

Management's Discussion and Analysis

1. Forward-Looking Statements	2
2. Key Financial Performance Indicators	4
3. Consolidated Results of Operations	5
4. Reportable Operating Segments Results of Operations	8
4.1 Retail Segment	8
4.2 Financial Services Segment	10
5. Liquidity and Capital Resources	11
5.1 Cash Flows	11
5.2 Liquidity and Capital Structure	13
5.3 Financial Condition	14
5.4 Credit Ratings	14
5.5 Dividends and Share Repurchases	14
5.6 Off-Balance Sheet Arrangements	15
6. Financial Derivative Instruments	15
7. Results by Quarter	16
8. Internal Control over Financial Reporting	17
9. Enterprise Risks and Risk Management	17
10. Related Party Transactions	18
11. Future Accounting Standards	18
12. Outlook	18
13. Non-GAAP and Other Financial Measures	19
14. Additional Information	26

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 Company's first quarter 2024 unaudited interim period condensed consolidated financial statements and the accompanying notes ("interim financial statements") included within the Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 30, 2023 and the related MD&A included in the Company's 2023 Annual Report.

The Company's first quarter 2024 interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IFRS Accounting Standards" or "GAAP"). These interim financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except when otherwise noted.

Management uses non-GAAP and other financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. The Company adjusts for these items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring. See Section 13 "Non-GAAP and Other Financial Measures" for more information on the Company's non-GAAP and other financial measures.

A glossary of terms used throughout this Quarterly Report can be found at the back of the Company's 2023 Annual Report.

Terms denoted with numerical references throughout the MD&A of this Quarterly Report are defined in the MD&A Endnotes section.

The information in this MD&A is current to April 30, 2024, unless otherwise noted.

1. Forward-Looking Statements

The 2024 Quarterly 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 Quarterly 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 Quarterly Report including, without limitation, Section 5 "Liquidity and Capital Resources", Section 11 "Future Accounting Standards", Section 12 "Outlook" and Section 13 "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 2023 Annual Report, and the Company's 2023 Annual Information Form ("AIF") for the year ended December 30, 2023. Such risks and uncertainties include:

- changes in economic conditions, including inflation, 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;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- failure to realize benefits from investments in the Company's new IT systems and related processes;
- 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;
- failure to attract and retain colleagues may impact the Company's ability to effectively operate and achieve financial performance goals;
- 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 achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- 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 realize the anticipated benefits associated with the Company's strategic priorities and major initiatives, including revenue growth, anticipated cost savings and operating efficiencies, or organizational changes that may impact the relationships with franchisees and Shoppers Drug Mart Licensees ("Associates");
- failure to adapt to environmental and social risks, including failure to execute against the Company's climate change and social equity initiatives;
- 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;
- adverse outcomes of legal and regulatory proceedings and related matters; and
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace.

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 2023 AIF (for the year ended December 30, 2023). 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. Key Financial Performance Indicators⁽¹⁾

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

As at or for the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)
Consolidated:		
Revenue growth	4.5 %	6.0 %
Operating income	\$ 861	\$ 769
Adjusted EBITDA ⁽²⁾	1,544	1,448
Adjusted EBITDA margin ⁽²⁾	11.4 %	11.1 %
Net earnings	\$ 489	\$ 437
Net earnings attributable to shareholders of the Company	462	421
Net earnings available to common shareholders of the Company ⁽ⁱ⁾	459	418
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	537	505
Diluted net earnings per common share (\$)	\$ 1.47	\$ 1.29
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 1.72	\$ 1.55
Cash and cash equivalents and short term investments	\$ 1,609	\$ 1,710
Cash flows from operating activities	856	915
Capital investments ⁽ⁱⁱ⁾	387	315
Free cash flow ⁽²⁾	2	147
Financial Measures:		
Retail debt to rolling year retail adjusted EBITDA ⁽²⁾	2.3 x	2.4 x
Rolling year adjusted return on equity ⁽²⁾	22.6 %	20.4 %
Rolling year adjusted return on capital