the second quarter of 2025, the Company renewed its NCIB to purchase on the Toronto Stock Exchange or through alternative trading systems up to 59,800,244 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. As at January 3, 2026, the Company had purchased 21,899,071 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 2025, 34,774,899 common shares (2024 – 43,873,832) were purchased under the NCIB for cancellation, for aggregate consideration of $1,875 million (2024 – $1,754 million), including 16,756,185 common shares (2024 – 18,480,092) purchased from Weston, for aggregate consideration of $906 million (2024 – $746 million).

The Company participates in an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at January 3, 2026, an obligation to repurchase shares of $375 million was recognized under the ASPP in trade payables and other liabilities.

6.7 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 6.3 "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 Financial'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 $498 million as at January 3, 2026 (December 28, 2024 – $478 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 and Wellwise (see note 6 "Wind-down and Business Disposition" of the Company's consolidated financial statements), 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 until 2033. As at January 3, 2026, the Company has guaranteed lease obligations in the amount of $9 million (December 28, 2024 – $2 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 January 3, 2026, the guarantee on behalf of PC Bank to Mastercard was $190 million USD (December 28, 2024 – $190 million USD).

Cash Collateralization As at January 3, 2026, the Company had agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of $93 million (December 28, 2024 – $94 million). As at January 3, 2026, the company had no cash (December 28, 2024 – nil) deposited with major financial institutions and classified as security deposits.

6.8 Contractual Obligations

The following illustrates certain of the Company's significant contractual obligations and discusses other obligations as at January 3, 2026:

Summary of Contractual Obligations

	Payments due by year						
(millions of Canadian dollars)	2026	2027	2028	2029	2030	Thereafter	Total
Total debt (including interest payments[(i)])	$ 291	$ 390	$ 1,577	$ 818	$ 573	$ 5,998	$ 9,647
Foreign exchange forward contracts	336	—	—	—	—	—	336
Trade payables and other liabilities	7,127	—	—	—	—	—	7,127
Associate interest	396	—	—	—	—	—	396
Financial liabilities[(ii)]	—	13	12	13	13	142	193
Lease obligations	1,650	1,560	1,271	1,181	928	3,429	10,019
Contracts for purchases of investment projects[(iii)]	319	305	47	8	—	—	679
Purchase obligations[(iv)]	907	184	119	54	35	13	1,312
Total contractual obligations from continuing operations	$ 11,026	$ 2,452	$ 3,026	$ 2,074	$ 1,549	$ 9,582	$29,709
Total contractual obligation from discontinued operations	$ 2,371	$ 668	$ 693	$ 694	$ 479	$ 25	$ 4,930
Total Company contractual obligations	$ 13,397	$ 3,120	$ 3,719	$ 2,768	$ 2,028	$ 9,607	$34,639

(i) Fixed interest payments are based on the maturing face values and annual interest for each instrument, including an independent funding trust, and annual payment obligations for structured entities. Variable interest payments are based on the forward rates as of January 3, 2026.

(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.

7. Financial Derivative Instruments

The Company uses derivative instruments to offset certain of its financial risks. The Company uses bond forwards to manage its anticipated exposure to fluctuations in interest rates on future debt issuances. The Company also uses futures 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:

	January 3, 2026 (53 weeks)			December 28, 2024 (52 weeks)		
(millions of Canadian dollars)	**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
Derivatives designated as cash flow hedges						
Foreign Exchange Forwards	**$ —**	**$ (1)**	**$ (2)**	$ 1	$ (1)	$ —
Bond Forwards[(i)]	**—**	**3**	**(3)**	—	3	(3)
Energy Hedge[(ii)]	**(27)**	**(11)**	**(7)**	(15)	(12)	—
Total derivatives designated as cash flow hedges	**$ (27)**	**$ (9)**	**$ (12)**	$ (14)	$ (10)	$ (3)

(i) The Company uses bond forwards to manage its interest risk related to future debt issuances.

(ii) 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 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 2025, see Section 16 "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:

	January 3, 2026 (53 weeks)		December 28, 2024 (52 weeks)	
(millions of Canadian dollars)	**Net asset/ (liability) Fair value**	**Gain/(loss) recorded in operating income**	Net asset/ (liability) Fair value	Gain/(loss) recorded in operating income
Derivatives not designated in a formal hedging relationship				
Foreign Exchange and Other Forwards	**$ (1)**	**$ (14)**	$ 5	$ 26
Other Non-Financial Derivatives	**(2)**	**5**	—	2
Total derivatives not designated in a formal hedging relationship	**$ (3)**	**$ (9)**	$ 5	$ 28

8. Quarterly Results of Operations

8.1 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 year 2025 was 53 weeks and fiscal year 2024 was 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. When a fiscal year contains 53 weeks, the fourth quarter is 13 weeks in duration.

The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period condensed consolidated financial statements for each of the eight most recently completed quarters. As a result of the announcement of the sale of PC Financial, the results of PC Financial, net of intersegment eliminations, are presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from continuing operations (Retail).

Summary of Consolidated Quarterly Results

	2025					2024				
(millions of Canadian dollars except where otherwise indicated)	**First Quarter (12 weeks)**	**Second Quarter (12 weeks)**	**Third Quarter (16 weeks)**	**Fourth Quarter (13 weeks)**	**Total (53 weeks)**	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)
Revenue	**$13,904**	**$ 14,457**	**$ 19,160**	**$16,382**	**$ 63,903**	$ 13,351	$ 13,715	$18,332	$14,725	$ 60,123
Adjusted EBITDA[2]	**1,509**	**1,757**	**2,115**	**1,775**	**7,156**	1,450	1,642	1,986	1,595	6,673
Net earnings available to common shareholders of the Company	**503**	**714**	**794**	**656**	**2,667**	459	457	777	462	2,155
Continuing operations	**481**	**693**	**746**	**611**	**2,531**	426	440	622	452	1,940
Discontinued operations	**22**	**21**	**48**	**45**	**136**	33	17	155	10	215
Adjusted net earnings available to common shareholders of the Company[2]	**570**	**721**	**828**	**794**	**2,913**	537	664	767	669	2,637
Continuing operations	**548**	**700**	**780**	**749**	**2,777**	504	647	737	636	2,524
Discontinued operations	**22**	**21**	**48**	**45**	**136**	33	17	30	33	113
Net earnings per common share:										
Basic ($)	**$ 0.42**	**$ 0.60**	**$ 0.67**	**$ 0.56**	**$ 2.24**	$ 0.37	$ 0.37	$ 0.64	$ 0.38	$ 1.77
Continuing operations	**$ 0.40**	**$ 0.58**	**$ 0.63**	**$ 0.52**	**$ 2.13**	$ 0.34	$ 0.36	$ 0.51	$ 0.38	$ 1.59
Discontinued operations	**$ 0.02**	**$ 0.02**	**$ 0.04**	**$ 0.04**	**$ 0.11**	$ 0.03	$ 0.01	$ 0.13	$ —	$ 0.18
Diluted ($)	**$ 0.42**	**$ 0.59**	**$ 0.66**	**$ 0.55**	**$ 2.22**	$ 0.37	$ 0.37	$ 0.63	$ 0.38	$ 1.75
Continuing operations	**$ 0.40**	**$ 0.58**	**$ 0.62**	**$ 0.51**	**$ 2.11**	$ 0.34	$ 0.36	$ 0.51	$ 0.37	$ 1.58
Discontinued operations	**$ 0.02**	**$ 0.01**	**$ 0.04**	**$ 0.04**	**$ 0.11**	$ 0.03	$ 0.01	$ 0.12	$ 0.01	$ 0.17
Adjusted diluted net earnings per common share[2] ($)	**$ 0.47**	**$ 0.60**	**$ 0.69**	**$ 0.67**	**$ 2.43**	$ 0.43	$ 0.54	$ 0.62	$ 0.55	$ 2.14
Continuing operations	**$ 0.45**	**$ 0.59**	**$ 0.65**	**$ 0.63**	**$ 2.32**	$ 0.40	$ 0.53	$ 0.60	$ 0.52	$ 2.05
Discontinued operations	**$ 0.02**	**$ 0.01**	**$ 0.04**	**$ 0.04**	**$ 0.11**	$ 0.03	$ 0.01	$ 0.02	$ 0.03	$ 0.09
Food Retail same-store sales growth	**2.2 %**	**3.5 %**	**2.0 %**	**1.5 %**	**2.3 %**	3.4 %	0.2 %	0.5 %	2.5 %	1.5 %
Drug Retail same-store sales growth	**3.8 %**	**4.1 %**	**4.0 %**	**3.9 %**	**3.9 %**	4.0 %	1.5 %	2.9 %	1.3 %	2.4 %

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;
- the impact of the 13th week in the fourth quarter of 2025;
- 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 2.1 million square feet to 73.3 million square feet.

Net Earnings Available to Common Shareholders of the Company from Continuing Operations and Diluted Net Earnings Per Common Share from Continuing Operations Net earnings available to common shareholders of the Company from continuing operations and diluted net earnings per common share from continuing operations 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;
- the impact of the 13th week in the fourth quarter of 2025;
- 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 16 “Non-GAAP and Other Financial Measures”, including:
    - amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark;
    - wind-down of *Theodore & Pringle* optical business
    - deferred tax on outside basis difference related to Sale of PC Financial;
    - charges related to settlement of class action lawsuits;
    - the *PC Optimum* loyalty program, including the revaluation of the loyalty liability;
    - fair value adjustments on non-operating properties;
    - the Sale of PC Financial;
    - fair value adjustments on fuel and foreign currency;
    - the impact related to the sale of Wellwise; and
    - the gains and losses on sale of non-operating properties.

8.2 Fourth Quarter Results

As a result of the announcement of the sale of PC Financial, the results of PC Financial, net of intersegment eliminations, are presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from continuing operations (Retail).

The following is a summary of selected consolidated financial information for the fourth quarter of 2025:

For the periods ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025 (13 weeks)**	2024 (12 weeks)	$ Change	% Change
Revenue	**$16,382**	$ 14,725	$ 1,657	11.3 %
Operating income	**1,134**	793	341	43.0 %
Gross profit[2]	**5,047**	4,554	493	10.8 %
Gross profit %[2]	**30.8 %**	30.9 %		
Adjusted EBITDA[2]	**1,775**	1,595	180	11.3 %
Adjusted EBITDA margin[2]	**10.8 %**	10.8 %		
Depreciation and amortization	**$ 613**	$ 680	$ (67)	(9.9)%
Net interest expense and other financing charges	**173**	162	11	6.8 %
Adjusted net interest expense and other financing charges[2]	**173**	162	11	6.8 %
Income taxes	**357**	173	184	106.4 %
Adjusted income taxes[2]	**257**	226	31	13.7 %
Adjusted effective tax rate[2]	**25.7 %**	26.0 %		
Net losses attributable to non-controlling interests	**$ (7)**	$ (1)	$ (6)	(600.0)%
Net earnings available to common shareholders of the Company[i]	**656**	462	194	42.0 %
Continuing operations	**611**	452	159	35.2 %
Discontinued operations	**45**	10	35	350.0 %
Adjusted net earnings available to common shareholders of the Company[2]	**794**	669	125	18.7 %
Continuing operations	**749**	636	113	17.8 %
Discontinued operations	**45**	33	12	36.4 %
Diluted net earnings per common share ($)	**$ 0.55**	$ 0.38	0.17	44.7 %
Continuing operations	**$ 0.51**	$ 0.37	0.14	37.8 %
Discontinued operations	**$ 0.04**	$ 0.01	0.03	300.0 %
Adjusted diluted net earnings per common share[2] ($)	**$ 0.67**	$ 0.55	0.12	21.8 %
Continuing operations	**$ 0.63**	$ 0.52	0.11	21.2 %
Discontinued operations	**$ 0.04**	$ 0.03	0.01	33.3 %
Diluted weighted average common shares outstanding (in millions)	**1,188.0**	1,217.8		
Cash flows from (used in)[ii]:				
Operating activities	**$ 2,197**	$ 1,587	$ 610	38.4 %
Investing activities	**(585)**	(715)	130	18.2 %
Financing activities	**(1,568)**	(409)	(1,159)	(283.4)%
Dividends declared per common share ($)	**$0.141075**	$0.128250	$ 0.013	10.1 %
Dividends declared per Second Preferred Share, Series B ($)	**$ —**	$0.33125	(0.33)	—

(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.

(ii) These cash flow metrics are presented on a total Company basis, inclusive of continuing and discontinued operations.

Loblaw delivered solid fourth quarter results, demonstrating strong execution against its strategic plan. On a comparable 12-week basis, revenue increased 3.5%, gross profit percentage improved by 10 basis points, SG&A as a percentage of sales was flat and adjusted net earnings per common share increased 10.9%. Customer visits increased in the fourth quarter as Canadians recognized the differentiated value, quality, service, and convenience the Company offers across its nationwide network. This increased traffic resulted in continued market share gains across its banners. E-commerce sales experienced robust growth, as omnichannel convenience remained a customer priority. The Company continued to expand its offering, catering to customer demand for rapid delivery, prepared meals, and favourite PC® products. The Company continued to focus on providing value to Canadians by expanding its Hard Discount network this quarter, opening 15 No Frills® and Maxi® stores, providing convenient access to nutritious food at great prices for more Canadian families. The Company's Super Market banners, including high-performing Fortinos and T&T® Supermarkets, attracted shoppers seeking full-service shopping with a focus on Canadian products, multicultural offerings, and innovative PC® Insider Report™ products, enhanced by personalized PC Optimum™ loyalty offers and competitive prices. Food Retail same-store sales growth steadily improved through the quarter. Across Shoppers Drug Mart and Pharmaprix(MD), the Company continued to demonstrate momentum in front store, driven by strong beauty and over-the-counter ("OTC") sales. Pharmacy and healthcare services was again led by strong growth in specialty prescriptions and healthcare services.

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 $656 million ($0.55 per common share), an increase of $194 million ($0.17 per common share) or 42.0%, which included the impact of the 13th week of $75 million or $0.06. The increase was primarily driven by the impact of lower costs related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart and the impact of the prior year charge related to the *PC Optimum* loyalty program.

Adjusted net earnings available to common shareholders of the Company(2) were $794 million, an increase of $125 million, or 18.7%, which included the impact of the 13th week of $75 million. Adjusted diluted net earnings per common share(2) were $0.67, an increase of $0.12 or 21.8%, which included the impact of the 13th week of $0.06.

Net Earnings Available to Common Shareholders of the Company from Continuing Operations and Diluted Net Earnings Per Common Share from Continuing Operations Net earnings available to common shareholders of the Company from continuing operations in the fourth quarter of 2025 were $611 million ($0.51 per common share). When compared to the fourth quarter of 2024, this was an increase of $159 million ($0.14 per common share) or 35.2%. The increase was driven by an improvement in the underlying operating performance of $113 million, and a favourable change in adjusting items totaling $46 million, as described below:

- the improvement in underlying operating performance of $113 million ($0.09 per common share) was primarily due to the following:
  - an increase in gross profit(2), partially offset by an increase in SG&A, and depreciation and amortization.
- the favourable change in adjusting items totaling $46 million ($0.03 per common share) was primarily due to the following:
  - the year-over-year favourable change in amortization of intangible assets of $77 million ($0.06 per common share) primarily related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized;
  - the favourable impact of prior year charge related to the *PC Optimum* loyalty program of $71 million ($0.06 per common share); and
  - the favourable impact of prior year fair value write-down related to the sale of Wellwise of $29 million ($0.02 per common share);

  partially offset by,
  - the unfavourable impact of deferred tax on the outside basis difference related to the Sale of PC Financial of $107 million ($0.09 per common share);
  - the year-over-year unfavourable impact of sale of non-operating properties of $12 million ($0.01 per common share); and
  - the unfavourable impact of the charges related to the Sale of PC Financial of $9 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 ($0.02 per common share).

Adjusted net earnings available to common shareholders of the Company[2] from continuing operations were $749 million, an increase of $113 million or 17.8% compared to the fourth quarter of 2024. Adjusted net earnings per common share[2] from continuing operations were $0.63, an increase of $0.11 or 21.2%. The increase includes the favourable impact from the repurchase of common shares.

Revenue Revenue represents retail revenue, and is primarily comprised of Food retail and Drug retail sales. The following table provides a breakdown of the Company's total and same-store sales.

For the periods ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025 (13 weeks)**		2024 (12 weeks)			
	Sales	**Same-store sales[5]**	Sales	Same-store sales	Sales $ Change	Sales % Change
Food retail[i]	**$ 11,433**	**1.5 %**	$ 10,284	2.5 %	$ 1,149	11.2 %
Drug retail	**4,949**	**3.9 %**	4,441	1.3 %	508	11.4 %
Pharmacy and healthcare services	**2,526**	**5.6 %**	2,230	6.3 %	296	13.3 %
Front store	**2,423**	**2.2 %**	2,211	(3.1)%	212	9.6 %
Revenue	**$ 16,382**		$ 14,725		$ 1,657	11.3 %

(i) As a result of the announcement of the Sale of PC Financial, Food retail sales now includes revenue related to PC Services, primarily related to sales attributable to *The Mobile Shop* in the current and comparative period presented, including revenue of $140 million in the fourth quarter of 2025 (2024 – $146 million).

Revenue was $16,382 million in the fourth quarter of 2025, an increase of $1,657 million, or 11.3% compared to the fourth quarter of 2024, which included the impact of the 13th week of $1,138 million. This increase is primarily driven by the following factors:

- Food retail same-store sales growth[5] was 1.5% (2024 – 2.5%) for the quarter.
  - Same-store sales growth[5] in food was moderate;
  - Same-store sales growth[5] in pharmacy was moderate;
  - The Company's internal food inflation was significantly lower than the Consumer Price Index for Food Purchased From Stores of 4.4% (2024 – 2.4%); and
  - Food retail traffic increased[5] and basket size increased[5].
- Drug retail same-store sales growth[5] was 3.9% (2024 – 1.3%) for the quarter.
  - Pharmacy and healthcare services same-store sales growth[5] was 5.6% (2024 – 6.3%) led by specialty prescriptions. The number of prescriptions dispensed increased by 10.4% (2024 – 1.7%). On a same-store[5] basis, the number of prescriptions dispensed increased by 2.9% (2024 – 1.7%) and the average prescription value increased by 3.9% (2024 – 4.0%);
  - Front store same-store sales growth[5] of 2.2% (2024 – decline of 3.1%). The growth in front store same-store sales[5] was primarily driven by higher sales of beauty and over-the-counter ("OTC") products, partially offset by the decision to exit certain low margin electronics categories.

In the fourth quarter of 2025, 30 food and drug stores were opened and 5 food and drug stores were closed. Retail square footage was 73.3 million square feet, a net increase of 1.3 million square feet, or 1.8%, compared to the fourth quarter of 2024.

Operating Income Operating income was $1,134 million in the fourth quarter of 2025, an increase of $341 million, or 43.0% compared to the fourth quarter of 2024, which included the impact of the 13th week of $106 million. The increase was driven by a favourable change in adjusting items totaling $199 million, and an improvement in underlying operating performance of $142 million, as described below:

- the favourable change in adjusting items totaling $199 million was primarily due to the following:
  - the year-over-year favourable change in the amortization of intangible assets of $105 million primarily related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized;
  - the favourable impact of the prior year charge related to the *PC Optimum* loyalty program of $99 million; and
  - the favourable impact of the prior year fair value write-down related to the sale of Wellwise of $23 million;

  partially offset by,
  - the year-over-year unfavourable impact of the sale of non-operating properties of $14 million;
  - the unfavourable impact of the charges related to the Sale of PC Financial of $10 million;
  - the unfavourable impact of fair value adjustments on fuel and foreign currency contracts of $3 million; and
  - the year-over-year unfavourable change in fair value adjustments on non-operating properties of $1 million.
- the improvement in underlying operating performance of $142 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 $5,047 million in the fourth quarter of 2025, an increase of $493 million, or 10.8% compared to fourth quarter of 2024. Gross profit percentage[(2)] was 30.8%, a decrease of 10 basis points. On a 12-week comparable basis, gross profit percentage[(2)] was 31.0%, an increase of 10 basis points, primarily driven by continued improvements in shrink.

Adjusted EBITDA[(2)] Adjusted EBITDA[(2)] was $1,775 million in the fourth quarter of 2025, an increase of $180 million, or 11.3% compared to the fourth quarter of 2024, which included the impact of the 13th week of $106 million. The increase was driven by an increase in gross profit[(2)] of $493 million, partially offset by an increase in SG&A of $313 million. SG&A as a percentage of sales was 20.0%, a favourable decrease of 10 basis points. On a 12-week comparable basis, SG&A as a percentage of sales was flat at 20.1%, primarily due to operating leverage from higher sales, offset by incremental costs related to opening new stores and the automated distribution facility.

Depreciation and Amortization Depreciation and amortization was $613 million in the fourth quarter of 2025, a decrease of $67 million or 9.9% when compared to the fourth quarter of 2024. The decrease in depreciation and amortization in the fourth quarter of 2025 was primarily driven by the impact of lower amortization related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized, partially offset by an increase in depreciation of leased assets, and an increase in depreciation of fixed assets related to opening new stores and the automated distribution facility, and conversions of retail locations. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of $10 million (2024 – $115 million).

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $173 million, an increase of $11 million or 6.8% compared to the fourth quarter of 2024. The increase was primarily driven by an increase in interest expense from long term debt and lease liabilities.

Income Taxes Income tax expense in the fourth quarter of 2025 was $357 million (2024 – $173 million) and the effective tax rate was 37.1% (2024 – 27.4%). The increase in the effective tax rate was primarily attributable to the recognition of deferred tax on the outside basis difference upon classifying PC Financial as held for sale, partially offset by the impact of other non-taxable items.

Adjusted income tax expense[(2)] in the fourth quarter of 2025 was $257 million (2024 – $226 million) and the adjusted effective tax rate[(2)] was 25.7% (2024 – 26.0%). The decrease in the adjusted effective tax rate[(2)] was primarily attributable to the impact of other non-taxable items.

Net Losses Attributable To Non-Controlling Interests Net losses attributable to non-controlling interests were $7 million, a decrease of $6 million compared to net loss of $1 million in the fourth quarter of 2024. The decrease was primarily driven by a decrease 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.

Discontinued Operations As a result of the announcement of the sale of PC Financial to EQB described above, the results of PC Financial are presented in discontinued operations, net of intersegment eliminations.

Revenue Revenue, included in discontinued operations, in the fourth quarter of 2025 was $230 million, an increase of $7 million, or 3.1%. The increase was primarily driven by higher insurance commission income, and higher interest income.

Net Earnings Available to Common Shareholders of the Company Net earnings available to common shareholders of the Company from discontinued operations were $45 million, an increase of $35 million or 350.0% The increase was primarily driven by lapping of prior year *PC Optimum* loyalty liability charge of $23 million relating to the revaluation of the existing loyalty liability for outstanding points to reflect a higher anticipated redemption rate, higher revenue described above, and the year-over-year favourable impact of expected credit loss provision.

(millions of Canadian dollars except where otherwise indicated)	**As at January 3, 2026**	As at December 28, 2024	$ Change	% Change
Average quarterly net credit card receivables	**$ 4,051**	$ 4,010	$ 41	1.0 %
Credit card receivables	**4,240**	4,230	10	0.2 %
Allowance for credit card receivables	**255**	263	(8)	(3.0)%
Annualized yield on average quarterly gross credit card receivables	**14.4 %**	14.3 %		
Annualized credit loss rate on average quarterly gross credit card receivables	**4.3 %**	4.5 %		

Credit Card Receivables As at January 3, 2026, credit card receivables were $4,240 million, an increase of $10 million compared to December 28, 2024. This increase was primarily driven by an increase in customer spending. The expected credit loss allowance for credit card receivables was $255 million, a decrease of $8 million compared to December 28, 2024. The decrease is reflective of the current consumer credit trends.

Cash Flow

The following Cash Flow components are presented on a total Company basis, inclusive of continuing and discontinued operations.

For the periods ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025 (13 weeks)**	2024 (12 weeks)	$ Change	% Change
Cash and cash equivalents, beginning of period	**$ 1,350**	$ 993	$ 357	36.0 %
Cash flows from (used in):				
Operating activities	**$ 2,197**	$ 1,587	$ 610	38.4 %
Investing activities	**(585)**	(715)	130	18.2 %
Financing activities	**(1,568)**	(409)	(1,159)	(283.4)%
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(2)**	6	(8)	(133.3)%
Increase in cash and cash equivalents	**$ 42**	$ 469	$ (427)	(91.0)%
Cash and cash equivalents, end of period	**$ 1,392**	$ 1,462	$ (70)	(4.8)%

Cash Flows from Operating Activities Cash flows from operating activities in the fourth quarter of 2025 were $2,197 million, an increase of $610 million when compared to the fourth quarter of 2024. The increase was primarily driven by higher cash earnings, an increase in customer spending, and the favourable change in non-cash working capital.

Cash Flows used in Investing Activities Cash flows used in investing activities in the fourth quarter of 2025 were $585 million, a decrease of $130 million when compared to the fourth quarter of 2024. The decrease was primarily driven by higher disposals of short term investments, partially offset by an increase in investments in fixed and intangible assets.

Cash Flows used in Financing Activities Cash flows used in financing activities in the fourth quarter of 2025 were $1,568 million, an increase of $1,159 million when compared to the fourth quarter of 2024. The increase was primarily driven by higher issuance of long term debt, net of repayments in the prior year, higher repurchases of common shares in the current quarter, a decrease in demand deposits from customers, higher dividends paid due to timing of the fourth quarter dividend payment in 2025, and a decrease in short-term debt.

Capital Investments Capital investments in the fourth quarter of 2025 were $722 million, an increase of $94 million or 15.0%, compared to the fourth quarter of 2024. The increase was driven by higher fixed asset purchases, partially offset by lower intangible asset additions.

Free Cash Flow[2]

	2025 (13 weeks)			2024 (12 weeks)		
For the periods ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars)	**Continuing Operations**	**Discontinued Operations**	**Total**	Continuing Operations	Discontinued Operations	Total
Cash flows from (used in) operating activities	**$ 2,407**	**$ (210)**	**$ 2,197**	$ 1,801	$ (214)	$ 1,587
Less:						
Capital investments[i]	**716**	**6**	**722**	619	9	628
Interest paid	**58**	**53**	**111**	51	48	99
Lease payments, net	**394**	**—**	**394**	250	—	250
Free cash flow[2]	**$ 1,239**	**$ (269)**	**$ 970**	$ 881	$ (271)	$ 610

(i) 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 period. There were no prepayments transferred to fixed assets for the periods ended January 3, 2026 and December 28, 2024.

Free cash flow[2] from continuing operations in the fourth quarter of 2025 was $1,239 million, an increase of $358 million when compared to the fourth quarter of 2024. The increase was primarily driven by higher cash earnings, an increase in customer spending, and the favourable change in non-cash working capital. Continuing operations were also impacted by an increase in capital investments and higher interest and lease payments when compared to the fourth quarter of 2024.

Free cash flow[2] used in discontinued operations in the fourth quarter of 2025 was $269 million, which was relatively consistent when compared to the fourth quarter of 2024.

9. 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 January 3, 2026.

10. 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 January 3, 2026.

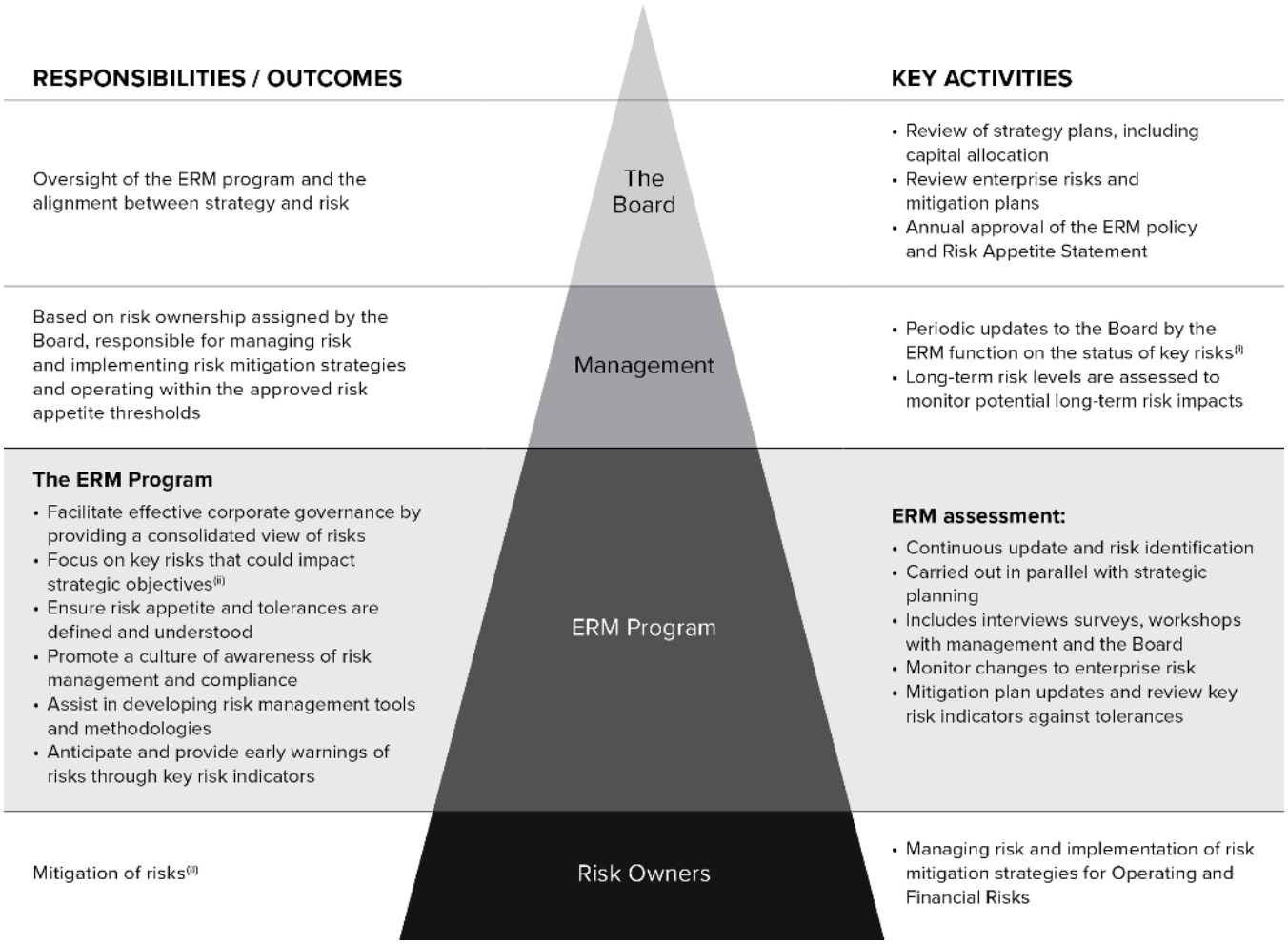
In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of 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 2025 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

11. 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 affect the Company and its financial performance negatively. 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.

11.1 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 January 3, 2026, which is hereby incorporated by reference:

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

Economic Conditions The Company's revenue, profitability, brand and reputation may be impacted by general economic conditions. These economic conditions include inflation, the impact of tariffs, cost increases from suppliers, levels of employment, costs of borrowing, levels of 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 impact consumer behaviour including levels of consumer spending, the choice of stores in which consumers choose to shop and the types of products that they purchase. 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 ("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 identify or respond to cybersecurity incidents in a timely or appropriate manner, 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.

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.

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.

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.

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.

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.

Alternative Arrangements for Sourcing Generic Drug Products As the utilization rate of generic prescription drugs increases, the Company has pursued alternative sourcing and procurement models for generic prescription drug products. As part of this alternative sourcing and procurement initiative, the Company has entered into contracts for the fabrication of private label generic prescription drug products. These alternative sourcing and procurement models contain certain additional risks beyond those associated with the Company's conventional procurement strategy. The most significant of these additional risks are product liability and intellectual property infringement. Product liability claims may arise in the event that the use of the Company's products cause, or are alleged to have caused, injury to consumers. Intellectual property infringement claims may arise in the event that the Company's products infringe or violate, or are alleged to infringe or violate, the patents or other intellectual property rights of third parties, including the brand manufacturer. Both product liability and intellectual property infringement claims could be costly to defend and could result in significant liabilities and monetary damages. Failure to successfully implement these alternative sourcing and procurement models could adversely affect the reputation, operations or financial performance of the Company.

In addition, the market for generic prescription drug products and eligibility for reimbursement from governmental and other third party payers will depend on the extent to which the products are designated as interchangeable with the branded products and are included as a benefit on the public drug plans in Canada. These interchangeability designations and benefit listings are highly regulated and will be dependent on the products and the procurement model meeting the regulatory requirements. If the demand for generic products, including private label generic prescription drug products, is negatively affected by fewer designations or limitations placed on private label prescription drug products, it could adversely affect the reputation, operations or financial performance of the Company.

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.

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 Health, 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.

Change Management, Process and Efficiency Many initiatives are underway to reduce the complexity and cost of the Company's business operations, and support 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 administrative, store and distribution network infrastructures of the Company. 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.

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, the Company believes its customers, investors, employees and other stakeholders expect it to contribute to the prosperity of Canadians through meaningful environment and social stewardship. 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. 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 related to social issues and has established key priorities to address them, including enhancing representation of traditionally underrepresented groups across both management and the broader colleague population, fostering a culture of inclusion, and investing in communities – with a particular focus on initiatives that support 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 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 Quebec, 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. On March 3, 2025, the settlement funds were paid into a trust account. The Settlement Agreement was approved by the Ontario Superior Court in May 2025 and the Quebec Superior Court in July 2025. 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. In February 2025, Loblaws Inc. and Weston were also served with the claim. The claim seeks damages on behalf of municipalities and local governments in relation to public safety, social services, 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 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. Certain taxation years subsequent to the periods covered by the FCA decision remain under review by the tax authorities.

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.

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.

11.2 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 over-the-counter 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 guaranteed investment certificate 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.

12. Related Party Transactions

The Company's controlling shareholder is Weston, which owns, directly and indirectly, 618,657,687 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 225,794,884 of Weston's common shares, representing approximately 59.5% of Weston's outstanding common shares. Galen G. Weston also beneficially owns 2,362,544 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 January 3, 2026, Weston's ownership interest in Choice Properties was approximately 61.7% (December 28, 2024 – 61.7%). The Company is Choice Properties' largest tenant, representing approximately 57.7% (December 28, 2024– 57.7%) of Choice Properties' rental revenue as at January 3, 2026.

Transactions with Related Parties

	Transaction Value	
(millions of Canadian dollars)	**2025**	2024
Operating income		
Transactions with Weston and Wittington		
Cost sharing agreements with Weston[(i)]	**$ 57**	$ 56
Net administrative services provided by Weston[(ii)]	**21**	23
Lease payments to Wittington	**1**	1
Transactions with Choice Properties		
Lease payments to Choice Properties[(iii)]	**$ 836**	$ 797
Site intensification payments received from Choice Properties	**(5)**	(4)
Equity transactions with Weston		
Dividends declared on common shares	**$ 345**	$ 319

(i) 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.

(ii) 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.

(iii) During 2025, lease payments paid to Choice Properties included base rent of $575 million (2024 – $548 million) and operating expenses of $261 million (2024 – $249 million).

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

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Weston[(i)]	**$ 11**	$ 97
Choice Properties	**(11)**	(16)

(i) 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:

	Payments due by year						As at January 3, 2026	As at December 28, 2024
(millions of Canadian dollars)	2026	2027	2028	2029	2030	Thereafter	**Total**	Total
Lease payments	$ 607	$ 589	$ 487	$ 447	$ 338	$ 1,245	**$ 3,713**	$ 3,838

Sale and Leaseback Transactions with Choice Properties During 2025, the Company sold two properties (2024 – one property) to Choice Properties for proceeds of $215 million (2024 – $38 million) and recognized a gain of $29 million (2024 – gain of $14 million). During 2024, the Company also sold four properties to a joint arrangement between a third party and Choice Properties for proceeds of $278 million and recognized a gain of $40 million. All (2024 - all) of these properties were leased back by the Company (see note 27 "Leases" 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 "Post-Employment Benefits".

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)		**2025**		2024
Salaries, director fees and other short term employee benefits	**$**	**10**	$	10
Equity-based compensation		**13**		8
Total compensation	**$**	**23**	$	18

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

13. 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 2025 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.

13.1 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).

13.2 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.

13.3 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.

13.4 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.

13.5 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 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 related to the revaluation of the loyalty liability for outstanding points.

13.6 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.

13.7 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 information technology ("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. Therefore, there is only one reportable segment and no additional segment information is reported.

13.8 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.

13.9 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.

14. Accounting Standards

14.1 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. 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 adoption is not expected to have a material impact on the Company's consolidated financial statements.

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 International Accounting Standard 1, "Presentation of Financial Statements" ("IAS 1"), 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.

15. Strategic Update and Outlook[3]

Strategic Update Loblaw's portfolio of businesses remains strong and well-positioned as the combination of everyday value offerings, *PC Optimum* loyalty rewards and impactful promotions 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 2026: 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. 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 2025, the Company opened 77 new food and drug retail locations, and added 97 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**,** including investments in building its logistics as a service capabilities, and the expansion of its retail network, including the expansion of its *T&T* banner into the United States. 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 2026, Loblaw plans to further invest in its network by opening approximately 70 new food and drug stores, and 30 new pharmacy care clinics. In 2025, the Company completed migrating operations to its 1.2 million square foot, multi-temperature, fully automated distribution centre in East Gwillimbury, Ontario and began construction of a similar fully automated facility in Caledon, Ontario. 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 2026. The Company's businesses remain well positioned to meet the everyday needs of Canadians. The Company cannot predict the timing of the closing of the sale of PC Financial, and its impact on the Company's financial results. In 2026, excluding this impact, and the 53rd week impact in 2025, 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 approximately $2.4 billion in gross capital expenditures; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

16. Non-GAAP and Other Financial Measures

The Company uses the following non-GAAP and other financial measures and ratios: 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; revenue (including retail and PC Financial); free cash flow; debt to 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 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.

As a result of the announcement of the sale of PC Financial, the results of PC Financial, net of intersegment eliminations, are presented separately as discontinued operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from continuing operations (Retail).

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 from continuing operations 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 January 3, 2026 and December 28, 2024 (millions of Canadian dollars)	**2025 (13 weeks)** **Total**	2024 (12 weeks) Total
Net earnings attributable to shareholders of the Company from continuing operations	**$ 611**	$ 459
Add (deduct) impact of the following:		
Non-controlling interests	**(7)**	(1)
Net interest expense and other financing charges	**173**	162
Income taxes	**357**	173
Operating income	**$ 1,134**	$ 793
Add (deduct) impact of the following:		
Loss (gain) on sale of non-operating properties	**$ 11**	$ (3)
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**10**	115
Sale of PC Financial	**10**	—
Fair value adjustment on non-operating properties	**4**	3
Fair value adjustment on fuel and foreign currency contracts	**3**	—
PC Optimum loyalty program	**—**	99
Sale of Wellwise	**—**	23
Adjusting items	**$ 38**	$ 237
Adjusted operating income	**$ 1,172**	$ 1,030
Depreciation and amortization	**613**	680
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(10)**	(115)
Adjusted EBITDA	**$ 1,775**	$ 1,595

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars)	**2025 (53 weeks)** **Total**	2024 (52 weeks) Total
Net earnings attributable to shareholders of the Company from continuing operations	**$ 2,531**	$ 1,956
Add impact of the following:		
Non-controlling interests	**71**	104
Net interest expense and other financing charges	**742**	683
Income taxes	**1,080**	731
Operating income	**$ 4,424**	$ 3,474
Add (deduct) impact of the following:		
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 149**	$ 499
Wind-down of *Theodore & Pringle* optical business	**30**	—
Sale of PC Financial	**10**	—
Fair value adjustment on non-operating properties	**4**	3
Fair value adjustment on fuel and foreign currency contracts	**3**	(5)
Charges related to settlement of class action lawsuits	**—**	164
PC Optimum loyalty program	**—**	99
Gain on sale of non-operating properties	**(2)**	(3)
Sale of Wellwise	**(5)**	23
Adjusting items	**$ 189**	$ 780
Adjusted operating income	**$ 4,613**	$ 4,254
Depreciation and amortization	**2,692**	2,918
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(149)**	(499)
Adjusted EBITDA	**$ 7,156**	$ 6,673

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 and decreased to $132 million in 2025. Annual amortization will be approximately $30 million in 2026 and 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.

Wind-down of Theodore & Pringle optical business In the third quarter of 2025, the Company entered into an agreement with Specsavers to open Specsavers locations in select Loblaw grocery stores nationwide, resulting in the wind-down of the *Theodore & Pringle* optical business operations. Accordingly, the Company recorded charges of $30 million in SG&A, primarily related to the write-down of optical equipment, labour and other closure costs.

Sale of PC Financial In the fourth quarter of 2025, the Company recorded transaction and other related costs of $10 million in connection with the Sale of PC Financial.

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.

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.

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 involving certain packaged bread products. In the second quarter of 2024, charges of $164 million were recorded in SG&A, relating to the Company's portion of the total settlement and related costs. The Settlement Agreement was approved by the Ontario Superior Court of Justice in May 2025 and the Quebec Superior Court in July 2025.

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 results of continuing operations and $30 million was recorded in the results of discontinued operations.This charge represents the revaluation of the loyalty liability for outstanding points, reflecting higher *PC Optimum* member participation and higher redemption rates.

Loss (gain) on sale of non-operating properties In the fourth quarter of 2025, the Company recorded a loss related to the sale of non-operating properties to a third party of $11 million (2024 – gain of $3 million). Year-to-date, the Company recorded a gain related to the sale of non-operating properties of $2 million (2024 – $3 million).

***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, including 42 Wellwise locations, for cash proceeds and recorded a net fair value write-down of $23 million in SG&A. The transaction closed in the first quarter of 2025 and the Company recorded a gain of $5 million in SG&A.

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

Total Company adjusted EBITDA margin is calculated as total Company adjusted EBITDA divided by revenue (including Retail and PC Financial).

	2025 (13 weeks)	2024 (12 weeks)
For the periods ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars)	**Total**	Total
Net earnings attributable to shareholders of the Company from discontinued operations	**$ 45**	$ 10
Add impact of the following:		
Net interest expense and other financing charges	**39**	37
Income taxes	**20**	12
Operating income from discontinued operations	**$ 104**	$ 59
Add (deduct) impact of the following:		
PC Optimum loyalty program	**—**	30
Recovery related to PC Bank commodity tax matter	**—**	—
Adjusting items	**$ —**	$ 30
Adjusted operating income from discontinued operations	**$ 104**	$ 89
Adjusted operating income (refer to table above)	**1,172**	1,030
Total Company adjusted operating income	**$ 1,276**	$ 1,119
Adjusted operating income from discontinued operations	**$ 104**	$ 89
Depreciation and amortization from discontinued operations	**6**	14
Adjusted EBITDA from discontinued operations	**$ 110**	$ 103
Adjusted EBITDA (refer to table above)	**1,775**	1,595
Total Company Adjusted EBITDA	**$ 1,885**	$ 1,698

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars)	2025 (53 weeks) Total	2024 (52 weeks) Total
Net earnings attributable to shareholders of the Company from discontinued operations[(i)]	**$ 136**	$ 215
Add impact of the following:		
Net interest expense and other financing charges[(i)]	**153**	138
Income taxes[(i)]	**46**	75
Operating income from discontinued operations[(i)]	**$ 335**	$ 428
Add (deduct) impact of the following:		
PC Optimum loyalty program	**—**	30
Recovery related to PC Bank commodity tax matter	**—**	(155)
Adjusting items	**$ —**	$ (125)
Adjusted operating income from discontinued operations	**$ 335**	$ 303
Adjusted operating income (refer to table above)	**4,613**	4,254
Total Company adjusted operating income	**$ 4,948**	$ 4,557
Adjusted operating income from discontinued operations	**$ 335**	$ 303
Depreciation and amortization from discontinued operations	**42**	48
Adjusted EBITDA from discontinued operations	**$ 377**	$ 351
Adjusted EBITDA (refer to table above)	**7,156**	6,673
Total Company Adjusted EBITDA	**$ 7,533**	$ 7,024

(i) For additional information, see note 5 "Assets Held for Sale and Discontinued Operations" of the Company's consolidated financial statements.

In addition to the items described in the adjusted EBITDA[(2)] section above, adjusted operating income from discontinued operations and Total Company adjusted operating income were impacted by the following:

Recovery related to PC Bank commodity tax matter 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 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.

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 January 3, 2026 and December 28, 2024 (millions of Canadian dollars)	2025 (13 weeks)	2024 (12 weeks)	2025 (53 weeks)	2024 (52 weeks)
Net interest expense and other financing charges	**$ 173**	$ 162	**$ 742**	$ 683
Adjusted net interest expense and other financing charges	**$ 173**	$ 162	**$ 742**	$ 683

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 January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025** **(13 weeks)**	2024 (12 weeks)	**2025** **(53 weeks)**	2024 (52 weeks)
Adjusted operating income[(i)]	**$ 1,172**	$ 1,030	**$ 4,613**	$ 4,254
Adjusted net interest expense and other financing charges[(i)]	**173**	162	**742**	683
Adjusted earnings before taxes	**$ 999**	$ 868	**$ 3,871**	$ 3,571
Income taxes	**$ 357**	$ 173	**$ 1,080**	$ 731
Add impact of the following:				
Tax impact of items included in adjusted earnings before taxes[(ii)]	**7**	53	**50**	196
Deferred tax on outside basis difference - Sale of PC Financial	**(107)**	—	**(107)**	—
Adjusted income taxes	**$ 257**	$ 226	**$ 1,023**	$ 927
Effective tax rate	**37.1 %**	27.4 %	**29.3 %**	26.2 %
Adjusted effective tax rate	**25.7 %**	26.0 %	**26.4 %**	26.0 %

(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.

Deferred tax on outside basis difference - Sale of PC Financial In the fourth quarter of 2025, the Company recorded a deferred tax expense of $107 million on temporary differences in respect of the Company's investment in PC Financial that are expected to reverse in the foreseeable future.

Adjusted Net Earnings Available to Common Shareholders From Continuing Operations and Adjusted Diluted Net Earnings Per Common Share From Continuing Operations The following table reconciles adjusted net earnings available to common shareholders of the Company from continuing operations and adjusted net earnings attributable to shareholders of the Company from continuing operations to net earnings attributable to shareholders of the Company and then to net earnings available to common shareholders of the Company from continuing operations for the periods ended as indicated. The Company believes that adjusted net earnings available to common shareholders from continuing operations and adjusted diluted net earnings per common share from continuing operations 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 January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025 (13 weeks)**	2024 (12 weeks)	**2025 (53 weeks)**	2024 (52 weeks)
Net earnings attributable to shareholders of the Company	**$ 656**	$ 469	**$ 2,667**	$ 2,171
Net earnings from discontinued operations	**45**	10	**136**	215
Net earnings attributable to shareholders of the Company from continuing operations	**$ 611**	$ 459	**$ 2,531**	$ 1,956
Prescribed dividends on preferred shares in share capital	**—**	(3)	**—**	(12)
Impact of preferred share redemption	**—**	(4)	**—**	(4)
Net earnings available to common shareholders of the Company from continuing operations	**$ 611**	$ 452	**$ 2,531**	$ 1,940
Net earnings attributable to shareholders of the Company from continuing operations	**$ 611**	$ 459	**$ 2,531**	$ 1,956
Adjusting items (refer to the following table)	**138**	184	**246**	584
Adjusted net earnings attributable to shareholders of the Company from continuing operations	**$ 749**	$ 643	**$ 2,777**	$ 2,540
Prescribed dividends on preferred shares in share capital	**—**	(3)	**—**	(12)
Impact of preferred share redemption	**—**	(4)	**—**	(4)
Adjusted net earnings available to common shareholders of the Company from continuing operations	**$ 749**	$ 636	**$ 2,777**	$ 2,524
Diluted weighted average common shares outstanding[4] (millions)	**1,188.0**	1,217.8	**1,199.4**	1,234.1

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.

	2025 (13 weeks)		2024 (12 weeks)		**2025 (53 weeks)**		2024 (52 weeks)	
For the periods ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars/Canadian dollars)	**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[4]	**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[4]
Continuing operations	**$ 611**	**$ 0.51**	$ 452	$ 0.37	**$ 2,531**	**$ 2.11**	$ 1,940	$ 1.58
Discontinued operations	**45**	**0.04**	10	0.01	**136**	**0.11**	215	0.17
As reported	**$ 656**	**$ 0.55**	$ 462	$ 0.38	**$ 2,667**	**$ 2.22**	$ 2,155	$ 1.75
Continuing operations	**$ 611**	**$ 0.51**	$ 452	$ 0.37	**$ 2,531**	**$ 2.11**	$ 1,940	$ 1.58
Add (deduct) impact of the following:								
Deferred tax on outside basis difference related to Sale of PC Financial	**$ 107**	**$ 0.09**	$ —	$ —	**$ 107**	**$ 0.09**	$ —	$ —
Sale of PC Financial	**9**	**0.01**	—	—	**9**	**0.01**	—	—
Loss (gain) on sale of non-operating properties	**9**	**0.01**	(3)	—	**(2)**	**—**	(3)	—
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**7**	**0.01**	84	0.07	**109**	**0.09**	367	0.30
Fair value adjustment on non-operating properties	**3**	**—**	3	—	**3**	**—**	3	—
Fair value adjustment on fuel and foreign currency contracts	**3**	**—**	—	—	**3**	**—**	(4)	—
Wind-down of *Theodore & Pringle* optical business	**—**	**—**		—	**22**	**0.02**	—	—
PC Optimum loyalty program	**—**	**—**	71	0.06	**—**	**—**	71	0.06
Charges related to settlement of class action lawsuits	**—**	**—**	—	—	**—**	**—**	121	0.10
Sale of Wellwise	**—**	**—**	29	0.02	**(5)**	**—**	29	0.01
Adjusting items from continuing operations	**$ 138**	**$ 0.12**	$ 184	$ 0.15	**$ 246**	**$ 0.21**	$ 584	$ 0.47
Adjusted continuing operations	**$ 749**	**$ 0.63**	$ 636	$ 0.52	**$ 2,777**	**$ 2.32**	$ 2,524	$ 2.05
Discontinued operations	**$ 45**	**$ 0.04**	$ 10	$ 0.01	**$ 136**	**$ 0.11**	$ 215	$ 0.17
Add (deduct) impact of the following:								
PC Optimum loyalty program	**$ —**	**$ —**	$ 23	$ 0.02	**$ —**	**$ —**	$ 23	$ 0.02
Recovery related to PC Bank commodity tax matter	**—**	**—**	—	—	**—**	**—**	(125)	(0.10)
Adjusting items from discontinued operations	**$ —**	**$ —**	$ 23	$ 0.02	**$ —**	**$ —**	$ (102)	$ (0.08)
Adjusted discontinued operations	**$ 45**	**$ 0.04**	$ 33	$ 0.03	**$ 136**	**$ 0.11**	$ 113	$ 0.09
Adjusted Total Company	**$ 794**	**$ 0.67**	$ 669	$ 0.55	**$ 2,913**	**$ 2.43**	$ 2,637	$ 2.14

Revenue (including Retail and PC Financial) The following table reconciles Revenue (including Retail and PC Financial) to Revenue for the periods ended as indicated. Revenue represents retail revenue, and is primarily comprised of Food retail and Drug retail sales. The Company believes that Revenue (including Retail and PC Financial) are useful in assessing the Company's underlying operating performance.

For the periods ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025** **(13 weeks)**	2024 (12 weeks)
Food retail[(i)]	**$ 11,433**	$ 10,284
Drug retail	**4,949**	4,441
Pharmacy and healthcare services	**2,526**	2,230
Front store	**2,423**	2,211
Revenue	**$ 16,382**	$ 14,725
PC Financial revenue (discontinued operations)	**230**	223
Revenue (including Retail and PC Financial)	**$ 16,612**	$ 14,948

(i) As a result of the announcement of the Sale of PC Financial, Food retail sales now includes revenue related to PC Services, primarily related to sales attributable to *The Mobile Shop* in the current and comparative period presented, including revenue of $140 million in the fourth quarter of 2025 (2024 – $146 million).

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025** **(53 weeks)**	2024 (52 weeks)
Food retail[(i)]	**$ 45,234**	$ 42,503
Drug retail	**18,669**	17,620
Pharmacy and healthcare services	**9,935**	9,182
Front store	**8,734**	8,438
Revenue	**$ 63,903**	$ 60,123
PC Financial revenue (discontinued operations)	**911**	891
Revenue (including Retail and PC Financial)	**$ 64,814**	$ 61,014

(i) As a result of the announcement of the Sale of PC Financial, Food retail sales now includes revenue related to PC Services, primarily related to sales attributable to *The Mobile Shop* in the current and comparative period presented, including revenue of $353 million in 2025 (2024 – $337 million).

Impact of the 13th Week and 53rd Week on Fourth Quarter and Fiscal 2025 Results The following tables provide the Company's fourth quarter and fiscal 2025 full year highlights both including and excluding the approximate impact of the 13th week to provide results on a 12-week and 52-week comparable basis, respectively.

For the periods ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025 (13 weeks)**	**2025 (12 weeks)**	2024 (12 weeks)	$ Change (13 weeks)	% Change (13 weeks)	$ Change (12 weeks)	% Change (12 weeks)
Continuing Operations (Retail)							
Revenue	**$ 16,382**	**$ 15,244**	$ 14,725	$ 1,657	11.3 %	$ 519	3.5 %
Gross profit[2]	$ 5,047	$ 4,730	$ 4,554	$ 493	10.8 %	$ 176	3.9 %
Gross profit %[2]	30.8 %	31.0 %	30.9 %				
Operating income	$ 1,134	$ 1,028	$ 793	$ 341	43.0 %	$ 235	29.6 %
Adjusted EBITDA[2]	$ 1,775	$ 1,669	$ 1,595	$ 180	11.3 %	$ 74	4.6 %
Adjusted EBITDA margin[2]	10.8 %	10.9 %	10.8 %				
Depreciation and amortization	$ 613	$ 613	$ 680	$ (67)	(9.9)%	$ (67)	(9.9)%
Total Company							
Revenue (including Retail and PC Financial)	$ 16,612	$ 15,474	$ 14,948	$ 1,664	11.1 %	$ 526	3.5 %
Adjusted EBITDA[2]	$ 1,885	$ 1,779	$ 1,698	$ 187	11.0 %	$ 81	4.8 %
Adjusted EBITDA margin[2]	11.3 %	11.5 %	11.4 %				
Net earnings available to common shareholders of the Company	**$ 656**	**$ 581**	$ 462	$ 194	42.0 %	$ 119	25.8 %
Diluted net earnings per common share[4] ($)	**$ 0.55**	**$ 0.49**	$ 0.38	$ 0.17	44.7 %	$ 0.11	28.9 %
Adjusted net earnings available to common shareholders of the Company[2]	$ 794	$ 719	$ 669	$ 125	18.7 %	$ 50	7.5 %
Adjusted diluted net earnings per common share[2],[4] ($)	$ 0.67	$ 0.61	$ 0.55	$ 0.12	21.8 %	$ 0.06	10.9 %

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)	**2025 (53 weeks)**	**2025 (52 weeks)**	2024 (52 weeks)	$ Change (53 weeks)	% Change (53 weeks)	$ Change (52 weeks)	% Change (52 weeks)
Continuing Operations (Retail)							
Revenue	**$ 63,903**	**$ 62,765**	$ 60,123	$ 3,780	6.3 %	$ 2,642	4.4 %
Gross profit[2]	$ 20,032	$ 19,715	$ 18,835	$ 1,197	6.4 %	$ 880	4.7 %
Gross profit %[2]	31.3 %	31.4 %	31.3 %				
Operating income	$ 4,424	$ 4,318	$ 3,474	$ 950	27.3 %	$ 844	24.3 %
Adjusted EBITDA[2]	$ 7,156	$ 7,050	$ 6,673	$ 483	7.2 %	$ 377	5.6 %
Adjusted EBITDA margin[2]	11.2 %	11.2 %	11.1 %				
Depreciation and amortization	$ 2,692	$ 2,692	$ 2,918	$ (226)	(7.7)%	$ (226)	(7.7)%
Total Company							
Revenue (including Retail and PC Financial)	$ 64,814	$ 63,676	$ 61,014	$ 3,800	6.2 %	$ 2,662	4.4 %
Adjusted EBITDA[2]	$ 7,533	$ 7,427	$ 7,024	$ 509	7.2 %	$ 403	5.7 %
Adjusted EBITDA margin[2]	11.6 %	11.7 %	11.5 %				
Net earnings available to common shareholders of the Company	**$ 2,667**	**$ 2,592**	$ 2,155	$ 512	23.8 %	$ 437	20.3 %
Diluted net earnings per common share[4] ($)	**$ 2.22**	**$ 2.16**	$ 1.75	$ 0.47	26.9 %	$ 0.41	23.4 %
Adjusted net earnings available to common shareholders of the Company[2]	$ 2,913	$ 2,838	$ 2,637	$ 276	10.5 %	$ 201	7.6 %
Adjusted diluted net earnings per common share[2], [4] ($)	$ 2.43	$ 2.37	$ 2.14	$ 0.29	13.6 %	$ 0.23	10.7 %

Free Cash Flow The following table reconciles cash flows from operating activities to free cash flow. 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 January 3, 2026 and December 28, 2024 (millions of Canadian dollars)	**2025 (13 weeks)**	2024 (12 weeks)	**2025 (53 weeks)**	2024 (52 weeks)
Cash flows from operating activities Total Company	**$ 2,197**	$ 1,587	**$ 6,264**	$ 5,802
Cash flows from operating activities from discontinued operations	**(210)**	(214)	**319**	316
Cash flows from operating activities from continuing operations	**$ 2,407**	$ 1,801	**$ 5,945**	$ 5,486
Less:				
Capital investments[(i)]	**716**	619	**2,030**	2,162
Interest paid	**58**	51	**307**	295
Lease payments, net	**394**	250	**1,698**	1,488
Free cash flow from continuing operations	**$ 1,239**	$ 881	**$ 1,910**	$ 1,541
Cash flows from operating activities from discontinued operations	**$ (210)**	$ (214)	**$ 319**	$ 316
Less:				
Capital investments	**6**	9	**32**	38
Interest paid	**53**	48	**148**	148
Lease payments, net	**—**	—	**—**	—
Free cash flow from discontinued operations	**$ (269)**	$ (271)	**$ 139**	$ 130
Free cash flow from Total Company	**$ 970**	$ 610	**$ 2,049**	$ 1,671

(i) 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 year. There were no prepayments transferred to fixed assets for the years ended January 3, 2026 and December 28, 2024.

Debt to 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.

- ***Debt to Adjusted EBITDA*** Total Company debt, excluding debt related to PC Financial divided by adjusted EBITDA from continuing operations for the last four quarters. See Section 6.2 "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. See Section 6.4 "Financial Condition" of this MD&A.
- ***Adjusted Return on Capital*** Tax-effected total Company adjusted operating income for the last four quarters divided by average capital where capital is defined as total Company debt, plus equity attributable to shareholders of the Company, less cash and cash equivalents, and short term investments, including cash and cash equivalents and short term investments classified as held for sale. See Section 6.4 "Financial Condition" of this MD&A.

Same-Store Sales Same-store sales are retail 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 and Adjusted EBITDA 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 from continuing operations reported for the quarters and years ended as indicated.

					2025					2024	2023
(unaudited) (millions of Canadian dollars)	**First Quarter (12 weeks)**	**Second Quarter (12 weeks)**	**Third Quarter (16 weeks)**	**Fourth Quarter (13 weeks)**	**Total (53 weeks)**	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	Total (52 weeks)
Net earnings attributable to shareholders of the Company from continuing operations	**$ 481**	**$ 693**	**$ 746**	**$ 611**	**$ 2,531**	$ 429	$ 443	$ 625	$ 459	$1,956	$2,051
Add (deduct) impact of the following:											
Non-controlling interests	**19**	**43**	**16**	**(7)**	**71**	27	38	40	(1)	104	87
Net interest expense and other financing charges	**162**	**173**	**234**	**173**	**742**	158	153	210	162	683	660
Income taxes	**176**	**259**	**288**	**357**	**1,080**	165	173	220	173	731	717
Operating income	**$ 838**	**$ 1,168**	**$1,284**	**$ 1,134**	**$4,424**	$ 779	$ 807	$1,095	$ 793	$3,474	$3,515
Add (deduct) impact of the following:											
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 116**	**$ 9**	**$ 14**	**$ 10**	**$ 149**	$ 114	$ 115	$ 155	$ 115	$ 499	$ 499
Wind-down of *Theodore & Pringle* optical business	**—**	**—**	**30**	**—**	**30**	—	—	—	—	—	—
Sale of PC Financial	**—**	**—**	**—**	**10**	**10**	—	—	—	—	—	—
Fair value adjustment on non-operating properties	**—**	**—**	**—**	**4**	**4**	—	—	—	3	3	9
Charges related to settlement of class action lawsuits	**—**	**—**	**—**	**—**	**—**	—	164	—	—	164	—
PC Optimum loyalty program	**—**	**—**	**—**	**—**	**—**	—	—	—	99	99	—
Fair value adjustment on fuel and foreign currency contracts	**(1)**	**2**	**(1)**	**3**	**3**	(7)	2	—	—	(5)	16
Impact related to sale of Wellwise	**(5)**	**—**	**—**	**—**	**(5)**	—	—	—	23	23	—
(Gain) loss on sale of non-operating properties	**(14)**	**(1)**	**2**	**11**	**(2)**	—	—	—	(3)	(3)	(12)
Adjusting items	**$ 96**	**$ 10**	**$ 45**	**$ 38**	**$ 189**	$ 107	$ 281	$ 155	$ 237	$ 780	$ 512
Adjusted operating income	**$ 934**	**$ 1,178**	**$1,329**	**$ 1,172**	**$ 4,613**	$ 886	$1,088	$1,250	$1,030	$4,254	$4,027
Depreciation and amortization	**691**	**588**	**800**	**613**	**2,692**	678	669	891	680	2,918	2,850
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(116)**	**(9)**	**(14)**	**(10)**	**(149)**	(114)	(115)	(155)	(115)	(499)	(499)
Adjusted EBITDA	**$1,509**	**$1,757**	**$ 2,115**	**$1,775**	**$ 7,156**	$1,450	$1,642	$1,986	$1,595	$6,673	$6,378

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

(unaudited) (millions of Canadian dollars)	**2025** **(53 weeks)**	2024 (52 weeks)	2023 (52 weeks)
Net earnings attributable to shareholders of the Company from discontinued operations	**$ 136**	$ 215	$ 49
Add (deduct) impact of the following:			
Net interest expense and other financing charges	**153**	138	143
Income taxes	**46**	75	(3)
Operating income	**$ 335**	$ 428	$ 189
Add (deduct) impact of the following:			
PC Optimum loyalty program	**—**	30	—
(Recoveries) charge related to PC Bank commodity tax matter	**—**	(155)	24
Adjusting items	**$ —**	$ (125)	$ 24
Adjusted operating income from discontinued operations	**$ 335**	$ 303	$ 213
Adjusted operating income (refer to table above)	**4,613**	4,254	4,027
Total Company adjusted operating income	**$ 4,948**	$ 4,557	$ 4,240
Adjusted operating income from discontinued operations	**$ 335**	$ 303	$ 213
Depreciation and amortization from discontinued operations	**42**	48	56
Adjusted EBITDA from discontinued operations	**$ 377**	$ 351	$ 269
Adjusted EBITDA (refer to table above)	**7,156**	6,673	6,378
Total Company Adjusted EBITDA	**$ 7,533**	$ 7,024	$ 6,647

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)	**2025** **(53 weeks)**	2024 (52 weeks)	2023 (52 weeks)
Net interest expense and other financing charges	**$ 742**	$ 683	$ 660
Adjusted net interest expense and other financing charges	**$ 742**	$ 683	$ 660

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)	**2025** **(53 weeks)**	2024 (52 weeks)	2023 (52 weeks)
Adjusted operating income[(i)]	**$ 4,613**	$ 4,254	$ 4,027
Adjusted net interest expense and other financing charges[(i)]	**742**	683	660
Adjusted earnings before taxes	**$ 3,871**	$ 3,571	$ 3,367
Income taxes	**$ 1,080**	$ 731	$ 717
Add impact of the following:			
Tax impact of items included in adjusted earnings before taxes[(ii)]	**50**	196	137
Deferred tax on outside basis difference - Sale of PC Financial	**(107)**	—	—
Adjusted income taxes	**$ 1,023**	$ 927	$ 854
Effective tax rate	**29.3 %**	26.2 %	25.1%
Adjusted effective tax rate	**26.4 %**	26.0 %	25.4%

(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 From Continuing Operations and Adjusted Diluted Net Earnings Per Common Share From Continuing Operations The following tables reconcile adjusted net earnings available to common shareholders of the Company from continuing operations and adjusted diluted net earnings per common share from continuing operations to GAAP net earnings available to common shareholders of the Company from continuing operations and diluted net earnings per common share from continuing operations as reported for the quarters and years ended as indicated.

	2025					2024					2023
(unaudited) (millions of Canadian dollars	**First Quarter (12 weeks)**	**Second Quarter (12 weeks)**	**Third Quarter (16 weeks)**	**Fourth Quarter (13 weeks)**	**Total (53 weeks)**	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)	Total (52 weeks)
Continuing operations	**$ 481**	**$ 693**	**$ 746**	**$ 611**	**$ 2,531**	$ 426	$ 440	$ 622	$ 452	$ 1,940	$ 2,039
Discontinued operations	**$ 22**	**$ 21**	**$ 48**	**$ 45**	**$ 136**	$ 33	$ 17	$ 155	10	$ 215	$ 49
As reported	**$ 503**	**$ 714**	**$ 794**	**$ 656**	**$ 2,667**	$ 459	$ 457	$ 777	$ 462	$ 2,155	$ 2,088
Continuing operations	**$ 481**	**$ 693**	**$ 746**	**$ 611**	**$ 2,531**	$ 426	$ 440	$ 622	$ 452	$ 1,940	$ 2,039
Add (deduct) impact of the following[(i)]:											
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 86**	**$ 6**	**$ 10**	**$ 7**	**$ 109**	$ 84	$ 84	$ 115	$ 84	$ 367	$ 367
Wind-down of *Theodore & Pringle* optical business	**—**	**—**	**22**	**—**	**22**	—	—	—	—	—	—
Deferred tax on outside basis difference related to Sale of PC Financial	**—**	**—**	**—**	**107**	**107**	—	—	—	—	—	—
Charges related to settlement of class action lawsuits	**—**	**—**	**—**	**—**	**—**	—	121	—	—	121	—
PC Optimum loyalty program	**—**	**—**	**—**	**—**	**—**	—	—	—	71	71	—
Fair value adjustment on non-operating properties	**—**	**—**	**—**	**3**	**3**	—	—	—	3	3	6
Sale of PC Financial	**—**	**—**	**—**	**9**	**9**	—	—	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**(1)**	**2**	**(1)**	**3**	**3**	(6)	2	—	—	(4)	12
Impact related to sale of Wellwise	**(5)**	**—**	**—**	**—**	**(5)**	—	—	—	29	29	—
(Gain) loss on sale of non-operating properties	**(13)**	**(1)**	**3**	**9**	**(2)**	—	—	—	(3)	(3)	(10)
Adjusting items	**$ 67**	**$ 7**	**$ 34**	**$ 138**	**$ 246**	$ 78	$ 207	$ 115	$ 184	$ 584	$ 375
Adjusted continuing operations	**$ 548**	**$ 700**	**$ 780**	**$ 749**	**$ 2,777**	$ 504	$ 647	$ 737	$ 636	$ 2,524	$ 2,414
Discontinued operations	**$ 22**	**$ 21**	**$ 48**	**$ 45**	**$ 136**	$ 33	$ 17	$ 155	$ 10	$ 215	$ 49
Add (deduct) impact of the following[(i)]:											
PC Optimum loyalty program	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	$ —	$ —	$ —	$ 23	$ 23	$ —
Recovery related to PC Bank commodity tax matter	**—**	**—**	**—**	**—**	**—**	—	—	(125)	—	(125)	17
Adjusting items	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	$ —	$ —	$ (125)	$ 23	$ (102)	$ 17
Adjusted discontinued operations	**$ 22**	**$ 21**	**$ 48**	**$ 45**	**$ 136**	$ 33	$ 17	$ 30	$ 33	$ 113	$ 66
Adjusted[(i)] Total Company	**$ 570**	**$ 721**	**$ 828**	**$ 794**	**$ 2,913**	$ 537	$ 664	$ 767	$ 669	$ 2,637	$ 2,480

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

(unaudited) ($ except where otherwise indicated)	2025 First Quarter (12 weeks)	2025 Second Quarter (12 weeks)	2025 Third Quarter (16 weeks)	2025 Fourth Quarter (13 weeks)	2025 Total (53 weeks)	2024 First Quarter (12 weeks)	2024 Second Quarter (12 weeks)	2024 Third Quarter (16 weeks)	2024 Fourth Quarter (12 weeks)	2024 Total (52 weeks)	2023 Total (52 weeks)
Continuing operations	**$ 0.40**	**$ 0.58**	**$ 0.62**	**$ 0.51**	**$ 2.11**	$ 0.34	$ 0.36	$ 0.51	$ 0.37	$ 1.58	$ 1.59
Discontinued operations	**$ 0.02**	**$ 0.01**	**$ 0.04**	**$ 0.04**	**$ 0.11**	$ 0.03	$ 0.01	$ 0.12	$ 0.01	$ 0.17	$ 0.04
As reported	**$ 0.42**	**$ 0.59**	**$ 0.66**	**$ 0.55**	**$ 2.22**	$ 0.37	$ 0.37	$ 0.63	$ 0.38	$ 1.75	$ 1.63
Continuing operations	**$ 0.40**	**$ 0.58**	**$ 0.62**	**$ 0.51**	**$ 2.11**	$ 0.34	$ 0.36	$ 0.51	$ 0.37	$ 1.58	$ 1.59
Add (deduct) impact of the following[i]:											
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 0.07**	**$ 0.01**	**$ 0.01**	**$ 0.01**	**$ 0.09**	$ 0.07	$ 0.07	$ 0.09	$ 0.07	$ 0.30	$ 0.29
Wind-down of *Theodore & Pringle* optical business	**—**	**—**	**0.02**	**—**	**0.02**	—	—	—	—	—	—
Deferred tax on outside basis difference related to Sale of PC Financial	**—**	**—**	**—**	**0.09**	**0.09**	—	—	—	—	—	—
Charges related to settlement of class action lawsuits	**—**	**—**	**—**	**—**	**—**	—	0.10	—	—	0.10	—
PC Optimum loyalty program	**—**	**—**	**—**	**—**	**—**	—	—	—	0.06	0.06	—
Fair value adjustment on non-operating properties	**—**	**—**	**—**	**—**	**—**	—	—	—	—	—	0.01
Sale of PC Financial	**—**	**—**	**—**	**0.01**	**0.01**	—	—	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**—**	**—**	**—**	**—**	**—**	(0.01)	—	—	—	—	0.01
Impact related to sale of Wellwise	**(0.01)**	**—**	**—**	**—**	**—**	—	—	—	0.02	0.01	—
(Gain) loss on sale of non-operating properties	**(0.01)**	**—**	**—**	**0.01**	**—**	—	—	—	—	—	(0.01)
Adjusting items	**$ 0.05**	**$ 0.01**	**$ 0.03**	**$ 0.12**	**$ 0.21**	$ 0.06	$ 0.17	$ 0.09	$ 0.15	$ 0.47	$ 0.30
Adjusted continuing operations	**$ 0.45**	**$ 0.59**	**$ 0.65**	**$ 0.63**	**$ 2.32**	$ 0.40	$ 0.53	$ 0.60	$ 0.52	$ 2.05	$ 1.89
Discontinued operations	**$ 0.02**	**$ 0.01**	**$ 0.04**	**$ 0.04**	**$ 0.11**	$ 0.03	$ 0.01	$ 0.12	$ 0.01	$ 0.17	$ 0.04
Add (deduct) impact of the following[i]:											
PC Optimum loyalty program	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	$ —	$ —	$ —	$ 0.02	$ 0.02	$ —
(Recoveries) Charges related to PC Bank commodity tax matters	**—**	**—**	**—**	**—**	**—**	—	—	(0.10)	—	(0.10)	0.01
Adjusting items	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	$ —	$ —	$ (0.10)	$ 0.02	$ (0.08)	$ 0.01
Adjusted discontinued operations	**$ 0.02**	**$ 0.01**	**$ 0.04**	**$ 0.04**	**$ 0.11**	$ 0.03	$ 0.01	$ 0.02	$ 0.03	$ 0.09	$ 0.05
Adjusted Total Company	**$ 0.47**	**$ 0.60**	**$ 0.69**	**$ 0.67**	**$ 2.43**	$ 0.43	$ 0.54	$ 0.62	$ 0.55	$ 2.14	$ 1.94
Diluted weighted average common shares outstanding[4] (millions)	**1,210.3**	**1,203.9**	**1,195.4**	**1,188.0**	**1,199.4**	1,247.7	1,235.4	1,227.7	1,217.8	1,234.1	1,280.0

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

Non-GAAP and Other Financial Measures Change Effective First Quarter of 2026 Starting in the first quarter of 2026, fair value adjustments on certain investments, including venture investments, classified as fair value through profit and loss will be considered an adjusting item given their nature, magnitude and propensity to re-occur. The adjusting item meets the requisite criteria under the Company's Non-GAAP and Other Financial Measures Policy effective since 2021. These fair value adjustments will be reported together with other fair value adjustments on fuel and foreign currency. This change will take effect in the first quarter of 2026 with restatement of comparative periods at that time.

The below summary reconciles the non-GAAP and other financial measures as reported to those reported under the new policy starting in the first quarter of 2026. Adjusted operating income and Adjusted EBITDA from continuing operations are presented below:

(millions of Canadian dollars)					**2025**					2024
	First Quarter (12 weeks)	**Second Quarter (12 weeks)**	**Third Quarter (16 weeks)**	**Fourth Quarter (13 weeks)**	**Total (53 weeks)**	First Quarter (12 weeks)	Second Quarter (12 weeks)	Third Quarter (16 weeks)	Fourth Quarter (12 weeks)	Total (52 weeks)
Adjusted (as reported)										
EBITDA	**$ 1,509**	**$ 1,757**	**$ 2,115**	**$ 1,775**	**$ 7,156**	$ 1,450	$ 1,642	$ 1,986	$ 1,595	$ 6,673
Operating income	**$ 934**	**$ 1,178**	**$ 1,329**	**$ 1,172**	**$ 4,613**	$ 886	$ 1,088	$ 1,250	$ 1,030	$ 4,254
Add (deduct):										
Fair value adjustments on investments	**$ —**	**$ (9)**	**$ (11)**	**$ (1)**	**$ (21)**	$ 1	$ (4)	$ (1)	$ (12)	$ (16)
Adjusted (restated)										
EBITDA	**$ 1,509**	**$ 1,748**	**$ 2,104**	**$ 1,774**	**$ 7,135**	$ 1,451	$ 1,638	$ 1,985	$ 1,583	$ 6,657
Operating income	**$ 934**	**$ 1,169**	**$ 1,318**	**$ 1,171**	**$ 4,592**	$ 887	$ 1,084	$ 1,249	$ 1,018	$ 4,238

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net earnings per Common Share are presented below:

										2025
	First Quarter (12 weeks)		**Second Quarter (12 weeks)**		**Third Quarter (16 weeks)**		**Fourth Quarter (13 weeks)**		**Total (53 weeks)**	
(millions of Canadian dollars/ Canadian dollars)	**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**	**Net Earnings Available to Common Shareholders of the Company**	**Diluted Net Earnings Per Common Share**
Adjusted (as reported)										
Continuing operations	$ 548	$ 0.45	$ 700	$ 0.59	$ 780	$ 0.65	$ 749	$ 0.63	$ 2,777	$ 2.32
Discontinued operations	$ 22	$ 0.02	$ 21	$ 0.01	$ 48	$ 0.04	$ 45	$ 0.04	$ 136	$ 0.11
Total Company[(i)]	**$ 570**	**$ 0.47**	**$ 721**	**$ 0.60**	**$ 828**	**$ 0.69**	**$ 794**	**$ 0.67**	**$ 2,913**	**$ 2.43**
Add (deduct):										
Fair value adjustments on investments[(ii)]	**$ —**	**$ —**	**$ (8)**	**$ (0.01)**	**$ (10)**	**$ (0.01)**	**$ (1)**	**$ —**	**$ (19)**	**$ (0.02)**
Adjusted (restated)										
Continuing operations	$ 548	$ 0.45	$ 692	$ 0.58	$ 770	$ 0.64	$ 748	$ 0.63	$ 2,758	$ 2.30
Discontinued operations	$ 22	$ 0.02	$ 21	$ 0.01	$ 48	$ 0.04	$ 45	$ 0.04	$ 136	$ 0.11
Total Company[(i)(iii)]	**$ 570**	**$ 0.47**	**$ 713**	**$ 0.59**	**$ 818**	**$ 0.68**	**$ 793**	**$ 0.67**	**$ 2,894**	**$ 2.41**

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

(ii) Fair value adjustments on investments relate to continuing operations.

(iii) Excluding the 53rd week in 2025, restated total Company adjusted diluted net earnings per common share for the fourth quarter and full year 2025 were $0.60 and $2.35, respectively.

										2024
	First Quarter (12 weeks)		Second Quarter (12 weeks)		Third Quarter (16 weeks)		Fourth Quarter (12 weeks)		Total (52 weeks)	
(millions of Canadian dollars/ Canadian dollars)	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	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share
Adjusted (as reported)										
Continuing operations	$ 504	$ 0.40	$ 647	$ 0.53	$ 737	$ 0.60	$ 636	$ 0.52	$ 2,524	$ 2.05
Discontinued operations	$ 33	$ 0.03	$ 17	$ 0.01	$ 30	$ 0.02	$ 33	$ 0.03	$ 113	$ 0.09
Total Company[(i)]	**$ 537**	**$ 0.43**	**$ 664**	**$ 0.54**	**$ 767**	**$ 0.62**	**$ 669**	**$ 0.55**	**$ 2,637**	**$ 2.14**
Add (deduct):										
Fair value adjustments on investments[(ii)]	**$ 1**	**$ —**	**$ (3)**	**$ —**	**$ (1)**	**$ —**	**$ (10)**	**$ (0.01)**	**$ (13)**	**$ (0.01)**
Adjusted (restated)										
Continuing operations	$ 505	$ 0.40	$ 644	$ 0.53	$ 736	$ 0.60	$ 626	$ 0.51	$ 2,511	$ 2.04
Discontinued operations	$ 33	$ 0.03	$ 17	$ 0.01	$ 30	$ 0.02	$ 33	$ 0.03	$ 113	$ 0.09
Total Company[(i)]	**$ 538**	**$ 0.43**	**$ 661**	**$ 0.54**	**$ 766**	**$ 0.62**	**$ 659**	**$ 0.54**	**$ 2,624**	**$ 2.13**

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

(ii) Fair value adjustments on investments relate to continuing operations.

This change did not impact previously reported gross profit, gross profit percentage, or adjusted net interest expense and other financing charges, as reported in the Company's 2025 annual and 2025 interim MD&A.

17. 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 24, 2026
Toronto, Canada

MD&A Endnotes

(1) For financial definitions and ratios, see the Glossary of Terms section included within the Company's 2025 Annual Report.

(2) See Section 16 "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".

(4) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025. For additional information, see note 22 "Share Capital" of the Company's consolidated financial statements.

(5) Results are presented on a comparable number of week basis. Comparable number of weeks would be 12 weeks versus 12 weeks or 52 weeks versus 52 weeks.

Financial Results

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Management's Statement of Responsibility for Financial Reporting

Management of Loblaw Companies Limited is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements, Management's Discussion and Analysis and all other information in the 2025 Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgments and estimates necessary to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. It also includes ensuring that the financial information presented elsewhere in the 2025 Annual Report is consistent with that in the consolidated financial statements.

Management is also responsible for providing reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced. Management is required to design a system of internal controls and certify as to the design and operating effectiveness of internal control over financial reporting. A dedicated control compliance team reviews and evaluates internal controls, the results of which are shared with management on a quarterly basis.

PricewaterhouseCoopers LLP, whose report follows, were appointed as independent auditors by a vote of the Company's shareholders to audit the consolidated financial statements.

The Board of Directors, acting through an Audit Committee comprised solely of directors who are independent, are responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. The Audit Committee meets regularly with senior and financial management, internal auditors and the independent auditors to discuss internal controls, auditing activities and financial reporting matters. The independent auditors and internal auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in the 2025 Annual Report based on the review and recommendation of the Audit Committee.

Toronto, Canada
February 24, 2026

[signed]
Per Bank
President and Chief Executive Officer

[signed]
Richard Dufresne
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Loblaw Companies Limited

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Loblaw Companies Limited and its subsidiaries (together, the Company) as at January 3, 2026 and December 28, 2024, and its financial performance and its cash flows for the 53-week year ended January 3, 2026 and for the 52-week year ended December 28, 2024 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of earnings for the 53-week year ended January 3, 2026 and for the 52-week year ended December 28, 2024;
- the consolidated statements of comprehensive income for the 53-week year ended January 3, 2026 and for the 52-week year ended December 28, 2024;
- the consolidated statements of changes in equity for the 53-week year ended January 3, 2026 and for the 52-week year ended December 28, 2024;
- the consolidated balance sheets as at January 3, 2026 and December 28, 2024;
- the consolidated statements of cash flows for the 53-week year ended January 3, 2026 and for the 52-week year ended December 28, 2024; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the 53-week year ended January 3, 2026. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment of impairment indicators for fixed assets and right-of-use assets for retail locations

Refer to note 2 – Accounting Policies, note 3 – Critical Accounting Estimates and Judgments, note 13 – Fixed Assets and note 27 – Leases to the consolidated financial statements.

As at January 3, 2026, the Company had fixed assets of $7,670 million and right-of-use assets of $8,558 million. At each balance sheet date, management reviews the carrying amounts of its fixed assets and right-of-use assets at the Cash Generating Unit (CGU) level to determine whether there is any indication of impairment. Judgment is used to determine whether an indication of impairment exists; if any such indication exists, the CGU is then tested for impairment. In applying this judgment, management considers profitability of the CGU and other qualitative factors. Management determined that each retail location is a separate CGU for purposes of fixed asset and right-of-use asset impairment testing. The fixed assets and right-of-use assets related to the retail location CGUs represent a significant portion of the Company's fixed assets and right-of-use assets.

Management identified indications of impairment for certain retail location CGUs and therefore an impairment test was performed for these CGUs. An impairment loss is recognized for the amount by which the CGU's carrying value exceeds its recoverable amount.

For the 53-week year ended January 3, 2026, the Company recorded $27 million of impairment losses on fixed assets and $19 million of impairment losses on right-of-use assets in respect of 18 retail location CGUs. We considered this a key audit matter due to the judgments made by management in assessing the indications of impairment. This resulted in significant audit effort and subjectivity in performing procedures to assess the indications of impairment.

We considered this a key audit matter due to the judgments made by management in assessing the indications of impairment. This resulted in significant audit effort and subjectivity in performing procedures to assess the indications of impairment.

Our approach to addressing the matter included the following procedures, among others:

- Evaluated management's assessment of indications of impairment, which included the following:
  - Assessed the reasonableness of the profitability of the CGUs on a sample basis by considering the actual historical performance of the CGUs.
  - Assessed other qualitative factors by considering evidence obtained in other areas of the audit.
  - Tested the underlying data used in the indications of impairment assessment on a sample basis by tracing to supporting documentation and testing the mathematical accuracy.
  - Performed a sensitivity analysis over indications of impairment.
- Tested the disclosures made in the consolidated financial statements with regards to the impairment assessments of the retail location CGUs.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the 2025 Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Anita McOuat.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
February 24, 2026

Consolidated Statements of Earnings

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars except where otherwise indicated)		**2025**		2024[i]
Revenue	**$**	**63,903**	$	60,123
Cost of sales (note 12)		**43,871**		41,288
Selling, general and administrative expenses		**15,608**		15,361
Operating income	**$**	**4,424**	$	3,474
Net interest expense and other financing charges (note 7)		**742**		683
Earnings before income taxes	**$**	**3,682**	$	2,791
Income taxes (note 8)		**1,080**		731
Net earnings from continuing operations	**$**	**2,602**	$	2,060
Net earnings from discontinued operations		**136**		215
Net earnings	**$**	**2,738**	$	2,275
Attributable to:				
Shareholders of the Company (note 9)	**$**	**2,667**	$	2,171
Non-controlling interests		**71**		104
Net earnings	**$**	**2,738**	$	2,275
Net earnings per common share ($) - Basic[ii] (note 9)	**$**	**2.24**	$	1.77
Continuing operations		**2.13**		1.59
Discontinued operations		**0.11**		0.18
Net earnings per common share ($) - Diluted[ii] (note 9)	**$**	**2.22**	$	1.75
Continuing operations		**2.11**		1.58
Discontinued operations		**0.11**		0.17
Weighted average common shares outstanding (millions)[ii] (note 9)				
Basic		**1,188.0**		1,220.2
Diluted		**1,199.4**		1,234.1

(i) Adjusted to reflect discontinued operations. See note 5 “Assets Held for Sale and Discontinued Operations”.
(ii) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars)		**2025**		2024[i]
Net earnings from continuing operations	**$**	**2,602**	$	2,060
Other comprehensive (loss) income, net of taxes				
Items that are or may be subsequently reclassified to profit or loss:				
Foreign currency translation gains	**$**	**1**	$	3
Unrealized losses on cash flow hedges (note 28)		**(7)**		(7)
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial (losses) gains (note 24)		**(42)**		76
Other comprehensive (loss) income, net of taxes, from continuing operations	**$**	**(48)**	$	72
Comprehensive income from continuing operations	**$**	**2,554**	$	2,132
Net earnings from discontinued operations	**$**	**136**	$	215
Other comprehensive (loss) income, net of taxes, from discontinued operations		**(3)**		1
Comprehensive income from discontinued operations	**$**	**133**	$	216
Total comprehensive income	**$**	**2,687**	$	2,348
Attributable to:				
Shareholders of the Company	**$**	**2,616**	$	2,244
Non-controlling interests		**71**		104
Total comprehensive income	**$**	**2,687**	$	2,348

(i) Adjusted to reflect discontinued operations. See note 5 “Assets Held for Sale and Discontinued Operations”.

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated)	Common Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Fair Value Adjustments	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at December 28, 2024	**$6,196**	**$4,748**	**$ 115**	$ 44	$ (18)	$ 6	**$ 32**	**$ 175**	**$11,266**
Net earnings	**$ —**	**$2,667**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 71**	**$ 2,738**
Other comprehensive income	**—**	**(42)**	**—**	1	(10)	—	**(9)**	**—**	**(51)**
Total comprehensive income	**$ —**	**$2,625**	**$ —**	$ 1	$ (10)	$ —	**$ (9)**	**$ 71**	**$ 2,687**
Common shares purchased and cancelled (note 22)	**(192)**	**(1,889)**	**—**	—	—	—	**—**	**—**	**(2,081)**
Effect of equity-based compensation (note 22 and 25)	**67**	**—**	**15**	—	—	—	**—**	**—**	**82**
Shares purchased and held in trust (note 22)	**(6)**	**(65)**	**—**	—	—	—	**—**	**—**	**(71)**
Shares released from trust (note 22 and 25)	**10**	**39**	**—**	—	—	—	**—**	**—**	**49**
Dividends declared per common share – $0.551475[i] (note 22)	**—**	**(654)**	**—**	—	—	—	**—**	**—**	**(654)**
Net distribution to non-controlling interests	**—**	**—**	**(4)**	—	—	—	**—**	**(82)**	**(86)**
	$ (121)	**$ 56**	**$ 11**	$ 1	$ (10)	$ —	**$ (9)**	**$ (11)**	**$ (74)**
Balance as at January 3, 2026	**$6,075**	**$4,804**	**$ 126**	$ 45	$ (28)	$ 6	**$ 23**	**$ 164**	**$ 11,192**

(millions of Canadian dollars except where otherwise indicated)	Common Share Capital	Preferred Share Capital	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Fair Value Adjustments	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at December 30, 2023	$ 6,256	$ 221	**$6,477**	**$4,816**	**$ 136**	$ 41	$ (11)	$ 5	**$ 35**	**$ 155**	**$ 11,619**
Net earnings	$ —	$ —	**$ —**	**$ 2,171**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 104**	**$ 2,275**
Other comprehensive income	—	—	**—**	**76**	**—**	3	(7)	1	**(3)**	**—**	**73**
Total comprehensive income	$ —	$ —	**$ —**	**$2,247**	**$ —**	$ 3	$ (7)	$ 1	**$ (3)**	**$ 104**	**$ 2,348**
Common shares purchased and cancelled (note 22)	(232)	—	**(232)**	**(1,661)**	**—**	—	—	—	**—**	**—**	**(1,893)**
Effect of equity-based compensation (note 22 and 25)	166	—	**166**	**—**	**(21)**	—	—	—	**—**	**—**	**145**
Shares purchased and held in trust (note 22)	(8)	—	**(8)**	**(64)**	**—**	—	—	—	**—**	**—**	**(72)**
Shares released from trust (note 22 and 25)	14	—	**14**	**34**	**—**	—	—	—	**—**	**—**	**48**
Dividends declared per common share – $0.496250[i] (note 22)	—	—	**—**	**(604)**	**—**	—	—	—	**—**	**—**	**(604)**
Dividends declared per preferred share – $1.325000 (note 22)	—	—	**—**	**(12)**	**—**	—	—	—	**—**	**—**	**(12)**
Impact of preferred share redemption (note 22)	—	(221)	**(221)**	**(8)**	**—**	—	—	—	**—**	**—**	**(229)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	—	**—**	**(84)**	**(84)**
	$ (60)	$ (221)	**$ (281)**	**$ (68)**	**$ (21)**	$ 3	$ (7)	$ 1	**$ (3)**	**$ 20**	**$ (353)**
Balance as at December 28, 2024	$ 6,196	$ —	**$6,196**	**$4,748**	**$ 115**	$ 44	$ (18)	$ 6	**$ 32**	**$ 175**	**$11,266**

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Assets		
Current assets		
Cash and cash equivalents (note 10)	**$ 1,002**	$ 1,462
Short term investments	**39**	648
Accounts receivable (note 11)	**1,290**	1,455
Credit card receivables (note 5)	**—**	4,230
Inventories (note 12)	**6,491**	6,330
Prepaid expenses and other assets	**446**	376
Assets held for sale (note 5)	**5,660**	47
Total current assets	**$ 14,928**	$ 14,548
Fixed assets (note 13)	**7,670**	7,098
Right-of-use assets (note 27)	**8,558**	8,239
Investment properties (note 14)	**57**	56
Intangible assets (note 15)	**5,160**	5,446
Goodwill (note 16)	**4,433**	4,372
Deferred income tax assets (note 8)	**66**	118
Other assets (note 17)	**705**	1,003
Total assets	**$ 41,577**	$ 40,880
Liabilities		
Current liabilities		
Trade payables and other liabilities (note 18)	**$ 7,127**	$ 7,531
Loyalty liability	**124**	212
Provisions (note 19)	**85**	252
Income taxes payable	**102**	86
Demand deposits from customers	**—**	353
Short term debt	**—**	800
Long term debt due within one year (note 20)	**—**	631
Lease liabilities due within one year (note 27)	**1,584**	1,648
Associate interest	**396**	255
Liabilities associated with assets held for sale (note 5)	**4,452**	—
Total current liabilities	**$ 13,870**	$ 11,768
Provisions (note 19)	**134**	135
Long term debt (note 20)	**5,891**	7,570
Lease liabilities (note 27)	**8,830**	8,535
Deferred income tax liabilities (note 8)	**1,007**	957
Other liabilities (note 21)	**653**	649
Total liabilities	**$ 30,385**	$ 29,614
Equity		
Share capital (note 22)	**$ 6,075**	$ 6,196
Retained earnings	**4,804**	4,748
Contributed surplus (note 25)	**126**	115
Accumulated other comprehensive income	**23**	32
Total equity attributable to shareholders of the Company	**$ 11,028**	$ 11,091
Non-controlling interests	**164**	175
Total equity	**$ 11,192**	$ 11,266
Total liabilities and equity	**$ 41,577**	$ 40,880

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars)		**2025**		2024
Operating activities				
Net earnings from total operations	**$**	**2,738**	$	2,275
Add (deduct):				
Income taxes (note 8)		**1,126**		806
Net interest expense and other financing charges (note 7)		**895**		821
Adjustments to investment properties (note 5 and 14)		**4**		27
Depreciation and amortization		**2,734**		2,966
Asset impairments, net of recoveries (note 13 and 27)		**46**		32
Change in allowance for credit card receivables (note 5)		**(8)**		7
Change in provisions (note 19)		**(147)**		149
Change in non-cash working capital (note 10)		**(132)**		84
Change in gross credit card receivables (note 5)		**(2)**		(105)
Income taxes paid		**(1,002)**		(1,143)
Interest received		**20**		25
Other		**(8)**		(142)
Cash flows from operating activities	**$**	**6,264**	$	5,802
Investing activities				
Fixed asset purchases (note 13)	**$**	**(1,712)**	$	(1,823)
Intangible asset additions (note 15)		**(350)**		(377)
Purchase of short term investments		**(55)**		(184)
Proceeds from disposal of assets (note 13 and 27)		**262**		363
Lease payments received from finance leases		**10**		13
Disposal of long term securities		**100**		81
Other		**(143)**		(94)
Cash flows used in investing activities	**$**	**(1,888)**		(2,021)
Financing activities				
Decrease in bank indebtedness (note 31)	**$**	**—**	$	(13)
Decrease in short term debt		**(150)**		(50)
Increase in demand deposits from customers		**433**		187
Long term debt (note 20)				
Issued (net)		**1,059**		1,557
Repayments		**(640)**		(1,202)
Interest paid		**(455)**		(443)
Cash rent paid on lease liabilities - Interest (note 7 and 27)		**(453)**		(415)
Cash rent paid on lease liabilities - Principal (note 27)		**(1,255)**		(1,086)
Dividends paid on common and preferred shares (note 22)		**(812)**		(459)
Common share capital				
Issued (note 25)		**59**		147
Purchased and held in trust (note 22)		**(69)**		(72)
Purchased and cancelled (note 22)		**(1,875)**		(1,754)
Proceeds from financial liabilities (note 27)		**11**		—
Preferred share capital				
Purchased and cancelled (note 22)		**(225)**		—
Tax paid on repurchases of share capital		**(37)**		—
Other		**(32)**		(213)
Cash flows used in financing activities	**$**	**(4,441)**	$	(3,816)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$**	**(5)**	$	9
Change in cash and cash equivalents	**$**	**(70)**	$	(26)
Cash and cash equivalents, beginning of year		**1,462**		1,488
Cash and cash equivalents, end of year[i]	**$**	**1,392**	$	1,462

(i) The consolidated statement of cash flows is presented on a total operations basis. See note 5 “Assets Held for Sale and Discontinued Operations” for cash flow information related to discontinued operations.

See accompanying notes to the consolidated financial statements.

Note 1. Nature and Description of the Reporting Entity

Loblaw Companies Limited is a Canadian public company incorporated in 1956 and is Canada's food and pharmacy leader, and the nation's largest retailer. Its registered office is located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S5. Loblaw Companies Limited and its subsidiaries are together referred to, in these consolidated financial statements, as the “Company” or “Loblaw”.

The Company’s controlling shareholder is George Weston Limited (“Weston”), which owns approximately 52.6% of the Company’s outstanding common shares. The Company’s ultimate parent is Wittington Investments, Limited (“Wittington”). The remaining common shares are widely held.

Loblaw provides customers with grocery, pharmacy and healthcare services, other health and beauty products, apparel, general merchandise, and wireless mobile products and services. The Company also provides credit card and everyday banking services and insurance brokerage services.

On December 3, 2025, Loblaw entered into a definitive agreement (the “Transaction Agreement”) with EQB Inc. (“EQB”) pursuant to which EQB will acquire President's Choice Bank ("PC Bank"), PC Financial Insurance Agency Inc., PC Financial Insurance Broker Inc. and certain other affiliated entities of PC Bank (collectively, "PC Financial") (the “Sale of PC Financial”). EQB will acquire PC Financial for consideration satisfied through a combination of EQB shares and cash, subject to adjustment pursuant to the terms of the Transaction Agreement. Closing is expected to occur within calendar 2026, subject to customary closing conditions and regulatory approvals.

As at January 3, 2026, the assets and liabilities of PC Financial have been classified as held for sale, and PC Financial’s results, net of intersegment eliminations, have been presented separately as discontinued operations in the Company’s current and comparative results (see note 5). All notes to the consolidated financial statements relate to continuing operations unless indicated otherwise.

In connection with the closing of the Sale of PC Financial, EQB will enter into a long-term strategic relationship with Loblaw pursuant to a commercial agreement to become the exclusive financial partner of the PC Optimum™ loyalty program. Additionally, in connection with the closing of the Sale of PC Financial, EQB and Loblaw will enter into an investor rights agreement pursuant to which Loblaw will have Board of Directors nomination rights, registration rights and pre-emptive rights, and will be subject to a four-year lock-up and a standstill restricting Loblaw and its affiliates from acquiring common shares of EQB if it would bring Loblaw's ownership above 25% of the issued and outstanding EQB common shares.

The Company’s continuing retail operations are comprised of several operating segments and now represent the only reportable segment due to the similar nature of the products and services offered. All material operations are carried out in Canada. No additional segment information is reported.

Note 2. Accounting Policies

Statement of Compliance The 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 using the accounting policies described herein.

These consolidated financial statements were approved for issuance by the Company’s Board of Directors (“Board”) on February 24, 2026.

Basis of Presentation The material accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all years presented.

The consolidated financial statements are presented in Canadian dollars.

In the third quarter of 2025, the Company completed a four-for-one stock split of its outstanding common shares. The stock split was implemented by way of a stock dividend, with shareholders receiving three additional common shares for each common share held. The stock split was effective at the close of business on August 18, 2025, for shareholders of record as of the close of business on August 14, 2025. All share, equity award and per share amounts presented herein have been retrospectively adjusted to reflect the stock split (see notes 22 and 25).

Fiscal Year The fiscal year of the Company ends on the Saturday closest to December 31. Under an accounting convention common in the retail industry, the Company follows a 52-week reporting cycle, which periodically necessitates a fiscal year of 53 weeks. The year ended January 3, 2026 contained 53 weeks and the year ended December 28, 2024 contained 52 weeks.

Basis of Consolidation The consolidated financial statements include the accounts of the Company and other entities that the Company controls. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company assesses control on an ongoing basis.

Structured entities are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Structured entities are consolidated if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the structured entity. Structured entities controlled by the Company were established under terms that impose strict limitations on the decision-making powers of the structured entities' management and that results in the Company receiving the majority of the benefits related to the structured entities' operations and net assets, being exposed to the majority of risks incident to the structured entities' activities, and retaining the majority of the residual or ownership risks related to the structured entities or their assets.

Transactions and balances between the Company and its consolidated entities have been eliminated on consolidation.

Non-controlling interests are recorded in the consolidated financial statements and represent the non-controlling shareholders' equity in an entity consolidated by the Company for which the Company's ownership is less than 100%. Transactions with non-controlling interests are treated as transactions with equity owners of the Company. Changes in the Company's ownership interest in its subsidiaries are accounted for as equity transactions.

Loblaw consolidates the licensed associates ("Associates"), as well as the franchisees of its food retail stores that are subject to a simplified franchise agreement implemented in 2015. An "Associate" is a pharmacist-owner of a corporation that is licensed to operate a retail drug store at a specific location using the Company's trademarks. The consolidation of Associates and franchisees is based on the concept of control, for accounting purposes, which was determined to exist through the agreements that govern the relationships between the Company and the Associates and franchisees. Loblaw does not have any direct or indirect shareholdings in the corporations that operate the Associates. Associate interest reflects the investment the Associates have in the net assets of their businesses. Under the terms of the Associate Agreements, Shoppers Drug Mart Inc. (or an affiliate thereof) agrees to purchase the assets that the Associates use in store operations, primarily at the carrying value to the Associate, when Associate Agreements are terminated by either party. The Associates' corporations and the franchisees remain separate legal entities.

Business Combinations Business combinations are accounted for using the acquisition method as of the date when control is transferred to the Company. The Company measures goodwill as the excess of the sum of the fair value of the consideration transferred over the net identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. Transaction costs that the Company incurs in connection with a business combination, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Net Earnings per Common Share Basic net earnings per common share ("EPS") is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated by adjusting the net earnings available to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive instruments.

Revenue Recognition The Company recognizes revenue when control of the goods or services has been transferred. Revenue is measured at the amount of consideration to which the Company expects to be entitled to.

Retail Retail revenue includes the sale of goods and services to customers through corporate, franchise-owned retail food and Associate-owned drug stores, which includes in-store pharmacies, health care services and other health and beauty products, apparel and other general merchandise. Revenue is measured at the amount of consideration to which the Company expects to be entitled to, net of estimated returns and sales incentives. The Company recognizes revenue made through corporate, franchise and Associate stores at the time the point of sale is made or when service is delivered to the customers. The Company recognizes revenue made through independent wholesale customers at the time of delivery of inventory.

For certain sale of goods in which the Company earns commissions, including but not limited to lottery and third party gift cards, the Company records net revenue as an agent on the basis that the Company does not control pricing or bear inventory risk.

Financial Services Financial Services revenue includes interest income on credit card loans, credit card membership fees and service fees, commissions, and other revenue related to financial services. Interest income is recognized using the effective interest method. Credit card membership fees and service fees are recognized when services are rendered. Commission revenue is recorded on a net basis. Other revenue is recognized periodically or according to contractual provisions.

Income Taxes Current and deferred taxes are recognized in the consolidated statement of earnings, except for current and deferred taxes related to a business combination, or amounts charged directly to equity or other comprehensive income, which are recognized in the consolidated balance sheet.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the asset and liability method of accounting on temporary differences arising between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Deferred tax is measured using enacted or substantively enacted income tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. A deferred tax asset is recognized for temporary differences as well as unused tax losses and credits to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxable entities where the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recorded on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

As at January 3, 2026, the Company applied the temporary exception and does not recognize or disclose information about deferred tax assets and liabilities related to enacted legislation that implements the Organization for Economic Co-operation and Development ("OECD") Pillar Two model rules ("Pillar Two").

Cash Equivalents Cash equivalents consist of highly liquid marketable investments such as government treasury bills with an original maturity date of 90 days or less from the date of acquisition. Credit card and debit card transactions that typically process in three days or less are also classified as cash equivalents.

Short Term Investments Short term investments are investments in highly liquid and rated certificates of deposit, commercial paper or other securities, primarily Canadian and United States government securities and notes of other creditworthy parties, with an original term to maturity of more than 90 days and remaining term to maturity of less than one year from the date of acquisition.

Credit Card Receivables The Company, through PC Bank, a wholly owned subsidiary of the Company, has credit card receivables that are stated net of an allowance. Interest income is recorded in revenue and interest expense is recorded in net interest expense and other financing charges using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash receipts through the expected life of the credit card receivable (or, where appropriate, a shorter period) to the carrying amount. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For credit-impaired credit card receivables, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The Company applies the expected credit loss ("ECL") model to assess impairment on its credit card receivables at each balance sheet date. Credit card receivables are assessed collectively for impairment by applying the three-stage approach. Refer to the Impairment of Financial Assets policy for details of each stage. The application of the ECL model requires PC Bank to apply significant judgments, assumptions and estimations. Refer to the Impairment of Credit Card Receivables policy.

Impairment losses and reversals are recorded in selling, general and administrative expenses ("SG&A") in the consolidated statements of earnings with the carrying amount of the credit card receivables adjusted through the use of allowance accounts.

The Company, through PC Bank, participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. PC Bank maintains and monitors co-ownership interest in credit card receivables with independent securitization trusts, in accordance with its financing requirements. PC Bank is required to absorb a portion of the related credit losses. As a result, Loblaw has not transferred all of the risks and rewards related to these assets and continues to recognize these assets in credit card receivables. The transferred receivables are accounted for as financing transactions. The associated liabilities secured by these assets are included in either short term debt or long term debt based on their characteristics and are carried at amortized cost. Loblaw provides a standby letter of credit for the benefit of the independent securitization trusts.

Eagle Credit Card Trust PC Bank participates in a single seller revolving co-ownership securitization program with Eagle Credit Card Trust ("Eagle") and continues to service the credit card receivables on behalf of Eagle, but does not receive any fee for its servicing obligations and has a retained interest in the securitized receivables represented by the right to future cash flows after obligations to investors have been met. The Company consolidates Eagle as a structured entity.

Other Independent Securitization Trusts The Other Independent Securitization Trusts administer multi-seller, multi-asset securitization programs that acquire assets from various participants, including credit card receivables from PC Bank. These trusts are managed by major Canadian chartered banks. PC Bank does not control the trusts through voting interests and does not exercise any control over the trusts' management, administration or assets. The activities of these trusts are conducted on behalf of the participants and each trust is a conduit through which funds are raised to purchase assets through the issuance of senior and subordinated short term and medium term asset backed notes. These trusts are unconsolidated structured entities.

Inventories The Company values inventories at the lower of cost and net realizable value.

Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition. The cost of inventories are measured at weighted average cost.

The Company estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations in retail prices due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period that these costs are incurred.

Vendor Allowances The Company receives allowances from certain of its vendors whose products it purchases. These allowances are received for a variety of buying and/or merchandising activities, including vendor programs such as volume purchase allowances, purchase discounts, listing fees and exclusivity allowances. Allowances received from a vendor are a reduction in the cost of the vendor's products and services, and are recognized as a reduction in the cost of sales and the related inventory in the consolidated statement of earnings and the consolidated balance sheet, respectively, when it is probable that they will be received and the amount of the allowance can be reliably estimated. Amounts received but not yet earned are presented in other liabilities as deferred vendor allowances.

Certain exceptions apply if the consideration is a payment for goods or services delivered to the vendor or for direct reimbursement of selling costs incurred to promote goods. The consideration is then recognized as a reduction of the cost incurred in the consolidated statements of earnings.

Assets Held for Sale and Discontinued Operations Non-current assets or disposal groups are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of the carrying amount or fair value less cost to sell and are not depreciated. The fair value measurement of assets held for sale is categorized within Level 2 of the fair value hierarchy. Assets that were previously classified as investment properties are measured using the fair value model consistent with properties classified as investment properties.

The Company classifies as discontinued operations a component or an entity that has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount in net earnings from discontinued operations in the consolidated statements of earnings. Comparative amounts are re-presented as if the operation had been discontinued from the beginning of the comparative year.

Fixed Assets Fixed assets are recognized and subsequently measured at cost less accumulated depreciation and any net accumulated impairment losses.

Borrowing costs directly attributable to the acquisition, construction or production of fixed assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings, are capitalized to the cost of those fixed assets, based on a quarterly weighted average cost of borrowing. All other borrowing costs are expensed as incurred and recognized in net interest expense and other financing charges.

Gains and losses on disposal of fixed assets are determined by comparing the fair value of proceeds from disposal with the net book value of the assets and are recognized net, in operating income. For transactions in which the sale of a fixed asset satisfies the requirements of IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), and the asset is leased back by the Company, the Company recognizes, in operating income, only the amount of gains or losses that relate to the rights transferred to the purchaser.

Fixed assets are depreciated on a straight-line basis over their estimated useful lives to their estimated residual value when the assets are available for use. When significant parts of a fixed asset have different useful lives, they are accounted for as separate components and depreciated separately. Estimated useful lives are as follows:

Buildings	10 to 40 years
Equipment and fixtures	2 to 20 years
Building improvements	up to 10 years
Leasehold improvements	Lesser of term of the lease and useful life up to 25 years[(i)]

(i) If it is reasonably certain that the Company will obtain ownership of the leased asset by the end of the lease term, the associated leasehold improvements are depreciated over the useful life of the asset on the same basis as owned assets.

Fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of Non-Financial Assets policy.

Leases

As a Lessee At inception of a contract, the Company determines whether a contract is or contains a lease. When a contract contains both lease and non-lease components, the Company will allocate the consideration in the contract to each of the components on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. Relative stand-alone prices are determined by maximizing the most observable supplier prices for a similar asset and/or service.

The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the leased asset is available for use by the Company. Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate are recognized in cost of sales and SG&A on the most systematic basis.

The measurement of lease liabilities includes the fixed and in-substance fixed payments and variable lease payments that depend on an index or a rate, less any lease incentives receivable. If applicable, lease liabilities will also include a purchase option exercise price if the Company is reasonably certain to exercise that option, termination penalties if the lease term also reflects the termination option and amounts expected to be payable under a residual value guarantee. Subsequent to initial measurement, the Company measures lease liabilities at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a change in management's assessment of whether it will exercise a renewal or termination option or a change in future lease payments due to a change in index or rate. Right-of-use assets are adjusted by the same remeasurement amount.

Right-of-use assets are measured at the initial amount of the lease liabilities plus any initial direct costs, lease payments made at or before the commencement date net of lease incentives received, and decommissioning costs. Subsequent to initial measurement, the Company applies the cost model with the exception of the fair value model application to right-of-use assets that meet the definition of investment properties. Right-of-use assets are measured at cost less accumulated depreciation, net accumulated impairment losses, and any remeasurements of lease liabilities. The assets are depreciated on a straight-line basis over the earlier of the assets' useful lives or the end of the lease terms. Right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Refer to the Impairment of Non-Financial Assets policy.

Discount rates used in the present value calculation are the interest rates implicit in the leases, or if the rates cannot be readily determined, the Company's incremental borrowing rates. Lease terms applied are the contractual non-cancellable periods of the leases plus periods covered by an option to renew the leases if the Company is reasonably certain to exercise that option and the periods covered by an option to terminate the leases if the Company is reasonably certain not to exercise that option.

For sale and leaseback transactions, the Company applies the requirements of IFRS 15 to determine whether the transfer of the asset should be accounted for as a sale. If the transfer of the asset is a sale in accordance with IFRS 15, the Company will measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. If the transfer of the asset is not a sale in accordance with IFRS 15, the Company will continue to account for the asset under International Accounting Standard ("IAS") 16, "Property, Plant and Equipment" and recognize the proceeds received as financial liabilities.

Investment Properties Investment properties are properties owned by the Company that are held to either earn rental income, for capital appreciation, or both. The Company's investment properties include single tenant properties held to earn rental income and certain multiple tenant properties. Land and buildings leased to franchisees are not accounted for as investment properties as these properties are related to the Company's operating activities.

Investment property assets are measured using the fair value model. Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Gains and losses arising from changes in the fair value are recognized in operating income in the period in which they arise. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

When a property changes from own use to investment property, the property is remeasured to fair value. Any gain arising from the remeasurement is recognized in operating income to the extent that it reverses a previous impairment loss on that property, with any remaining gain recognized in other comprehensive income. Any loss on remeasurement is recognized in operating income. All subsequent changes in fair value of the property are recognized in operating income. Upon sale of an investment property that was previously classified as fixed assets, amounts included in the revaluation reserve are transferred to retained earnings.

When an investment property carried at fair value changes to own use, the property is recognized in fixed assets at the fair value at the date of change in use. The property is subsequently accounted for under the accounting policy for fixed assets.

Goodwill Goodwill arising in a business combination is recognized as an asset at the date that control is acquired. Goodwill is subsequently measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment on an annual basis or more frequently if there are indicators that goodwill may be impaired as described in the Impairment of Non-Financial Assets policy.

Intangible Assets Intangible assets with finite lives are measured at cost less accumulated amortization and any accumulated impairment losses. These intangible assets are amortized on a straight-line basis over their estimated useful lives and are tested for impairment as described in the Impairment of Non-Financial Assets policy. Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually. Amortization expense for intangible assets is recognized in SG&A. Estimated useful lives are as follows:

Software	3 to 10 years
Prescription files	7 to 8 years
Loyalty program	18 years
Customer relationships	5 to 20 years

Indefinite life intangible assets are measured at cost less any accumulated impairment losses. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired as described in the Impairment of Non-Financial Assets policy.

Impairment of Non-Financial Assets At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets at the cash generating unit ("CGU") level, other than inventories, deferred tax assets and investment properties, to determine whether there is any indication of impairment. If any such indication exists, the asset is then tested for impairment by comparing its recoverable amount to its carrying value. Goodwill and indefinite life intangible assets are tested for impairment at least annually.

For the purpose of impairment testing, assets, including right-of-use assets, are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets. This grouping is referred to as a CGU. The Company has determined that each retail location is a separate CGU for purposes of impairment testing.

Goodwill arising from a business combination is tested for impairment at the minimum grouping of CGUs that are expected to benefit from the synergies of the business combination from which the goodwill arose.

The recoverable amount of a CGU or CGU grouping is the higher of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows from the CGU or CGU grouping discounted to their present value using a pre-tax discount rate in a discounted cash flow model that reflects current market assessments of the time value of money and the risks specific to the CGU or CGU grouping. If the CGU or CGU grouping includes right-of-use assets in its carrying amount, the pre-tax discount rate reflects the risks associated with the exclusion of lease payments from the estimated future cash flows. The fair value less costs to sell reflects the amount that could be obtained from the disposal of the CGU or CGU grouping in an arm's length transaction between knowledgeable and willing parties, net of estimates of the costs of disposal.

An impairment loss is recognized if the carrying amount of a CGU or CGU grouping exceeds its recoverable amount. For asset impairments other than goodwill, the impairment loss reduces the carrying amounts of the non-financial assets in the CGU on a pro-rata basis, up to an asset's individual recoverable amount. Any loss identified from goodwill impairment testing is first applied to reduce the carrying amount of goodwill allocated to the CGU grouping, and then to reduce the carrying amounts of the other non-financial assets in the CGU or CGU grouping on a pro-rata basis.

For assets other than goodwill, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

Impairment losses and reversals are recognized in SG&A.

Customer Loyalty Awards Program The Company defers revenue at the time the award is earned by loyalty program members ("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 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. The majority of the Company's loyalty liability, a contract liability, is expected to be redeemed and recognized as revenue within one year of issuance.

Financial Instruments and Derivative Financial Instruments Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Upon initial recognition, financial instruments, including derivatives and embedded derivatives in certain contracts, are measured at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using valuation methodologies, primarily discounted cash flows taking into account external market inputs where possible. The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

The following table summarizes the classification and measurement of the Company's financial assets and liabilities:

Asset / Liability	Classification / Measurement
Cash and cash equivalents	Amortized cost
Short term investments	Amortized cost
Accounts receivable	Amortized cost
Credit card receivables	Amortized cost
Certain other assets	Amortized cost / fair value through profit and loss
Long term securities	Fair value through other comprehensive income
Bank indebtedness	Amortized cost
Trade payables and other liabilities	Amortized cost
Demand deposits from customers	Amortized cost
Short term debt	Amortized cost
Long term debt	Amortized cost
Associate interest	Amortized cost
Certain other liabilities	Amortized cost
Derivatives	Fair value through profit and loss / fair value through other comprehensive income

Financial derivative instruments in the form of forwards and futures, as well as non-financial derivatives in the form of futures contracts, options contracts and forward contracts, are recorded at fair value on the consolidated balance sheet. The Company does not use derivative instruments for speculative purposes. Embedded derivatives are separated from the host contract and accounted for separately on the consolidated balance sheet at fair value if the host contract is not a financial asset. Derivative instruments are recorded in current or non-current assets and liabilities based on their remaining terms to maturity. All changes in fair values of the derivative instruments are recorded in net earnings unless the derivative qualifies and is effective as a hedging item in a designated hedging relationship.

The Company has cash flow hedges which are used to manage exposure to fluctuations in foreign currency exchange and interest rates. The effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. If the change in fair value of the hedging item is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net earnings. The Company ensures that the hedge accounting relationships are aligned with the Company's risk management objectives and strategy and applies a more qualitative and forward-looking approach to assessing hedge effectiveness. The Company's risk management strategy and hedging activities are disclosed in note 28 "Financial Instruments" and note 29 "Financial Risk Management".

Gains and losses on financial assets and financial liabilities classified as fair value through profit and loss ("FVTPL") are recognized in net earnings in the period in which they are incurred. Settlement date accounting is used to account for the purchase and sale of financial assets. Gains or losses between the trade date and settlement date on FVTPL financial assets are recorded in net earnings. Financial instruments classified as fair value though other comprehensive income ("FVOCI") are measured at fair value with changes in fair value recorded in other comprehensive income in the period in which they arise. Subsequent changes in fair value are accumulated in other comprehensive income and are reclassified to the consolidated statement of earnings as the financial asset or liability is derecognized.

Valuation Process The determination of the fair value of financial instruments is performed by the Company's treasury and financial reporting departments on a quarterly basis. There was no change in the valuation techniques applied to financial instruments during the current year. The following table describes the valuation techniques used in the determination of the fair values of financial instruments:

Type	Valuation Approach
Cash and cash equivalents, short term investments, accounts receivable, credit card receivables, bank indebtedness, trade payables and other liabilities, demand deposits from customers and short term debt	The carrying amount approximates fair value due to the short term maturity of these instruments.
Derivatives	Specific valuation techniques used to value derivative financial instruments include: • Quoted market prices or dealer quotes for similar instruments; and • The fair values of other derivative instruments are determined based on observable market information as well as valuations determined by external valuators with experience in financial markets.
Long term debt and certain other financial instruments	The fair value is based on the present value of contractual cash flows, discounted at the Company's current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, quoted market prices.

Impairment of Financial Assets The Company applies a forward-looking ECL model at each balance sheet date to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments.

The ECL model applied to financial assets requires judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset. Consideration of how changes in economic factors affect ECLs are determined on a probability-weighted basis.

Impairment losses and reversals are recorded in SG&A with the carrying amount of the financial asset or group of financial assets adjusted through the use of allowance accounts.

Foreign Currency Translation The functional currency of the Company is the Canadian dollar.

Transactions in foreign currencies are translated into the functional currency at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the balance sheet date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in operating income.

The assets and liabilities of foreign operations that have a functional currency different from that of the Company, including goodwill and fair value adjustments arising on acquisition, are translated into the functional currency at the foreign currency exchange rate in effect at the balance sheet date. Revenues and expenses of foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are transacted. The resulting foreign currency exchange gains or losses are recognized in the foreign currency translation adjustment as part of other comprehensive income. When such foreign operation is disposed of, the related foreign currency translation reserve is recognized in net earnings as part of the gain or loss on disposal. On the partial disposal of such foreign operation, the relevant proportion is reclassified to net earnings.

Defined Benefit Post-Employment Plans The Company has a number of contributory and non-contributory defined benefit post-employment plans providing pension and other benefits to eligible employees. The defined benefit pension plans provide a pension based on length of service and eligible pay. The other defined benefits include health care, life insurance and dental benefits provided to eligible employees who retire at certain ages having met certain service requirements. The Company's net defined benefit plan obligations (assets) for each plan are actuarially calculated by a qualified actuary at the end of each annual reporting period using the projected unit credit method pro-rated based on service and management's best estimate of the discount rate, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate of health care costs. The discount rate used to value the defined benefit plan obligation is based on high quality corporate bonds denominated in the same currency with cash flows that match the terms of the defined benefit plan obligations. Past service costs (credits) arising from plan amendments are recognized in operating income in the year that they arise. The actuarially determined net interest costs on the net defined benefit plan obligation are recognized in net interest expense and other financing charges.

The fair values of plan assets are deducted from the defined benefit plan obligations to arrive at the net defined benefit plan obligations (assets). For plans that result in a net defined benefit asset, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan ("asset ceiling"). If it is anticipated that the Company will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements, the net defined benefit asset is reduced to the amount of the asset ceiling. When the payment in the future of minimum funding requirements related to past service would result in a net defined benefit surplus or an increase in a surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions.

Remeasurements including actuarial gains and losses, the effect of the asset ceiling (if applicable) and the impact of any minimum funding requirements are recognized through other comprehensive income and subsequently reclassified from accumulated other comprehensive income to retained earnings.

The Company also participates in pension plans with Weston. The Company has established a stated policy to allocate the net defined benefit cost to the Company and Weston based on the obligation attributable to plan participants, provided by a third-party actuary. Both the service cost and contribution to be paid are determined based on the actuarial valuation.

Other Long Term Employee Benefit Plans The Company offers other long term employee benefits including contributory long term disability benefits and non-contributory continuation of health care and dental benefits to employees who are on long term disability leave. As the amount of the long term disability benefit does not depend on length of service, the obligation is recognized when an event occurs that gives rise to an obligation to make payments. The accounting for other long term employee benefit plans is similar to the method used for defined benefit plans except that all actuarial gains and losses are recognized in operating income.

Defined Contribution Plans The Company maintains a number of defined contribution pension plans for employees in which the Company pays fixed contributions for eligible employees into a registered plan and has no further significant obligation to pay any further amounts. The costs of benefits for defined contribution plans are expensed as employees have rendered service.

Multi-Employer Pension Plans The Company participates in multi-employer pension plans ("MEPPs") which are accounted for as defined contribution plans. The Company's responsibility to make contributions to these plans is limited to amounts established pursuant to its collective agreements. Defined benefit MEPPs are accounted for as defined contribution plans as adequate information to account for the Company's participation in the plans is not available due to the size and number of contributing employers in the plans. The contributions made by the Company to MEPPs are expensed as contributions are due.

Equity-Settled Equity-Based Compensation Plans Stock options, Restricted Share Units ("RSUs"), Performance Share Units ("PSUs"), Director Deferred Share Units ("DSUs") and Executive Deferred Share Units ("EDSUs") issued by the Company are substantially all settled in common shares and are accounted for as equity-settled awards.

Stock options outstanding have a seven year term to expiry, vest 20% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is based on the greater of the volume weighted average trading price of the Company's common share for either the five trading days prior to the date of grant or the trading day immediately preceding the grant date. The fair value of each tranche of options granted is measured separately at the grant date using a Black-Scholes option pricing model, and includes the following assumptions:

- The expected dividend yield is estimated based on the expected annual dividend prior to the option grant date and the closing share price as at the option grant date;
- The expected share price volatility is estimated based on the Company's historical volatility over a period consistent with the expected life of the options;
- The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the grant date for a term to maturity equal to the expected life of the options; and
- The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on historical experience and general option holder behaviour.

RSUs and PSUs vest after the end of a three year performance period. The number of PSUs that vest is based on the achievement of specified performance measures. The fair value of each RSU and PSU granted is measured separately at the grant date based on the market value of a Loblaw common share. Dividends paid may be reinvested in RSUs and PSUs and are treated as capital transactions.

The Company established a trust for each of the RSU and PSU plans to facilitate the purchase of shares for future settlement upon vesting. The Company is the sponsor of the respective trusts and has assigned Computershare Trust Company of Canada as the trustee. The trusts are considered structured entities and are consolidated in the Company's financial statements with the cost of the acquired shares recorded at book value as a reduction to share capital. Any premium on the acquisition of the shares above book value is applied to retained earnings until the shares are issued to settle RSU and PSU plan obligations.

Members of the Board, who are not management of the Company, may elect to receive a portion of their annual retainers and fees in the form of DSUs. Eligible executives of the Company may elect to defer up to 100% of the Short Term Incentive Plan earned in any year into the EDSU plan. Dividends paid earn fractional DSUs and EDSUs, respectively and are treated as capital transactions. DSUs and EDSUs vest upon grant.

The compensation expense for equity-settled plans is prorated over the vesting or performance period, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures.

Upon exercise of options, the amount accumulated in contributed surplus for the award plus the cash received upon exercise is recognized as an increase in share capital. Upon settlement of RSUs and PSUs, the amount accumulated in contributed surplus for the award is reclassified to share capital, with any premium or discount applied to retained earnings.

Employee Share Ownership Plan The Company's contributions to the Employee Share Ownership Plan ("ESOP") are measured at cost and recorded as compensation expense in operating income when the contribution is made. The ESOP is administered through a trust which purchases the Company's common shares on the open market on behalf of its employees.

Note 3. 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 these consolidated financial statements, 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. The Company's accounting policies are disclosed in note 2 "Accounting Policies".

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).

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.

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 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.

Impairment of Credit Card Receivables

Judgments Made in Relation to Accounting Policies Applied and Key Estimations In each stage of the 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.

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 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 related to the revaluation of the loyalty liability for outstanding points.

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.

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 information technology ("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. Therefore, there is only one reportable segment and no additional segment information is reported.

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.

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.

Note 4. 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. 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 adoption is not expected to have a material impact on the Company’s consolidated financial statements.

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.

Note 5. Assets Held for Sale and Discontinued Operations

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Assets held for sale	**$ 5,660**	$ 47
PC Financial	**5,654**	—
Other[i]	**6**	47
Liabilities associated with assets held for sale	**$ 4,452**	$ —
PC Financial	**4,452**	—

(i) The Company classifies certain assets, primarily land and buildings, that it expects to sell in the next 12 months, as assets held for sale. These assets were either originally used or held in investment properties. In 2025, the Company disposed of six properties (2024 – three) included in assets held for sale for proceeds of $41 million (2024 – $24 million) and recognized a net gain of $2 million (2024 – net gain of $3 million). A net fair value write-down of $9 million was also recognized in 2024 related to assets held for sale.

PC Financial The results of discontinued operations presented in the consolidated statements of earnings is as follows:

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars)	2025	2024
Revenue	**$ 911**	$ 891
Selling, general and administrative expenses	**576**	463
Operating income	**$ 335**	$ 428
Net interest expense and other financing charges	**153**	138
Earnings before income taxes	**$ 182**	$ 290
Income taxes	**46**	75
Net earnings from discontinued operations	**$ 136**	$ 215
Attributable to:		
Shareholders of the Company	**$ 136**	$ 215

The major classes of assets and liabilities of PC Financial classified as held for sale were as follows:

(millions of Canadian dollars)	As at January 3, 2026
Assets	
Cash and cash equivalents	**$ 390**
Short term investments	**664**
Accounts receivable	**46**
Credit card receivables[(i)]	**4,240**
Prepaid expenses and other assets	**46**
Fixed assets	**1**
Intangible assets	**68**
Deferred income tax assets	**43**
Other assets	**156**
Assets held for sale	**$ 5,654**
Liabilities	
Trade payables and other liabilities	**205**
Loyalty liability	**50**
Provisions	**21**
Income taxes payable	**17**
Demand deposits from customers	**786**
Debt[(ii)]	**3,372**
Other liabilities	**1**
Liabilities associated with assets held for sale	**$ 4,452**

Upon closing of the Sale of PC Financial, cash in excess of a certain threshold will be distributed to Loblaw pursuant to the terms of the Transaction Agreement. As at January 3, 2026, this excess amount represented $344 million and was included in assets held for sale. This amount will vary each reporting period based on the financial position of PC Bank.

The net cash flows from (used in) discontinued operations are as follows:

For the years ended January 3, 2026 and December 28, 2024 (millions of Canadian dollars)	**2025**	2024
Cash flows from operating activities	**$ 319**	$ 316
Cash flows from (used in) investing activities	**40**	(157)
Cash flows used in financing activities	**(260)**	(378)
Cash flows from (used in) discontinued operations	**$ 99**	$ (219)

(i) Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	**As at January 3, 2026**	As at December 28, 2024
Gross credit card receivables	**$ 4,495**	$ 4,493
Allowance for credit card receivables	**(255)**	(263)
Credit card receivables	**$ 4,240**	$ 4,230
Securitized to independent securitization trusts:		
Securitized to Eagle Credit Card Trust	**$ 1,450**	$ 1,450
Securitized to Other Independent Securitization Trusts	**650**	800
Total securitized to independent securitization trusts	**$ 2,100**	$ 2,250

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 associated liabilities of credit card receivables securitized to the Eagle and Other Independent Securitization Trusts are recorded in debt.

The securitization agreements between PC Bank and the Other Independent Securitization Trusts are renewed and extended on an annual basis. The existing agreements were renewed in 2025, with their respective maturity dates extended to 2027 and with all other terms and conditions remaining substantially the same.

As at January 3, 2026, PC Bank recorded a $150 million net decrease of co-ownership interest in the securitized receivables held with the Independent Securitization Trusts as a result of rebalancing of the funding portfolio.

The undrawn commitments on facilities available from the Other Independent Securitization Trusts as at January 3, 2026 were $150 million (December 28, 2024 – $100 million).

The Company has arranged letters of credit on behalf of PC Bank for the benefit of the independent securitization trusts (see note 31).

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 January 3, 2026 and throughout 2025.

The following table provides gross carrying amounts of credit card receivables by internal risk ratings for credit risk management purposes:

				As at January 3, 2026
(millions of Canadian dollars)	**12-month ECL (Stage 1)**	**Lifetime ECL-not credit impaired (Stage 2)**	**Lifetime ECL-credit impaired (Stage 3)**	**Total**
Low risk	**$ 2,217**	**$ 9**	**$ —**	**$ 2,226**
Moderate risk	**1,251**	**36**	**—**	**1,287**
High risk	**618**	**305**	**59**	**982**
Total gross carrying amount	**$ 4,086**	**$ 350**	**$ 59**	**$ 4,495**
ECL allowance	**(107)**	**(101)**	**(47)**	**(255)**
Net carrying amount	**$ 3,979**	**$ 249**	**$ 12**	**$ 4,240**

				As at December 28, 2024
(millions of Canadian dollars)	12-month ECL (Stage 1)	Lifetime ECL-not credit impaired (Stage 2)	Lifetime ECL-credit impaired (Stage 3)	Total
Low risk	$ 2,264	$ 10	$ —	$ 2,274
Moderate risk	1,240	41	—	1,281
High risk	587	298	53	938
Total gross carrying amount	$ 4,091	$ 349	$ 53	$ 4,493
ECL allowance	(112)	(108)	(43)	(263)
Net carrying amount	$ 3,979	$ 241	$ 10	$ 4,230

The following are continuities of the Company's allowance for credit card receivables for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)				**As at January 3, 2026**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance, beginning of year	**$ 112**	**$ 108**	**$ 43**	**$ 263**
Increase / (decrease) during the year:				
Transfers[i]				
To Stage 1	**30**	**(30)**	**—**	**—**
To Stage 2	**(7)**	**9**	**(2)**	**—**
To Stage 3	**(4)**	**(31)**	**35**	**—**
New loans originated[ii]	**20**	**14**	**7**	**41**
Net remeasurements[iii]	**(44)**	**31**	**145**	**132**
Write-offs	**—**	**—**	**(220)**	**(220)**
Recoveries	**—**	**—**	**39**	**39**
Balance, end of year	**$ 107**	**$ 101**	**$ 47**	**$ 255**

(i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.
(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.
(iii) Net remeasurements includes the impact from changes in loan balances, model enhancements and credit quality during the year.

(millions of Canadian dollars)				As at December 28, 2024
	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	$ 104	$ 110	$ 42	$ 256
Increase / (decrease) during the year:				
Transfers[i]				
To Stage 1	41	(41)	—	—
To Stage 2	(7)	9	(2)	—
To Stage 3	(4)	(28)	32	—
New loans originated[ii]	16	9	3	28
Net remeasurements[iii]	(38)	49	155	166
Write-offs	—	—	(218)	(218)
Recoveries	—	—	31	31
Balance, end of year	$ 112	$ 108	$ 43	$ 263

(i) Transfers reflect allowance movements between stages for loans that were recognized as of the beginning of the year.
(ii) New loans originated reflect the stage of loan, and the related loan balance, as of the end of the year.
(iii) Net remeasurements includes the impact from changes in loan balances, model enhancements and credit quality during the year.

The allowances for credit card receivables recorded in the consolidated balance sheets are maintained at a level which is considered adequate to endure credit-related losses on credit card receivables.

(ii) Debt related to PC Financial

The components of debt related to PC Financial were as follows:

(millions of Canadian dollars)	As at January 3, 2026
Guaranteed Investment Certificates (0.70% – 5.45%, due 2026 – 2031)	**$ 1,282**
Eagle Credit Card Trust	
1.61%, due 2026	**300**
4.78%, due 2027	**232**
5.63%, due 2027	**9**
6.83%, due 2027	**9**
5.13%, due 2028	**232**
6.11%, due 2028	**9**
7.36%, due 2028	**9**
4.92%, due 2029	**325**
5.87%, due 2029	**12**
7.12%, due 2029	**12**
3.92%, due 2030	**279**
4.77%, due 2030	**11**
6.07%, due 2030	**11**
Other Independent Securitization Trusts	**650**
Transaction costs and other	**(10)**
Total debt	**$ 3,372**

Significant debt transactions are described below.

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions, in 2025:

(millions of Canadian dollars)	2025
Balance, beginning of year	**$ 1,477**
GICs issued	**145**
GICs matured	**(340)**
Balance, end of year	**$ 1,282**

Eagle Credit Card Trust The notes issued by Eagle are debentures, which are collateralized by PC Bank's credit card receivables.

During 2025, Eagle issued $300 million of senior and subordinated term notes with a maturity date of June 17, 2030. These notes have a weighted average interest rate of 4.02%. In connection with this issuance, $150 million of bond forward agreements were settled, resulting in a realized fair value loss of $1 million before income taxes. The loss on the bond forwards will be reclassified to net earnings over the life of the notes. This settlement resulted in a net effective interest rate of 4.07% on the notes issued.

Senior and subordinated term notes of $300 million at a weighted average interest rate of 1.34%, previously issued by Eagle, matured and were repaid on July 17, 2025.

Covenants and Regulatory Requirements The Company is subject to externally imposed capital requirements from the Office of the Superintendent of Financial Institutions ("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. PC Bank is also subject to OSFI's Guideline on Liquidity Adequacy Requirements ("LARs"). The LARs guideline establishes standards based on the Basel III framework, including a Liquidity Coverage Ratio standard. As at January 3, 2026 and throughout the year, PC Bank has met all applicable regulatory requirements.

Note 6. Wind-down and Business Disposition

Wind-down of Theodore & Pringle® optical business In the third quarter of 2025, the Company entered into an agreement with Specsavers Canada Inc. ("Specsavers") to open Specsavers locations in select Loblaw grocery stores nationwide, resulting in the wind-down of the *Theodore & Pringle* optical business operations. Accordingly, the Company recorded charges of $30 million in SG&A, primarily related to the write-down of optical equipment, labour and other closure costs.

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 by Shoppers™ ("Wellwise") business for cash proceeds. As at December 28, 2024, $43 million of assets and $19 million of liabilities related to the disposal group were classified as held-for-sale. The transaction closed in the first quarter of 2025. For the year ended January 3, 2026, the Company recorded a gain of $5 million (2024 – write-down of $23 million) in SG&A.

Note 7. Net Interest Expense and Other Financing Charges

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

(millions of Canadian dollars)		**2025**		2024[i]
Interest expense and other financing charges				
Lease liabilities (note 27)	**$**	**453**	$	415
Long term debt[ii]		**265**		241
Independent funding trusts		**30**		35
Financial liabilities (note 27)		**14**		14
Post-employment and other long term employee benefits (note 24)[iii]		**1**		5
Bank indebtedness		**1**		1
	$	**764**	$	711
Interest income				
Accretion income	**$**	**(3)**	$	(2)
Short term interest income		**(19)**		(26)
	$	**(22)**	$	(28)
Net interest expense and other financing charges from continuing operations	**$**	**742**	$	683

(i) Adjusted to reflect discontinued operations. See note 5 "Assets Held for Sale and Discontinued Operations".

(ii) Includes borrowing costs of $29 million (2024 – $37 million), which were capitalized related to the construction of the Company's automated distribution facilities.

(iii) Includes $5 million net interest income (2024 – $1 million net interest income) from post-employment benefits and $6 million interest expense (2024 – $6 million interest expense) from other long term employee benefits.

Note 8. Income Taxes

The components of income taxes recognized in the consolidated statements of earnings were as follows:

(millions of Canadian dollars)		**2025**		2024[i]
Current income taxes				
Current period	**$**	**1,012**	$	920
Adjustments in respect of prior periods		**(6)**		8
	$	**1,006**	$	928
Deferred income taxes				
Origination and reversal of temporary differences	**$**	**58**	$	(189)
Adjustments in respect of prior periods		**16**		(8)
	$	**74**	$	(197)
Income taxes from continuing operations	**$**	**1,080**	$	731

(i) Adjusted to reflect discontinued operations. See note 5 “Assets Held for Sale and Discontinued Operations”.

Income tax (recovery) expense recognized in equity and other comprehensive (loss) income were as follows:

(millions of Canadian dollars)		**2025**		2024
Net defined benefit plan actuarial (losses) gains (note 24)	**$**	**(16)**	$	28
Unrealized losses on cash flow hedges (note 28)		**(2)**		(3)
Equity-based compensation expenses	**$**	**(4)**	$	—
Net income tax (recovery) expense recognized in equity and other comprehensive (loss) income	**$**	**(22)**	$	25

The effective tax rates in the consolidated statements of earnings were reported at rates different than the weighted average basic Canadian federal and provincial statutory income tax rates for the following reasons:

	2025	2024[i]
Weighted average basic Canadian federal and provincial statutory income tax rate	**26.5 %**	26.5 %
Net increase (decrease) resulting from:		
Non-deductible and non-taxable items	**(0.1)%**	(0.4)%
Adjustments in respect of prior periods	**0.2 %**	— %
Deferred tax on outside basis difference	**2.9 %**	— %
Other	**(0.2)%**	0.1 %
Effective tax rate applicable to earnings before income taxes	**29.3 %**	26.2 %

(i) Adjusted to reflect discontinued operations. See note 5 “Assets Held for Sale and Discontinued Operations”.

Unrecognized deferred income tax assets Deferred income tax assets were not recognized on the consolidated balance sheets in respect of the following items:

(millions of Canadian dollars)	**2025**	2024
Deductible temporary differences	**$ 20**	$ 21
Non-capital loss carryforwards	**194**	199
Unrecognized deferred tax assets	**$ 214**	$ 220

Certain non-capital loss carryforwards expire in the years 2029 to 2044. The deductible temporary differences do not expire under current income tax legislation. Deferred income tax assets were not recognized in respect of these items because it is not probable that future taxable income will be available to the Company to utilize the benefits.

Recognized deferred income tax assets and liabilities Deferred income tax assets and liabilities were attributable to the following:

(millions of Canadian dollars)	**As at January 3, 2026**	As at December 28, 2024
Trade payables and other liabilities	**$ 38**	$ 99
Other liabilities	**209**	224
Lease liabilities	**2,730**	2,670
Fixed assets	**(517)**	(589)
Right-of-use assets	**(2,244)**	(2,160)
Goodwill and intangible assets	**(1,125)**	(1,146)
Non-capital loss carryforwards (expiring 2029 to 2044)	**20**	45
Outside basis difference	**(107)**	—
Other	**55**	18
Net deferred income tax liabilities	**$ (941)**	$ (839)
Recorded on the consolidated balance sheets as follows:		
Deferred income tax assets	**$ 66**	$ 118
Deferred income tax liabilities	**(1,007)**	(957)
Net deferred income tax liabilities	**$ (941)**	$ (839)

Global Minimum Tax (Pillar Two) In December 2021, the OECD issued model rules for a new global minimum tax framework. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company operates, and is effective for the Company's fiscal year ended January 3, 2026.

The Company is applying the exception to recognizing and disclosing information about deferred tax asset and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

The Company has not recognized any Pillar Two income taxes in the consolidated statements of earnings from continuing operations in 2025 or 2024.

Note 9. Basic and Diluted Earnings per Common Share

(millions of Canadian dollars unless otherwise indicated)		**2025**		2024[i]
Net earnings attributable to shareholders of the Company	**$**	**2,667**	$	2,171
Less: Net earnings from discontinued operations		**(136)**		(215)
Net earnings from continuing operations attributable to shareholders of the Company		**2,531**		1,956
Dividends on preferred shares in equity (note 22)		**—**		(12)
Impact of preferred share redemption (note 22)		**—**		(4)
Net earnings from continuing operations available to common shareholders	**$**	**2,531**	$	1,940
Basic weighted average common shares outstanding (in millions)[ii] (note 22)		**1,188.0**		1,220.2
Dilutive effect of equity-based compensation[ii]		**9.6**		11.8
Dilutive effect of certain other liabilities[ii]		**1.8**		2.1
Diluted weighted average common shares outstanding (in millions)[ii]		**1,199.4**		1,234.1
Net earnings per common share ($) - Basic[ii]	**$**	**2.24**	$	1.77
Continuing operations		**2.13**		1.59
Discontinued operations		**0.11**		0.18
Net earnings per common share ($) - Diluted[ii]	**$**	**2.22**	$	1.75
Continuing operations		**2.11**		1.58
Discontinued operations		**0.11**		0.17

(i) Adjusted to reflect discontinued operations. See note 5 “Assets Held for Sale and Discontinued Operations”.

(ii) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

As at January 3, 2026, there were no potentially dilutive instruments (December 28, 2024 – nil) excluded from the computation of diluted net earnings per common share as they were anti-dilutive.

Note 10. Cash and Cash Equivalents and Change in Non-cash Working Capital

The components of cash and cash equivalents and change in non-cash working capital were as follows:

Cash and cash equivalents

(millions of Canadian dollars)	**As at January 3, 2026**	As at December 28, 2024
Cash	**$ 998**	$ 1,240
Cash equivalents	**4**	222
Total cash and cash equivalents	**$ 1,002**	$ 1,462

Change in Non-cash Working Capital

(millions of Canadian dollars)	**As at January 3, 2026**	As at December 28, 2024
Accounts receivable	**$ 130**	$ (170)
Prepaid expenses and other assets	**(126)**	(52)
Inventories	**(161)**	(510)
Trade payables and other liabilities	**(56)**	839
Other	**81**	(23)
Change in non-cash working capital[(i)]	**$ (132)**	$ 84

(i) The change in non-cash working capital is presented on a total operations basis.

Note 11. Accounts Receivable

The following are continuities of the Company's allowances for uncollectible accounts receivable for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)	**2025**	2024
Allowances, beginning of year	**$ (39)**	$ (36)
Net write-offs (additions)	**3**	(3)
Allowances, end of year	**$ (36)**	$ (39)

Credit risk associated with accounts receivable is discussed in note 29 "Financial Risk Management".

Note 12. Inventories

For inventories recorded as at January 3, 2026, the Company has an inventory provision of $29 million (December 28, 2024 – $32 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of sales. There were no reversals of previously recorded write-downs of inventories during 2025 and 2024.

Note 13. Fixed Assets

The following are continuities of the cost and the accumulated depreciation of fixed assets for the years ended January 3, 2026 and December 28, 2024:

	2025					
(millions of Canadian dollars)	Land	Buildings and building improvements	Equipment and fixtures	Leasehold improvements	Assets under construction	Total
Cost						
Balance, beginning of year	$ 172	$ 1,492	$ 11,724	$ 5,009	$ 1,436	$ 19,833
Additions	—	—	363	79	1,310	1,752
Business acquisitions	—	—	—	1	—	1
Disposals	(35)	(184)	(98)	(15)	—	(332)
Net transfer to assets held for sale (note 5)	3	—	(44)	—	—	(41)
Net transfer to investment properties (note 14)	(5)	(1)	—	—	—	(6)
Transfer from assets under construction	16	699	843	314	(1,872)	—
Balance, end of year	$ 151	$ 2,006	$ 12,788	$ 5,388	$ 874	$ 21,207
Accumulated depreciation						
Balance, beginning of year	$ 3	$ 865	$ 8,532	$ 3,333	$ 2	$ 12,735
Depreciation	—	44	671	285	—	1,000
Impairment losses	—	4	19	17	—	40
Reversal of impairment losses	(1)	—	(2)	(5)	—	(8)
Disposals	—	(76)	(96)	(15)	—	(187)
Net transfer to assets held for sale (note 5)	—	—	(43)	—	—	(43)
Balance, end of year	$ 2	$ 837	$ 9,081	$ 3,615	$ 2	$ 13,537
Carrying amount as at: January 3, 2026	$ 149	$ 1,169	$ 3,707	$ 1,773	$ 872	$ 7,670

	2024					
(millions of Canadian dollars)	Land	Buildings and building improvements	Equipment and fixtures	Leasehold improvements	Assets under construction	Total
Cost						
Balance, beginning of year	$ 189	$ 1,700	$ 10,740	$ 4,728	$ 986	$ 18,343
Additions	10	—	126	74	1,658	1,868
Business acquisitions	—	—	—	1	—	1
Disposals	(36)	(172)	(86)	(39)	—	(333)
Net transfer to assets held for sale	(18)	(2)	(12)	(14)	—	(46)
Transfer from assets under construction	27	(34)	956	259	(1,208)	—
Balance, end of year	$ 172	$ 1,492	$ 11,724	$ 5,009	$ 1,436	$ 19,833
Accumulated depreciation						
Balance, beginning of year	$ 3	$ 910	$ 8,001	$ 3,081	$ 2	$ 11,997
Depreciation	—	41	609	286	—	936
Impairment losses	—	1	17	15	—	33
Reversal of impairment losses	—	(2)	(6)	—	—	(8)
Disposals	—	(85)	(81)	(39)	—	(205)
Net transfer to assets held for sale	—	—	(8)	(10)	—	(18)
Balance, end of year	$ 3	$ 865	$ 8,532	$ 3,333	$ 2	$ 12,735
Carrying amount as at: December 28, 2024	$ 169	$ 627	$ 3,192	$ 1,676	$ 1,434	$ 7,098

Fixed Asset Commitments As at January 3, 2026, the Company had entered into commitments of $679 million (December 28, 2024 – $455 million) for the construction, expansion and renovation of buildings and the purchase of real property.

Impairment Losses and Reversals of Fixed Assets and Right-of-Use Assets Management identified indications of impairment for certain retail location CGUs and therefore an impairment test was performed for these CGUs. For the year ended January 3, 2026, the Company recorded $27 million (2024 – $30 million) of impairment losses on fixed assets and $19 million (2024 – $15 million) of impairment losses on right-of-use assets (see note 27) in respect of 18 CGUs (2024 – 18 CGUs). The recoverable amount was based on the greater of the CGU's fair value less costs to sell and its value in use.

For the year ended January 3, 2026, the Company recorded $8 million (2024 – $8 million) of impairment reversals on fixed assets and $5 million (2024 – $8 million) of impairment reversals on right-of-use assets (see note 27) in respect of 8 CGUs (2024 – 7 CGUs) where the value in use was greater than the carrying value. Impairment reversals are recorded where the recoverable amount of the retail location exceeds its carrying values. One CGU (2024 – one) with impairment reversals had a fair value less costs to sell greater than its carrying value.

When determining the value in use of a retail location, the Company develops a discounted cash flow model for each CGU. The duration of the cash flow projections for individual CGUs varies based on the remaining useful life of the significant assets within the CGU for owned locations or the remaining lease term of the CGU for leased locations. Projected future sales and earnings for cash flows are based on actual operating results, operating budgets, and long term growth rates that are consistent with industry averages, all of which are consistent with strategic plans presented to the Company's Board. The estimate of the value in use of relevant CGUs was determined using a pre-tax discount rate of 8.0% to 9.8% at January 3, 2026 (December 28, 2024 – 7.8% to 9.2%).

Additional impairment losses on fixed assets of $13 million (2024 – $3 million) were incurred related to store closures, renovations and conversions of retail locations.

Note 14. Investment Properties

The following are continuities of investment properties for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)		**2025**		2024
Balance, beginning of year	**$**	**56**	$	53
Adjustment to fair value of investment properties		**(4)**		6
Net transfer from fixed assets (note 13)		**6**		—
Net transfer to assets held for sale (note 5)		**(1)**		(3)
Balance, end of year	**$**	**57**	$	56

The valuations of investment properties using the income approach includes 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 for the purposes of determining the estimated net proceeds from the sale of the property. As at January 3, 2026, the pre-tax discount rates used in the valuations for investment properties ranged from 6.5% to 8.5% (December 28, 2024 – 6.75% to 8.5%) and the terminal capitalization rates ranged from 5.5% to 8.5% (December 28, 2024 – 5.25% to 7.5%).

Note 15. Intangible Assets

The following are continuities of the cost and the accumulated amortization of intangible assets for the years ended January 3, 2026 and December 28, 2024:

	2025			
(millions of Canadian dollars)	**Indefinite life intangible assets**	**Software**	**Other definite life intangible assets**	**Total**
Cost				
Balance, beginning of year	**$ 3,757**	**$ 5,003**	**$ 6,239**	**$ 14,999**
Additions	**3**	**341**	**6**	**350**
Net transfer to assets held for sale (note 5)	**—**	**(374)**	**—**	**(374)**
Business acquisitions	**—**	**—**	**27**	**27**
Disposals	**—**	**(10)**	**—**	**(10)**
Balance, end of year	**$ 3,760**	**$ 4,960**	**$ 6,272**	**$ 14,992**
Accumulated amortization				
Balance, beginning of year	**$ —**	**$ 3,977**	**$ 5,576**	**$ 9,553**
Amortization	**—**	**427**	**168**	**595**
Net transfer to assets held for sale (note 5)	**—**	**(306)**	**—**	**(306)**
Disposals	**—**	**(10)**	**—**	**(10)**
Balance, end of year	**$ —**	**$ 4,088**	**$ 5,744**	**$ 9,832**
Carrying amount as at: January 3, 2026	**$ 3,760**	**$ 872**	**$ 528**	**$ 5,160**

	2024			
(millions of Canadian dollars)	Indefinite life intangible assets	Software	Other definite life intangible assets[i]	Total
Cost				
Balance, beginning of year	$ 3,756	$ 4,629	$ 6,221	$ 14,606
Additions	1	372	4	377
Net transfer to assets held for sale	—	3	—	3
Business acquisitions	—	—	15	15
Disposals	—	(1)	(1)	(2)
Balance, end of year	$ 3,757	$ 5,003	$ 6,239	$ 14,999
Accumulated amortization				
Balance, beginning of year	$ —	$ 3,552	$ 5,060	$ 8,612
Amortization	—	426	517	943
Disposals	—	(1)	(1)	(2)
Balance, end of year	$ —	$ 3,977	$ 5,576	$ 9,553
Carrying amount as at: December 28, 2024	$ 3,757	$ 1,026	$ 663	$ 5,446

(i) Other definite life intangible assets includes prescription files with a net book value of $104 million related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") in 2014, which were fully amortized at the end of 2025.

Indefinite Life Intangible Assets Indefinite life intangible assets are comprised of brand names, trademarks, import purchase quotas and certain liquor licenses. The brand names and trademarks are a result of the Company's acquisition of Shoppers Drug Mart, Lifemark Health Group ("Lifemark") and T&T Supermarket Inc. The Company expects to renew the registration of the brand names, trademarks, import purchase quotas and liquor licenses at each expiry date indefinitely, and expects these assets to generate economic benefit in perpetuity. As such, the Company has assigned these intangible assets indefinite useful lives.

Software Software is comprised of software purchases and development costs. There were no capitalized borrowing costs included in 2025 and 2024.

Other Definite Life Intangible Assets Other definite life intangible assets primarily consist of prescription files, the customer loyalty awards program and customer relationships.

Note 16. Goodwill

The following are continuities of the cost and the accumulated impairment of goodwill for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)	**2025**	2024
Cost		
Balance, beginning of year	**$ 5,366**	$ 5,343
Business acquisitions	**61**	23
Balance, end of year	**$ 5,427**	$ 5,366
Accumulated impairment losses		
Balance, beginning of year	**$ 994**	$ 994
Balance, end of year	**$ 994**	$ 994
Carrying amount, end of year	**$ 4,433**	$ 4,372

The carrying amount of goodwill attributed to each CGU grouping was as follows:

(millions of Canadian dollars)	**As at January 3, 2026**	As at December 28, 2024
Shoppers Drug Mart	**$ 3,012**	$ 3,006
Market	**139**	139
Discount	**703**	703
Lifemark	**443**	388
T&T Supermarket Inc.	**129**	129
All other	**7**	7
Carrying amount, end of year	**$ 4,433**	$ 4,372

Impairment Testing of Goodwill and Indefinite Life Intangibles The Company tests goodwill and indefinite-life intangible assets for impairment annually or more frequently if indicators of impairment are identified.

The key assumptions used to calculate the fair value less costs to sell are revenue and gross margin forecasts, growth/attrition rates, discount rate, and terminal rate. These assumptions are considered to be Level 3 in the fair value hierarchy.

The weighted average cost of capital was determined to be 5.5% to 9.3% (December 28, 2024 – 7.1% to 9.8%) and is based on a risk-free rate, an equity risk premium adjusted for betas of comparable publicly traded companies, an unsystematic risk premium, an after-tax cost of debt based on corporate bond yields and the capital structure of comparable publicly traded companies.

Cash flow projections have been discounted using a rate derived from an after-tax weighted average cost of capital.

The Company included a minimum of three years of cash flows in its discounted cash flow model. The cash flow forecasts were extrapolated beyond the forecasting period using an estimated long term growth rate of 2.2% to 2.5% (December 28, 2024 – 2.0% to 2.5%). The budgeted EBITDA growth was based on the Company's strategic plan approved by the Board of Directors.

The Company completed its annual impairment tests for goodwill and indefinite life intangible assets and concluded there was no impairment.

Note 17. Other Assets

The components of other assets were as follows:

(millions of Canadian dollars)	**As at January 3, 2026**	As at December 28, 2024
Accrued benefit plan asset (note 24)	**$ 254**	$ 356
Investments	**112**	73
Investments accounted for under the equity method	**81**	85
Finance lease receivable	**59**	61
Sundry investments and other receivables	**9**	26
Long term receivable[(i)]	**—**	133
Long term securities	**—**	120
Other	**190**	149
Total other assets	**$ 705**	$ 1,003

(i) Balance includes recovery related to the PC Bank commodity tax matter (see note 30).

Note 18. Supplier Financing Arrangements

In 2024, the Company started a supplier financing program with a third-party financial institution that provides financing to suppliers. This arrangement allows these suppliers to elect to be paid by the financial institution at a discount earlier than the maturity date of the receivable which generally ranges between 30 and 60 days. Participating suppliers can sell one or more of the Company's payment obligations at their sole discretion, and the Company's rights and obligations to suppliers are not impacted. The Company will pay the full amount owing to the financial institution according to the terms negotiated with the supplier on the maturity dates. The amount outstanding under this program as at January 3, 2026 was $242 million (December 28, 2024 – $52 million) and is presented within trade payables and other liabilities. Of this amount, suppliers have received payment of $187 million (December 28, 2024 – $44 million) from the financial institution under the program. The activity related to this program is classified as an operating activity within the consolidated statements of cash flows.

Note 19. Provisions

The following are the continuities of the Company's provisions for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)		**2025**		2024
Balance, beginning of year	**$**	**387**	$	238
Additions (note 30)		**79**		226
Payments[(i)]		**(223)**		(76)
Reversals		**(3)**		(1)
Transfer to liabilities associated with assets held for sale (note 5)		**(21)**		—
Balance, end of year	**$**	**219**	$	387
Recorded on the consolidated balance sheets as follows:				
Current portion of provisions	**$**	**85**	$	252
Non-current portion of provisions	**$**	**134**	$	135

(i) Includes payments of $161 million related to the settlement of class action lawsuits in connection with the industry-wide price-fixing arrangement involving certain packaged bread products (see note 30).

Note 20. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	As at January 3, 2026	As at December 28, 2024
Debentures		
Loblaw Companies Limited Notes		
6.65%, due 2027	**$ 100**	$ 100
6.45%, due 2028	**200**	200
4.49%, due 2028	**400**	400
6.50%, due 2029	**175**	175
3.56%, due 2029	**400**	400
2.28%, due 2030	**350**	350
11.40%, due 2031		
Principal	**151**	151
Effect of coupon repurchase	**22**	25
6.85%, due 2032	**200**	200
5.01%, due 2032	**400**	400
6.54%, due 2033	**200**	200
8.75%, due 2033	**200**	200
6.05%, due 2034	**200**	200
6.15%, due 2035	**200**	200
4.39%, due 2035	**500**	—
5.90%, due 2036	**300**	300
6.45%, due 2039	**200**	200
7.00%, due 2040	**150**	150
5.86%, due 2043	**55**	55
5.34%, due 2052	**400**	400
5.12%, due 2054	**400**	400
Guaranteed Investment Certificates (0.60% – 5.50%, due 2024 – 2029) (note 5)	**—**	1,477
Eagle Credit Card Trust (note 5)	**—**	1,450
Independent Funding Trusts	**704**	590
Transaction costs and other	**(16)**	(22)
Total long term debt	**$ 5,891**	$ 8,201
Less amount due within one year	**—**	631
Long term debt	**$ 5,891**	$ 7,570

Significant long term debt transactions are described below.

Debentures The following table summarizes the debentures issued in 2025 and 2024:

(millions of Canadian dollars except where otherwise indicated)	Interest Rate	Maturity Date	Principal Amount 2025
Loblaw Companies Limited Notes	4.39%	June 16, 2035	**$ 500**
Total debentures issued			**$ 500**

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

There were no debentures repaid in 2025. The following table summarizes the debentures repaid in 2024:

(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**

Independent Funding Trusts The Company has a $1 billion revolving committed credit facility that is the source of funding to the independent funding trusts that has a maturity date of March 27, 2028.

Committed Credit Facility The Company has a committed credit facility for $1.5 billion with a maturity date of March 27, 2030, provided by a syndicate of lenders. This committed credit facility contains certain financial covenants (see note 23). As at January 3, 2026 and December 28, 2024, there were no amounts drawn under this facility.

Schedule of Repayments The schedule of repayments of long term debt, based on maturity, is as follows:

(millions of Canadian dollars)	As at January 3, 2026
2027	**$ 100**
2028	**1,304**
2029	**575**
2030	**350**
Thereafter	**3,578**
Total long term debt (excludes transaction costs)	**$ 5,907**

See note 28 for the fair value of long term debt.

Reconciliation of Long Term Debt The following table reconciles the changes in cash flows from financing activities for long term debt:

(millions of Canadian dollars)	**2025**	2024
Long term debt, beginning of year	**$ 8,201**	$ 7,852
Long term debt issuances[(i)(ii)]	**$ 1,059**	$ 1,557
Long term debt repayments[(ii)]	**(640)**	(1,202)
Total cash flows from financing activities for long term debt	**$ 419**	$ 355
Other non-cash changes[(ii)]	**$ (7)**	$ (6)
Transfer to liabilities associated with assets held for sale (note 5)	**(2,722)**	—
Long term debt, end of year	**$ 5,891**	$ 8,201

(i) Includes net movements from the Independent Funding Trust, which are revolving debt instruments.

(ii) Cash flows from financing activities for long term debt and other non-cash changes are presented on a total operations basis.

Note 21. Other Liabilities

The components of other liabilities were as follows:

(millions of Canadian dollars)	**As at January 3, 2026**	As at December 28, 2024
Net defined benefit plan obligation (note 24)	**$ 217**	$ 231
Financial liabilities (note 27)	**193**	180
Other long term employee benefit obligation	**136**	133
Equity-based compensation liabilities (note 25)	**6**	3
Other	**101**	102
Total other liabilities	**$ 653**	$ 649

Note 22. Share Capital

First Preferred Shares (authorized - 1.0 million shares) There were no First Preferred Shares outstanding as at January 3, 2026 and December 28, 2024.

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 January 3, 2026, there were no Second Preferred Shares outstanding.

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:

	January 3, 2026 (53 weeks)		December 28, 2024 (52 weeks)	
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares[i]**	**Common Share Capital**	Number of Common Shares[i]	Common Share Capital
Issued and outstanding, beginning of year	**1,206,944,212**	**$ 6,215**	1,242,105,516	$ 6,281
Issued for settlement of stock options (note 25)	**2,976,888**	**67**	8,712,528	166
Purchased and cancelled	**(34,774,899)**	**(192)**	(43,873,832)	(232)
Issued and outstanding, end of year	**1,175,146,201**	**$ 6,090**	1,206,944,212	$ 6,215
Shares held in trust, beginning of year	**(3,928,496)**	**$ (19)**	(5,076,956)	$ (25)
Purchased for future settlement of RSUs and PSUs	**(1,240,000)**	**(6)**	(1,680,000)	(8)
Released for settlement of RSUs and PSUs (note 25)	**1,957,068**	**10**	2,828,460	14
Shares held in trust, end of year	**(3,211,428)**	**$ (15)**	(3,928,496)	$ (19)
Issued and outstanding, net of shares held in trust, end of year	**1,171,934,773**	**$ 6,075**	1,203,015,716	$ 6,196
Weighted average outstanding, net of shares held in trust (note 9)	**1,187,971,932**		1,220,204,360	

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

In the third quarter of 2025, the Company completed a four-for-one stock split of its outstanding common shares. The stock split was implemented by way of a stock dividend, with shareholders receiving three additional common shares for each common share held. The stock split was effective at the close of business on August 18, 2025, for shareholders of record as of the close of business on August 14, 2025.

Dividends The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the 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 2025, the Board raised the quarterly dividend by $0.128250 to $0.141075 per common share.

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

	2025	2024
Dividends declared per share ($)		
Common Share[(i)(ii)]	**$ 0.551475**	$ 0.496250
Second Preferred Share, Series B	**$ 0.029440**	$ 1.325000

(i) The Common Share dividends declared in the fourth quarter of 2025 of $0.141075 per share had a payment date of December 30, 2025.
(ii) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

(millions of Canadian dollars)	**2025**	2024
Dividends declared		
Common Share	**$ 654**	$ 604
Second Preferred Share, Series B	**—**	12
Total dividends declared	**$ 654**	$ 616

Subsequent to January 3, 2026, the Board declared a quarterly dividend of $0.141075 per common share, payable on April 1, 2026 to shareholders of record on March 15, 2026.

Normal Course Issuer Bid Activities under the Company's Normal Course Issuer Bid ("NCIB") for the years ended January 3, 2026 and December 28, 2024 were as follows:

(millions of Canadian dollars except where otherwise indicated)	**2025**	2024
Common shares repurchased under the NCIB for cancellation (number of shares)[(i)(ii)]	**34,774,899**	43,873,832
Cash consideration paid[(iii)]	**$ 1,875**	$ 1,754
Premium charged to retained earnings[(iv)]	**1,889**	1,661
Reduction in common share capital[(v)]	**192**	232
Common shares repurchased under the NCIB and held in trust (number of shares)[(i)]	**1,240,000**	1,680,000
Cash consideration paid	**$ 69**	$ 72
Premium charged to retained earnings	**65**	64
Reduction in common share capital	**6**	8

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

(ii) Common shares repurchased and cancelled as at January 3, 2026 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.

(iii) $3 million of cash consideration related to common shares repurchased under NCIB for cancellation in the third quarter of 2025 was paid in the fourth quarter of 2025.

(iv) Premium charged to retained earnings includes $351 million related to the automatic share purchase plan, as described below.

(v) Includes $32 million related to the automatic share purchase plan, as described below.

In the second quarter of 2025, the Company renewed its NCIB to purchase on the Toronto Stock Exchange or through alternative trading systems up to 59,800,244 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. As at January 3, 2026, the Company had purchased 21,899,071 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 2025, 34,774,899 common shares (2024 – 43,873,832) were purchased under the NCIB for cancellation, for aggregate consideration of $1,875 million (2024 – $1,754 million), including 16,756,185 common shares (2024 – 18,480,092) purchased from Weston, for aggregate consideration of $906 million (2024 – $746 million).

The Company participates in an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at January 3, 2026, an obligation to repurchase shares of $375 million was recognized under the ASPP in trade payables and other liabilities.

Note 23. Capital Management

In order to manage its capital structure, the Company may, among other activities, adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to its NCIB, issue new shares or issue or repay long term debt with the objective of:

- ensuring sufficient liquidity is available to support its financial obligations and to execute its operating and strategic plans;
- maintaining financial capacity and flexibility through access to capital to support future development of the business;
- minimizing the after-tax cost of its capital while taking into consideration current and future industry, market and economic risks and conditions;
- utilizing short term funding sources to manage its working capital requirements and long term funding sources to manage the long term capital investments of the business;
- returning an appropriate amount of capital to shareholders; and
- targeting an appropriate leverage and capital structure for the Company.

The Company has policies in place which govern debt financing plans and risk management strategies for liquidity, interest rates and foreign exchange. These policies outline measures and targets for managing capital, including a range for leverage consistent with the desired credit rating. Management and the Audit Committee regularly review the Company's compliance with, and performance against, these policies. In addition, management regularly reviews these policies to ensure they remain consistent with the risk tolerance acceptable to the Company.

The following table summarizes the Company's total capital under management:

(millions of Canadian dollars)	**As at January 3, 2026**	As at December 28, 2024
Demand deposits from customers	**$ —**	$ 353
Short term debt	**—**	800
Long term debt due within one year	**—**	631
Long term debt	**5,891**	7,570
Certain other liabilities[(i)]	**315**	294
Total debt excluding lease liabilities and liabilities associated with assets held for sale	**$ 6,206**	$ 9,648
Lease liabilities due within one year	**1,584**	1,648
Lease liabilities	**8,830**	8,535
Total debt excluding liabilities associated with assets held for sale	**$ 16,620**	$ 19,831
Total debt and demand deposits from customers included in liabilities associated with assets held for sale (note 5)	**4,158**	—
Equity attributable to shareholders of the Company	**11,028**	11,091
Total capital under management	**$ 31,806**	$ 30,922

(i) As at January 3, 2026, certain other liabilities include financial liabilities of $204 million related to the sale and leaseback of retail properties (December 28, 2024 – $192 million) (see note 27).

Covenants and Regulatory Requirements The Company is subject to certain key financial and non-financial covenants under its existing committed credit facility, debentures and letters of credit. These covenants, which include interest coverage and leverage ratios, as defined in the respective agreements, are measured by the Company on a quarterly basis to ensure compliance with these agreements. As at January 3, 2026 and throughout the year, the Company was in compliance with each of the covenants under these agreements.

Note 24. Post-Employment Benefits

The Company sponsors a number of pension plans, including registered defined benefit pension plans, registered defined contribution pension plans and supplemental retirement arrangements providing pension benefits in excess of statutory limits. Certain obligations of the Company under these supplemental pension arrangements are secured by a standby letter of credit issued by a major Canadian chartered bank.

In January 2025, the Governance, Talent and Compensation Committee (the "Governance Committee") assumed oversight of the Company's pension plans from the former Pension Committee. The Governance Committee is responsible for assisting the Board in fulfilling its general oversight responsibilities for the plans. The Governance Committee assists the Board with oversight of management's administration of the plans, pension investment and monitoring responsibilities, and compliance with legal and regulatory requirements.

The Company's defined benefit pension plans are primarily funded by the Company, predominantly non-contributory and the benefits are, in general, based on career average earnings subject to limits. The funding is based on regulatory going concern and solvency valuations for which the assumptions may differ from the assumptions used for accounting purposes as detailed in this note.

The Company also offers certain other defined benefit plans other than pension plans. These other defined benefit plans are generally not funded, are mainly non-contributory and include health care, life insurance and dental benefits. Employees eligible for these other defined benefits are those who retire at certain ages having met certain service requirements. The majority of other defined benefit plans for current and future retirees include a limit on the total benefits payable by the Company.

The Company's defined benefit pension plans and other defined benefit plans expose it to a number of actuarial risks, such as longevity risk, interest rate risk and market risk.

In Canada, the Company also has a national defined contribution plan. All newly hired employees who are not eligible to participate in the defined benefit pension plans and the Canadian Commercial Workers Industry Pension Plan ("CCWIPP") are eligible to participate in this defined contribution plan. The Company also contributes to various MEPPs, which are administered by independent boards of trustees generally consisting of an equal number of union and employer representatives.

The Company, together with its franchises, is the largest participating employer in the CCWIPP, with approximately 52,000 (2024 – 53,000) employees as members. The Company's responsibility to make contributions to these plans is limited by amounts established pursuant to its collective agreements (see note 26).

The Company expects to make contributions in 2026 to its defined benefit and defined contribution plans and the MEPPs in which it participates as well as benefit payments to the beneficiaries of the supplemental unfunded defined benefit pension plans, other defined benefit plans and other long term employee benefit plans.

Defined Benefit Pension Plans and Other Defined Benefit Plans Information on the Company's defined benefit pension plans and other defined benefit plans, in aggregate, is summarized as follows:

	2025		2024	
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	Defined Benefit Pension Plans	Other Defined Benefit Plans
Present value of funded obligations	**$ (1,101)**	**$ —**	$ (1,454)	$ —
Present value of unfunded obligations	**(113)**	**(98)**	(118)	(106)
Total present value of defined benefit obligation	**$ (1,214)**	**$ (98)**	$ (1,572)	$ (106)
Fair value of plan assets	**1,470**	**—**	1,817	—
Total funded status of surpluses (obligations)	**$ 256**	**$ (98)**	$ 245	$ (106)
Assets not recognized due to asset ceiling	**(121)**	**—**	(14)	—
Total net defined benefit plan surpluses (obligations)	**$ 135**	**$ (98)**	$ 231	$ (106)
Recorded on the consolidated balance sheets as follows:				
Other assets (note 17)	**$ 254**	**$ —**	$ 356	$ —
Other liabilities (note 21)	**$ (119)**	**$ (98)**	$ (125)	$ (106)

The following are continuities of the fair value of plan assets and the present value of the defined benefit plan obligations:

	2025			2024		
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Changes in the fair value of plan assets						
Fair value, beginning of year	**$ 1,817**	**$ —**	**$ 1,817**	$ 1,729	$ —	$ 1,729
Employer contributions, net of surplus utilization[ii]	**(2)**	**—**	**(2)**	—	—	—
Employee contributions	**3**	**—**	**3**	2	—	2
Benefits paid	**(59)**	**—**	**(59)**	(49)	—	(49)
Interest income	**84**	**—**	**84**	78	—	78
Actuarial (losses) gains in other comprehensive income	**(11)**	**—**	**(11)**	60	—	60
Settlement[i]	**(357)**	**—**	**(357)**	—	—	—
Other	**(5)**	**—**	**(5)**	(3)	—	(3)
Fair value, end of year	**$ 1,470**	**$ —**	**$ 1,470**	$ 1,817	$ —	$ 1,817
Changes in the present value of the defined benefit plan obligations						
Balance, beginning of year	**$ 1,572**	**$ 106**	**$ 1,678**	$ 1,548	$ 114	$ 1,662
Current service cost	**42**	**2**	**44**	43	2	45
Interest cost	**73**	**5**	**78**	71	5	76
Benefits paid	**(66)**	**(5)**	**(71)**	(57)	(5)	(62)
Employee contributions	**3**	**—**	**3**	2	—	2
Actuarial gains in other comprehensive income	**(49)**	**(10)**	**(59)**	(35)	(10)	(45)
Settlement[i]	**(357)**	**—**	**(357)**	—	—	—
Gain on settlement[i]	**(4)**	**—**	**(4)**	—	—	—
Balance, end of year	**$ 1,214**	**$ 98**	**$ 1,312**	$ 1,572	$ 106	$ 1,678
Total funded status of surpluses (obligations)	**$ 256**	**$ (98)**	**$ 158**	$ 245	$ (106)	$ 139
Changes in the assets not recognized due to asset ceiling						
Balance, beginning of year	**$ 14**	**$ —**	**$ 14**	$ 12	$ —	$ 12
Change in liability arising from change in asset ceiling	**106**	**—**	**106**	1	—	1
Interest expense on assets not recognized due to asset ceiling	**1**	**—**	**1**	1	—	1
Balance, end of year	**$ 121**	**$ —**	**$ 121**	$ 14	$ —	$ 14
Total net defined benefit plan surpluses (obligations)	**$ 135**	**$ (98)**	**$ 37**	$ 231	$ (106)	$ 125

(i) Settlement relates to annuity purchases.

(ii) Net amount reflects $4 million of contributions to the defined benefit plan and $6 million of surplus assets used to fund employer contributions to the defined contribution plan.

For 2025, the actual gain on plan assets was $73 million (2024 – $138 million).

The net defined benefit obligation can be allocated to the plans' participants as follows:

- Active plan participants 61% (2024 – 49%);
- Deferred plan participants 10% (2024 – 13%); and
- Retirees 29% (2024 – 38%).

During 2026, the Company expects to contribute nominal amounts (2025 – nominal amounts) to its registered defined benefit pension plans due to the surplus position of the total funded status of the pension plans. During 2026, the Company expects to contribute $43 million (2025 – $56 million) to MEPPs.The actual amount of contributions may vary from the estimate depending on the funded positions of the plans, filing of any actuarial valuations, any new regulatory requirements or other factors.

The net cost recognized in earnings before income taxes for the Company's defined benefit pension plans and other defined benefit plans was as follows:

	2025			2024		
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Current service cost	**$ 42**	**$ 2**	**$ 44**	$ 43	$ 2	$ 45
Net interest (income) cost on net defined benefit plan assets (obligations)	**(10)**	**5**	**(5)**	(6)	5	(1)
Gain on settlement[(i)]	**(4)**	**—**	**(4)**	—	—	—
Other	**5**	**—**	**5**	3	—	3
Net post-employment defined benefit cost	**$ 33**	**$ 7**	**$ 40**	$ 40	$ 7	$ 47

(i) Settlement relates to annuity purchases

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

	2025			2024		
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
(Loss) return on plan assets, excluding amounts included in net interest expense and other financing charges	**$ (11)**	**$ —**	**$ (11)**	$ 60	$ —	$ 60
Experience adjustments	**(2)**	**8**	**6**	5	2	7
Actuarial gains from change in demographic assumptions	**—**	**—**	**—**	—	7	7
Actuarial gains from change in financial assumptions[(i)]	**51**	**2**	**53**	30	1	31
Change in liability arising from change in asset ceiling[(i)]	**(106)**	**—**	**(106)**	(1)	—	(1)
Total net actuarial (losses) gains recognized in other comprehensive income before income taxes	**$ (68)**	**$ 10**	**$ (58)**	$ 94	$ 10	$ 104
Income tax recoveries (expenses) on actuarial (losses) gains (note 8)	**19**	**(3)**	**16**	(25)	(3)	(28)
Actuarial (losses) gains, net of income tax expenses	**$ (49)**	**$ 7**	**$ (42)**	$ 69	$ 7	$ 76

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

The cumulative actuarial gains before income taxes recognized in equity for the Company's defined benefit plans were as follows:

	2025			2024		
(millions of Canadian dollars)	**Defined Benefit Pension Plans**	**Other Defined Benefit Plans**	**Total**	Defined Benefit Pension Plans	Other Defined Benefit Plans	Total
Cumulative amount, beginning of year	**$ 420**	**$ 152**	**$ 572**	$ 326	$ 142	$ 468
Net actuarial (losses) gains recognized in the year before income taxes	**(68)**	**10**	**(58)**	94	10	104
Cumulative amount, end of year	**$ 352**	**$ 162**	**$ 514**	$ 420	$ 152	$ 572

Composition of Plan Assets The defined benefit pension plan assets are held in trust and consist of the following asset categories:

(millions of Canadian dollars, except where otherwise indicated)	2025		2024	
Equity securities				
Canadian - pooled funds	**$ 22**	**1 %**	$ 24	1 %
Foreign - pooled funds	**628**	**43 %**	839	46 %
Total equity securities	**$ 650**	**44 %**	$ 863	47 %
Debt securities				
Fixed income securities:				
- government	**$ 404**	**27 %**	$ 554	30 %
- corporate	**85**	**6 %**	162	9 %
Total debt securities	**$ 489**	**33 %**	$ 716	39 %
Other investments	**251**	**17 %**	233	13 %
Cash and cash equivalents	**80**	**6 %**	5	1 %
Total	**$ 1,470**	**100 %**	$ 1,817	100 %

As at January 3, 2026 and December 28, 2024, the defined benefit pension plans did not directly include any of the Company's securities.

All equity and debt securities and other investments are valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly as prices or indirectly, either derived from prices or as per agreements for contractual returns.

The Company's asset allocation reflects a balance of interest-rate sensitive investments, such as fixed income investments, and equities, which are expected to provide higher returns over the long term. The Company's targeted asset allocations are actively monitored and adjusted on a plan by plan basis to align the asset mix with the liability profiles of the plans.

Principal Actuarial Assumptions The principal actuarial assumptions used in calculating the Company's defined benefit plan obligations and net defined benefit plan cost for the year were as follows (expressed as weighted averages):

	2025		2024	
	Defined Benefit Pension Plans	**Other Defined Benefit Plans**	Defined Benefit Pension Plans	Other Defined Benefit Plans
Defined Benefit Plan Obligations				
Discount rate	**5.00 %**	**4.90 %**	4.70 %	4.70 %
Rate of compensation increase	**3.00 %**	**n/a**	3.00 %	n/a
Mortality table[(i)]	**CPM-RPP2014 Pub/Priv Generational**	**CPM-RPP2014 Pub/Priv Generational**	CPM-RPP2014 Pub/Priv Generational	CPM-RPP2014 Pub/Priv Generational
Net Defined Benefit Plan Cost				
Discount rate	**4.70 %**	**4.70 %**	4.60 %	4.60 %
Rate of compensation increase	**3.00 %**	**n/a**	3.00 %	n/a
Mortality table[(i)]	**CPM-RPP2014 Pub/Priv Generational**	**CPM-RPP2014 Pub/Priv Generational**	CPM-RPP2014 Pub/Priv Generational	CPM-RPP2014 Pub/Priv Generational

n/a – not applicable

(i) An adjusted public or private sector mortality table is used depending on the prominent demographics and actual experience for each plan.

The weighted average duration of the defined benefit obligation as at January 3, 2026 is 13.8 years (December 28, 2024 – 13.9 years).

The growth rate of health care costs, primarily drug and other medical costs, for the other defined benefit plan obligations as at the end of the year was estimated at 5.30% and is expected to remain at 5.30% as at year end 2026.

Sensitivity of Key Actuarial Assumptions The following table outlines the key assumptions for 2025 (expressed as weighted averages) and the sensitivity of each of these assumptions on the defined benefit plan obligations.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

	Defined Benefit Pension Plans	Other Defined Benefit Plans
Increase (Decrease) (millions of Canadian dollars except where otherwise indicated)	**Defined Benefit Plan Obligations**	**Defined Benefit Plan Obligations**
Discount rate	**5.00 %**	**4.90 %**
Impact of:		
1% increase	**$ (144)**	**$ (10)**
1% decrease	**$ 178**	**$ 13**
Expected growth rate of health care costs		**5.30 %**
Impact of:		
1% increase	**n/a**	**$ 8**
1% decrease	**n/a**	**$ (7)**
Mortality rates		
Impact of:		
One year increase in life expectancy	**$ 23**	**$ 1**
One year decrease in life expectancy	**$ (22)**	**$ (1)**

n/a – not applicable

Note 25. Equity-Based Compensation

The Company's equity-based compensation expense, which includes Stock Option, RSU, PSU, DSU and EDSU plans, was $69 million during 2025 (2024 – $63 million). The expense was recognized in operating income.

The carrying amounts of the Company's equity-based compensation arrangements, which include Stock Option, RSU, PSU, DSU and EDSU plans, were recorded on the consolidated balance sheets as follows:

(millions of Canadian dollars)	**As at January 3, 2026**	As at December 28, 2024
Other liabilities (note 21)	**$ 6**	$ 3
Contributed surplus	**130**	115

All share, equity award and per share amounts presented herein have been retrospectively adjusted to reflect the four-for-one stock split (see notes 2 and 22). The following are details related to the equity-based compensation plans of the Company:

Stock Option Plan The Company maintains a stock option plan for certain employees. Under this plan, the Company may grant options up to 112,548,648 common shares.

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

	2025[i]			2024[i]		
	Options (number of shares)		**Weighted Average Exercise Price / Share**	Options (number of shares)		Weighted Average Exercise Price / Share
Outstanding options, beginning of year	**14,368,752**	**$**	**23.96**	21,984,896	$	19.97
Granted	**1,857,589**	**$**	**47.16**	2,022,140	$	36.92
Exercised (note 22)	**(2,976,888)**	**$**	**19.65**	(8,712,528)	$	16.92
Forfeited/cancelled	**(463,140)**	**$**	**33.77**	(869,224)	$	24.39
Expired	**(4,052)**	**$**	**29.34**	(56,532)	$	14.75
Outstanding options, end of year	**12,782,261**	**$**	**27.98**	14,368,752	$	23.96
Options exercisable, end of year	**5,514,216**	**$**	**21.76**	4,817,084	$	19.65

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

The following is the weighted average remaining contractual life and exercise price of outstanding and exercisable stock options as at January 3, 2026:

	2025 Outstanding Options				**2025 Exercisable Options**		
Range of Exercise Prices	**Number of Options Outstanding[i]**	**Weighted Average Remaining Contractual Life (years)**		**Weighted Average Exercise Price/Share[i]**	**Number of Exercisable Options[i]**		**Weighted Average Exercise Price/ Share[i]**
$15.67-$24.60	**3,978,298**	**1.6**	**$**	**16.63**	**3,073,782**	**$**	**16.74**
$24.61-$29.46	**4,692,418**	**3.6**	**$**	**26.90**	**1,945,226**	**$**	**26.58**
$29.47-$60.98	**4,111,545**	**5.4**	**$**	**40.20**	**495,208**	**$**	**33.98**
	12,782,261		**$**	**27.98**	**5,514,216**	**$**	**21.76**

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

During 2025, the Company issued common shares on the exercise of stock options with a weighted average market share price of $52.66 (2024 – $38.36). The Company received cash consideration of $59 million (2024 – $147 million) related to the exercise of these options.

The fair value of stock options granted during 2025 was $17 million (2024 – $15 million). The assumptions used to measure the fair value of options granted during 2025 and 2024 under the Black-Scholes valuation model at date of grant were as follows:

	2025	2024
Expected dividend yield	**1.0 %**	1.2 %
Expected share price volatility	**17.6% – 21.3%**	17.6% – 22.0%
Risk-free interest rate	**2.6% – 3.1%**	3.1% – 3.8%
Expected life of options	**3.8 – 6.3 years**	3.8 – 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at January 3, 2026 was 10.0% (December 28, 2024 – 10.0%).

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

(number of awards[i])	**2025**	2024
Restricted share units, beginning of year	**2,349,588**	3,011,392
Granted	**502,909**	639,760
Reinvested	**26,672**	22,712
Settled	**(843,201)**	(1,166,964)
Forfeited	**(94,084)**	(157,312)
Restricted share units, end of year	**1,941,884**	2,349,588

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

The fair value of RSUs granted during 2025 was $25 million (2024 – $25 million).

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

(number of awards[i])	**2025**	2024
Performance share units, beginning of year	**1,756,676**	2,304,300
Granted	**850,895**	1,219,888
Reinvested	**19,609**	17,380
Settled	**(1,114,196)**	(1,661,496)
Forfeited	**(75,814)**	(123,396)
Performance share units, end of year	**1,437,170**	1,756,676

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

The fair value of PSUs granted during 2025 was $22 million (2024 – $18 million).

Settlement of Awards from Shares Held in Trust During 2025, the Company settled RSUs and PSUs totaling 1,957,068 (2024 – 2,828,460), all of which were settled through the trusts established for settlement of each of the RSU and PSU plans (see note 22). The settlements resulted in a $10 million (2024 – $14 million) increase to share capital and a net increase of $39 million (2024 – $34 million) to retained earnings.

Director Deferred Share Unit Plan The following is a summary of the Company's DSU plan activity:

(number of awards[i])	**2025**	2024
Director deferred share units, beginning of year	**1,302,676**	1,406,544
Granted	**63,647**	72,692
Reinvested	**17,003**	12,596
Settled	**—**	(189,156)
Director deferred share units, end of year	**1,383,326**	1,302,676

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

The fair value of DSUs granted during 2025 was $3 million (2024 – $3 million).

Executive Deferred Share Unit Plan The following is a summary of the Company's EDSU plan activity:

(number of awards[i])	**2025**	2024
Executive deferred share units, beginning of year	**158,764**	153,360
Granted	**6,252**	10,684
Reinvested	**2,042**	1,428
Settled	**(6,500)**	(6,708)
Executive deferred share units, end of year	**160,558**	158,764

(i) Adjusted to reflect the four-for-one stock split effective at the close of business on August 18, 2025.

The fair value of EDSUs granted during 2025 was nominal (2024 – nominal).

Note 26. Employee Costs

Included in operating income are the following employee costs:

(millions of Canadian dollars)	**2025**	2024[i]
Wages, salaries and other short term employment benefits	**$ 8,282**	$ 7,844
Post-employment benefits[ii][iii] (note 24)	**140**	154
Other long term employee benefits (note 24)	**33**	30
Equity-based compensation	**63**	60
Capitalized to fixed assets and intangible assets	**(137)**	(128)
Total employee costs from continuing operations	**$ 8,381**	$ 7,960

(i) Adjusted to reflect discontinued operations. See note 5 "Assets Held for Sale and Discontinued Operations".

(ii) Includes $39 million (2024 – $37 million) of the Company's contributions made in connection with defined contribution pension plans.

(iii) Includes $56 million (2024 – $69 million) of the Company's contributions made in connection with the MEPPs, of which $55 million (2024 – $68 million) relates to CCWIPP.

Note 27. Leases

The Company leases certain of its retail stores, distribution centres, corporate offices, passenger vehicles, trailers and IT equipment. Leases of retail stores are a substantial portion of the Company's lease portfolio. Retail store leases typically have an initial contractual period of 10 to 15 years with additional renewal options available thereafter.

Right-of-Use Assets The following are continuities of the cost and accumulated depreciation of right-of-use assets for the years ended January 3, 2026 and December 28, 2024:

	2025			2024		
(millions of Canadian dollars)	**Property**	**Other**	**Total**	Property	Other	Total
Cost						
Balance, beginning of year	**$ 14,045**	**$ 195**	**$ 14,240**	$ 12,438	$ 181	$ 12,619
Lease additions, net of lease terminations	**506**	**23**	**529**	612	17	629
Lease extensions and other items	**918**	**27**	**945**	1,056	(3)	1,053
Retired leases	**(40)**	**—**	**(40)**	(49)	—	(49)
Reclassification to asset held for sale (note 5)	**—**	**—**	**—**	(12)	—	(12)
Balance, end of year	**$ 15,429**	**$ 245**	**$ 15,674**	$ 14,045	$ 195	$ 14,240
Accumulated depreciation						
Balance, beginning of year	**$ 5,873**	**$ 128**	**$ 6,001**	$ 4,852	$ 105	$ 4,957
Depreciation	**1,113**	**28**	**1,141**	1,063	23	1,086
Impairment losses, net of reversals (note 13)	**14**	**—**	**14**	7	—	7
Retired leases	**(40)**	**—**	**(40)**	(49)	—	(49)
Balance, end of year	**$ 6,960**	**$ 156**	**$ 7,116**	$ 5,873	$ 128	$ 6,001
Carrying amount, end of year	**$ 8,469**	**$ 89**	**$ 8,558**	$ 8,172	$ 67	$ 8,239

Lease Liabilities The following are continuities of lease liabilities for the years ended January 3, 2026 and December 28, 2024:

(millions of Canadian dollars)	**2025**	2024
Balance, beginning of year	**$ 10,183**	$ 9,458
Lease additions, net of lease terminations	**566**	781
Lease extensions and other items	**920**	1,044
Lease payments	**(1,708)**	(1,501)
Interest expense on lease liabilities (note 7)	**453**	415
Reclassification to asset held for sale (note 5)	**—**	(14)
Balance, end of year	**$ 10,414**	$ 10,183
Recorded on the consolidated balance sheets as follows:		
Lease liabilities due within one year	**$ 1,584**	$ 1,648
Lease liabilities	**$ 8,830**	$ 8,535

Liquidity The future undiscounted contractual lease obligations are as follows:

	Due by year						**As at January 3, 2026**	As at December 28, 2024
(millions of Canadian dollars)	2026	2027	2028	2029	2030	Thereafter	**Total**	Total
Lease obligations	$1,650	$1,560	$ 1,271	$ 1,181	$ 928	$ 3,429	**$ 10,019**	$ 9,920

As at January 3, 2026, the Company also had commitments of $1,212 million (December 28, 2024 – $589 million) related to leases not yet commenced.

Short-Term Leases The Company has short-term leases that are primarily related to trailer rentals and certain properties. During 2025, $43 million (2024 – $44 million) was recognized in cost of sales and SG&A related to short-term leases.

Variable Lease Payments The Company makes variable lease payments for property tax and insurance charges on leased properties. The Company also has certain retail store leases where portions of the lease payments are contingent on a percentage of retail sales. During 2025, $442 million (2024 – $417 million) of variable lease payments were recognized in SG&A.

Extension Options Substantially all of the retail store leases have extension options for additional lease terms. As at January 3, 2026, approximately 25% (December 28, 2024 – 24%) of the lease liabilities are related to extension options that were deemed reasonably certain to be exercised.

As at January 3, 2026, approximately $16 billion (December 28, 2024 – $16 billion) of discounted future lease payments are related to extension options that were not deemed to be reasonably certain to be exercised and were not included in lease liabilities. These future lease payments are discounted at the incremental borrowing rates associated with the current lease liability profile.

Sale and Leaseback Transactions During 2025, the Company disposed of and leased back two retail properties and one distribution centre (2024 – four retail properties and two distribution centres) for proceeds of $219 million (2024 – $335 million), and recognized a gain of $30 million (2024 – gain of $58 million) in SG&A (see note 31).

Financial Liabilities In 2025, the Company disposed of one property for proceeds of $11 million. The property was subsequently leased back by the Company and the disposition did not meet the criteria for sale in accordance with IFRS 15 (see note 21).

As at January 3, 2026, $11 million (December 28, 2024 – $12 million) was recorded in trade payables and other liabilities and $193 million (December 28, 2024 – $180 million) was recorded in other liabilities for all properties sold to date that did not meet the criteria for sale. During 2025, $14 million (2024 – $14 million) of interest expense was recognized in net interest expense and other financing charges (see note 7) and repayments of $13 million (2024 – $12 million) were made on financial liabilities.

Note 28. Financial Instruments

The following table presents the fair value and fair value hierarchy of financial assets and financial liabilities, excluding those that are classified as amortized cost that are short term in nature, and certain other assets for which the carrying value approximates fair value. The carrying values of the Company's financial instruments approximate their fair values except for long term debt.

	As at January 3, 2026				As at December 28, 2024			
(millions of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
Financial assets								
Fair value through other comprehensive income:								
Long term securities	**$ —**	**$ —**	**$ —**	**$ —**	$ 120	$ —	$ —	$ 120
Derivatives included in prepaid expenses and other assets	**—**	**—**	**—**	**—**	—	1	—	1
Fair value through profit and loss:								
Certain other assets[(i)]	**—**	**—**	**114**	**114**	—	—	76	76
Derivatives included in prepaid expenses and other assets	**—**	**—**	**1**	**1**	—	5	—	5
Financial liabilities								
Amortized cost:								
Long term debt	**$ —**	**$ 6,270**	**$ —**	**$ 6,270**	$ —	$ 8,680	$ —	$ 8,680
Associate interest	**—**	**—**	**396**	**396**	—	—	255	255
Certain other liabilities[(ii)]	**—**	**—**	**321**	**321**	—	—	301	301
Fair value through other comprehensive income:								
Derivatives included in trade payables and other liabilities	**—**	**—**	**27**	**27**	—	—	16	16
Fair value through profit and loss:								
Derivatives included in trade payables and other liabilities	**2**	**1**	**—**	**3**	—	—	6	6

(i) Certain other assets relate primarily to Venture Fund I and II (see note 32).

(ii) Certain other liabilities relate primarily to financial liabilities associated with properties that did not meet the criteria for sale (see note 13).

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

During 2025, the Company recognized a loss of $5 million (2024 – gain of $8 million) in operating income on financial instruments designated as amortized cost. In addition, during 2025, a net gain of $13 million (2024 – net gain of $37 million) was recorded in earnings before income taxes related to financial instruments required to be classified as fair value through profit and loss.

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

			January 3, 2026
(millions of Canadian dollars)	**Net asset/ (liability) fair value**	**Gain/(loss) recorded in OCI**	**Gain/(loss) recorded in operating income**
Derivatives designated as cash flow hedges			
Foreign Exchange Forwards	**$ —**	**$ (1)**	**$ (2)**
Bond Forwards[(i)]	**—**	**3**	**(3)**
Energy Hedge[(ii)]	**(27)**	**(11)**	**(7)**
Total derivatives designated as cash flow hedges	**$ (27)**	**$ (9)**	**$ (12)**
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	**$ (1)**	**$ —**	**$ (14)**
Other Non-Financial Derivatives	**(2)**	**—**	**5**
Total derivatives not designated in a formal hedging relationship	**$ (3)**	**$ —**	**$ (9)**
Total derivatives from continuing operations	**$ (30)**	**$ (9)**	**$ (21)**

(i) The Company uses bond forwards to manage its interest risk related to future debt issuances.

(ii) 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.

			December 28, 2024[(i)]
(millions of Canadian dollars)	Net asset/ (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Foreign Exchange Forwards	$ 1	$ (1)	$ —
Bond Forwards[(ii)]	—	3	(3)
Energy Hedge[(iii)]	(15)	(12)	—
Total derivatives designated as cash flow hedges	$ (14)	$ (10)	$ (3)
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	$ 5	$ —	$ 26
Other Non-Financial Derivatives	—	—	2
Total derivatives not designated in a formal hedging relationship	$ 5	$ —	$ 28
Total derivatives from continuing operations	$ (9)	$ (10)	$ 25

(i) Adjusted to reflect discontinued operations. See note 5 "Assets Held for Sale and Discontinued Operations".

(ii) The Company uses bond forwards to manage its interest risk related to future debt issuances.

(iii) 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.

Note 29. Financial Risk Management

As a result of holding and issuing financial instruments, the Company is exposed to liquidity, credit and market risk. The following is a description of those risks and how the exposures are managed:

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 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.

The following are the undiscounted contractual maturities of significant financial liabilities (excluding lease liabilities - see note 27) as at January 3, 2026:

	2026	2027	2028	2029	2030	Thereafter	Total
Derivative financial liabilities							
Foreign exchange forward contracts	$ 336	$ —	$ —	$ —	$ —	$ —	$ 336
Non-derivative financial liabilities							
Trade payables and other liabilities	7,127	—	—	—	—	—	7,127
Associate interest	396	—	—	—	—	—	396
Financial liabilities (note 27)	—	13	12	13	13	142	193
Long term debt including interest payments[(i)]	291	390	1,577	818	573	5,998	9,647
Total	$ 8,150	$ 403	$ 1,589	$ 831	$ 586	$ 6,140	$ 17,699

(i) Fixed interest payments are based on the maturing face values and annual interest for each instrument, including an independent funding trust and annual payment obligations for structured entities. Variable interest payments are based on the forward rates as at January 3, 2026.

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, 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.

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. The Company estimates that a 1% increase (decrease) in short term interest rates, with all other variables held constant, would result in an (decrease) increase of $1 million to net interest expense and other financing charges.

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.

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. The Company estimates that, based on the outstanding derivative contracts held by the Company as at January 3, 2026, a 10% decrease in relevant commodity prices, with all other variables held constant, would result in a loss of $2 million on earnings before income taxes.

Note 30. Contingent Liabilities

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

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

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

Shoppers Drug Mart was previously served with an Amended Statement of Claim in a class action proceeding that has been filed in the Ontario Superior Court of Justice ("Superior Court") by 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 Quebec, 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. On March 3, 2025, the settlement funds were paid into a trust account. The Settlement Agreement was approved by the Ontario Superior Court in May 2025 and the Quebec Superior Court in July 2025. 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. In February 2025, Loblaws Inc. and Weston were also served with the claim. The claim seeks damages on behalf of municipalities and local governments in relation to public safety, social services, 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 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. Certain taxation years subsequent to the periods covered by the FCA decision remain under review by the tax authorities.

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

Note 31. Financial Guarantees

The Company established letters of credit used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and guarantees with a gross potential liability of approximately $356 million as at January 3, 2026 (December 28, 2024 – $324 million). In addition, the Company has provided to third parties the following significant guarantees:

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 January 3, 2026, the Company's maximum obligation in respect of such guarantees was $580 million (December 28, 2024 – $580 million) with an aggregate amount of $32 million (December 28, 2024 – $476 million) in available lines of credit allocated to the Associates by the various banks. As at January 3, 2026, Associates had drawn a nominal amount (December 28, 2024 – a nominal amount) 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.

Independent Funding Trusts The full balance relating to the debt of the independent funding trusts has been consolidated on the balance sheets of the Company (see note 20). As at January 3, 2026 the Company has agreed to provide a credit enhancement of $80 million (December 28, 2024 – $64 million) in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% (December 28, 2024 – not less than 10%) of the principal amount of loans outstanding. This credit enhancement allows the independent funding trusts to provide financing to the Company's franchisees. As well, each franchisee provides security to the independent funding trusts for its obligations by way of a general security agreement. In the event that a franchisee defaults on its loan and the Company has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trusts would assign the loan to the Company and draw upon this standby letter of credit. This standby letter of credit has never been drawn upon. The Company has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

Lease Obligations In connection with historical dispositions of certain of its assets and Wellwise (see note 6), 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 until 2033. As at January 3, 2026, the Company has guaranteed lease obligations in the amount of $9 million (December 28, 2024 – $2 million).

Cash Collateralization As at January 3, 2026, the Company had agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of $93 million (December 28, 2024 – $94 million). As at January 3, 2026, there was no cash (December 28, 2024 – nil) deposited with major financial institutions and classified as security deposits.

Financial Services The Company has provided a guarantee on behalf of PC Bank to Mastercard International Incorporated ("Mastercard") for accepting PC Bank as a card member and licensee of Mastercard. As at January 3, 2026, the guarantee on behalf of PC Bank to Mastercard was $190 million USD (December 28, 2024 – $190 million USD).

Letters of credit for the benefit of independent securitization trusts with respect to the securitization programs of PC Bank have been issued by major financial institutions. These standby letters of credit can be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. The Company has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit. The aggregate gross potential liability under these arrangements for the Other Independent Securitization Trusts was $59 million (December 28, 2024 – $72 million), which represented approximately 9% (December 28, 2024 – 9%) of the securitized credit card receivables amount (see note 5).

Note 32. Related Party Transactions

The Company's controlling shareholder is Weston, which owns, directly and indirectly, 618,657,687 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, a total of 225,794,884 of Weston's common shares, representing approximately 59.5% of Weston's outstanding common shares. Galen G. Weston also beneficially owns 2,362,544 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 Real Estate Investment Trust ("Choice Properties"). Therefore, Choice Properties is a related party by virtue of common control. As at January 3, 2026, Weston's ownership interest in Choice Properties was approximately 61.7% (December 28, 2024 – 61.7%). The Company is Choice Properties' largest tenant, representing approximately 57.7% (December 28, 2024– 57.7%) of Choice Properties' rental revenue as at January 3, 2026.

Transactions with Related Parties

	Transaction Value	
(millions of Canadian dollars)	**2025**	2024
Operating income		
Transactions with Weston and Wittington		
Cost sharing agreements with Weston[(i)]	**$ 57**	$ 56
Net administrative services provided by Weston[(ii)]	**21**	23
Lease payments to Wittington	**1**	1
Transactions with Choice Properties		
Lease payments to Choice Properties[(iii)]	**$ 836**	$ 797
Site intensification payments received from Choice Properties	**(5)**	(4)
Equity transactions with Weston		
Dividends paid on common shares	**$ 345**	$ 319

(i) 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.

(ii) 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.

(iii) During 2025, lease payments paid to Choice Properties included base rent of $575 million (2024 – $548 million) and operating expenses of $261 million (2024 – $249 million).

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

(millions of Canadian dollars)	**As at January 3, 2026**	As at December 28, 2024
Weston[(i)]	**$ 11**	$ 97
Choice Properties	**(11)**	(16)

(i) 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:

	Payments due by year						**As at January 3, 2026**	As at December 28, 2024
(millions of Canadian dollars)	2026	2027	2028	2029	2030	Thereafter	**Total**	Total
Lease payments	$ 607	$ 589	$ 487	$ 447	$ 338	$ 1,245	**$ 3,713**	$ 3,838

Sale and Leaseback Transactions with Choice Properties During 2025, the Company sold two properties (2024 – one property) to Choice Properties for proceeds of $215 million (2024 – $38 million) and recognized a gain of $29 million (2024 – gain of $14 million). During 2024, the Company also sold four properties to a joint arrangement between a third party and Choice Properties for proceeds of $278 million and recognized a gain of $40 million. All (2024 - all) of these properties were leased back by the Company (see note 27).

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 "Post-Employment Benefits".

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)	**2025**	2024
Salaries, director fees and other short term employee benefits	**$ 10**	$ 10
Equity-based compensation	**13**	8
Total compensation	**$ 23**	$ 18

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

Three Year Summary[1]

Unless otherwise indicated, all financial information represents the Company's results from continuing operations (Retail).

As at or for the years ended January 3, 2026 and December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	**2025**	2024	2023
Consolidated Results of Operations			
Revenue	**$ 63,903**	$ 60,123	$ 58,681
Revenue growth	**6.3 %**	2.5 %	5.4 %
Operating income	**$ 4,424**	$ 3,474	$ 3,515
Gross profit[2]	**20,032**	18,835	18,189
Gross profit %[2]	**31.3 %**	31.3 %	31.0 %
Adjusted EBITDA[2]	**$ 7,156**	$ 6,673	$ 6,378
Adjusted EBITDA margin[2]	**11.2 %**	11.1 %	10.9 %
Depreciation and amortization	**$ 2,692**	$ 2,918	$ 2,850
Net interest expense and other financing charges	**742**	683	660
Adjusted net interest expense and other financing charges[2]	**742**	683	660
Net earnings	**2,738**	2,275	2,187
Continuing operations	**2,602**	2,060	2,138
Discontinued operations	**136**	215	49
Net earnings available to common shareholders of the Company[i]	**2,667**	2,155	2,088
Continuing operations	**2,531**	1,940	2,039
Discontinued operations	**136**	215	49
Adjusted net earnings available to common shareholders of the Company[2]	**2,913**	2,637	2,480
Continuing operations	**2,777**	2,524	2,414
Discontinued operations	**136**	113	66
Consolidated Per Common Share ($)			
Diluted net earnings	**$ 2.22**	$ 1.75	$ 1.63
Continuing operations	**$ 2.11**	$ 1.58	$ 1.59
Discontinued operations	**$ 0.11**	$ 0.17	$ 0.04
Adjusted diluted net earnings[2]	**$ 2.43**	$ 2.14	$ 1.94
Continuing operations	**$ 2.32**	$ 2.05	$ 1.89
Discontinued operations	**$ 0.11**	$ 0.09	$ 0.05
Consolidated Financial Position and Cash Flows			
Cash and cash equivalents and short term investments[iii]	**$ 2,095**	$ 2,110	$ 1,952
Cash flows from operating activities[iv]	**6,264**	5,802	5,654
Capital investments[ii][iv]	**2,062**	2,200	2,109
Free cash flow[2][iv]	**2,049**	1,671	1,700
Financial Measures			
Debt to Adjusted EBITDA[2]	**2.3 x**	2.4 x	2.3 x
Adjusted return on equity[2]	**26.3 %**	23.6 %	22.2 %
Adjusted return on capital[2]	**12.4 %**	11.8 %	11.5 %

Three Year Summary[1]

As at or for the years ended January 3, 2026 and December 28, 2024 and December 30, 2023 (millions of Canadian dollars except where otherwise indicated)	**2025**	2024	2023
Operating Statistics			
Food retail same-store sales growth[3]	**2.3 %**	1.5 %	3.9 %
Drug retail same-store sales growth[3]	**3.9 %**	2.4 %	5.4 %
Drug retail same-store pharmacy and healthcare services sales growth[3]	**6.0 %**	6.3 %	6.8 %
Drug retail same-store front store sales (growth)/decline[3]	**1.7 %**	(1.3)%	4.2 %
Total retail square footage (in millions)	**73.3**	72.0	71.2
Number of corporate stores	**566**	603	569
Number of franchise stores	**562**	528	535
Number of Associate-owned drug stores	**1,376**	1,361	1,351

(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.

(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 year. There were no prepayments transferred to fixed assets for the years ended January 3, 2026 and December 28, 2024.

(iii) Cash and cash equivalents and short term investments includes amounts classified as held for sale. See note 5 "Assets Held for Sale and Discontinued Operations" of the Company's consolidated financial statements.

(iv) These cash flow metrics are presented on a total Company basis, inclusive of continuing and discontinued operations.

Three Year Summary Endnotes

(1) For financial definitions and ratios, see the Glossary of Terms section included within the Company's 2025 Annual Report.

(2) See Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis for the reconciliation of such non-GAAP and other financial measures to the most directly comparable GAAP measures.

(3) Results are presented on a comparable number of week basis. Comparable number of weeks would be 12 weeks versus 12 weeks or 52 weeks versus 52 weeks.

Glossary of Terms

Term	Definition
Adjusted diluted net earnings per common share	Adjusted net earnings available to common shareholders including the effects of all dilutive instruments divided by the diluted weighted average number of common shares outstanding during the period (see Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted EBITDA	Adjusted operating income before depreciation and amortization (see Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted EBITDA margin	Adjusted EBITDA divided by revenue (see Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted income tax	Income taxes adjusted for the tax impact of items included in adjusted operating income less adjusted net interest and other financing charges (see Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted effective tax rate	Adjusted income taxes divided by adjusted operating income less adjusted net interest and other financing charges (see Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted net earnings attributable to shareholders of the Company	Net earnings attributable to shareholders of the Company adjusted for items that are not necessarily reflective of the Company's underlying operating performance (see Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted net earnings available to common shareholders of the Company	Adjusted net earnings attributable to shareholders of the Company less preferred dividends and the impact of the redemption of these shares (see Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted net interest expense and other financing charges	Net interest expense and other financing charges adjusted for items that are not necessarily reflective of the Company's ongoing net financing costs (see Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted operating income	Operating income adjusted for items that are not necessarily reflective of the Company's underlying operating performance (see Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted return on capital	Tax-effected adjusted operating income divided by average capital (see Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Adjusted return on equity	Adjusted net earnings available to common shareholders of the Company divided by average total equity attributable to common shareholders of the Company (see Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Annualized credit loss rate on average quarterly gross credit card receivables	Total credit card losses year-to-date divided by the number of days year-to-date times 365 divided by average quarterly gross credit card receivables.
Annualized yield on average quarterly gross credit card receivables	Interest earned on credit card receivables year-to-date divided by the number of days year-to-date times 365 divided by average quarterly gross credit card receivables.
Average prescription value	Total prescription sales divided by total script count.
Basic net earnings per common share	Net earnings available to common shareholders divided by the weighted average number of common shares of the Company outstanding during the period.
Capital under management	Total debt plus total equity attributable to shareholders of the Company.
Capital investments	Sum of fixed asset purchases, intangible asset additions, and prepayments transferred to fixed assets in the current year (see notes 12 and 14 of the Company's Consolidated Financial Statements).
Control brand	A brand and associated trademark that is owned by the Company for use in connection with its own products and services.
Conversion	A store that changes from one Company banner to another Company banner.
Diluted net earnings per common share	Net earnings available to common shareholders of the Company adjusted for the impact of dilutive items divided by the weighted average number of common shares outstanding during the period adjusted for the impact of dilutive items.
Diluted weighted average common shares outstanding	Weighted average number of common shares outstanding including the effects of all dilutive instruments.
E-commerce sales	Retail segment revenue earned through online sales.
Food Retail basket size	The dollar value of products sold in a single retail transaction.
Food Retail traffic	The number of customers entering stores across all banners.
Free cash flow	Cash flows from operating activities less capital investments, interest paid and net lease payments (see Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Gross profit	Revenue less cost of sales.
Gross profit percentage	Gross profit divided by revenue.
Net earnings attributable to shareholders of the Company	Net earnings less non-controlling interests.
Net earnings available to common shareholders of the Company	Net earnings attributable to shareholders of the Company less preferred dividends.
Operating income	Net earnings before net interest expense and other financing charges and income taxes.
Retail debt to retail adjusted EBITDA	Retail segment total debt (see Section 6.2 "Liquidity and Capital Structure" of the Company's Management Discussion and Analysis) divided by Retail segment adjusted EBITDA.
Retail segment adjusted gross profit	Retail segment gross profit, adjusted for items that are not necessarily reflective of the Company's underlying operating performance (see Section 16 "Non-GAAP and Other Financial Measures" of the Company's Management's Discussion and Analysis).
Rightsizing	A capital investment in a store resulting in a decrease to the store square footage.
Same-store sales	Same-store sales are retail sales for stores in operation in both comparable periods, including relocated, converted, expanded, contracted or renovated stores.
Total equity attributable to common shareholders of the Company	Total equity less preferred shares outstanding and non-controlling interests.
Total equity attributable to shareholders of the Company	Total equity less non-controlling interests.
Total retail square footage	Total retail square footage includes corporate, franchised stores and associate-owned drug stores.
Weighted average common shares outstanding	The number of common shares outstanding determined by relating the portion of time within the period the common shares were outstanding to the total time in that period.

Corporate Profile

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Loblaw Companies Limited
1 President's Choice Circle
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Fax: (905) 861-2206
Website: loblaw.ca

Stock Exchange Listing and Symbol

The Company's common shares are listed on the Toronto Stock Exchange and trade under the symbols "L". The second preferred shares were listed on the Toronto Stock Exchange and traded under the symbol "L.PR.B.", until January 8, 2025, when they were fully redeemed and delisted.

Common Shares

At year-end 2025, Galen G. Weston, directly and indirectly, including through his controlling interest in Weston, owns approximately 52.6% of the Company's common shares.

At year-end 2025, there were 1,175,146,201 common shares issued and outstanding.

The average daily trading volume of the Company's common shares for 2025 was 1,484,223.

Company Dividend Policy

The Company's dividend policy states: the declaration and payment of dividends and the amount thereof on the Company's common shares are at the discretion of the Board of Directors 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.

Common Dividend Dates

The declaration and payment of quarterly dividends are made subject to approval by the Board of Directors. The anticipated record and payments dates for 2026 are:

Record Date	Payment Date
March 15	April 1
June 15	July 1
September 15	October 1
December 15	December 30

Normal Course Issuer Bid

The Company has a Normal Course Issuer Bid on the Toronto Stock Exchange.

Value of Common Shares

For capital gains purposes, the valuation day (December 22, 1971) cost base for the Company, adjusted for the 2 for 1 stock split (effective May 16, 1986), the 3 for 1 stock split (effective May 10, 1996) and the 4 for 1 stock split (effective August 18, 2025) is $0.240 per common share. The value on February 22, 1994 was $1.92 per common share.

Investor Relations

Shareholders, security analysts and investment professionals should direct their requests to Investor Relations at the Company's National Head Office or by e-mail at investor@loblaw.ca.

Registrar and Transfer Agent
Computershare Investor Services Inc.
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Toronto, Canada M5J 2Y1

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International direct dial: (514) 982-7555

To change your address, eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

Additional financial information has been filed electronically with various securities regulators in Canada through the System for SEDAR+ and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, President's Choice Bank.

Annual General Meeting

The 2025 Annual Meeting of Shareholders of Loblaw Companies Limited will be held on Tuesday, May 12, 2026 at 10:00 a.m. (EDT) at Massey Hall, 178 Victoria Street, Toronto, Ontario, Canada and virtually via a live webcast.

The Company holds an analyst call shortly following the release of its quarterly results. These calls are archived in the Investors section of the Company's website (loblaw.ca).

Trademarks

Loblaw Companies Limited and its subsidiaries own a number of trademarks. Several subsidiaries are licensees of additional trademarks. These trademarks are the exclusive property of Loblaw Companies Limited, its subsidiaries or the licensor and where used in this report, are marked with ™ or ® symbols, or written in italics.

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Feeding one million futures

In 2025, President's Choice Children's Charity achieved a powerful milestone, reaching 1 million kids across Canada through its direct-to-school programs. With one-third of Canadian food bank users being children, the need is urgent. As the country's largest charitable direct-to-school nutrition program, the Charity now reaches more than 2,100 schools, helping remove hunger as a barrier to learning. Through initiatives like Power Full Kids™ | Eat Well and Future Growers, including container-farm programs in Indigenous communities that enable students to grow fresh food for their schools, the Charity is building lasting food skills and resilience. This impact is made possible through collective support, from in-store Get to Give™ fundraising to colleague and community participation, helping ensure more children are nourished, supported and ready to thrive.

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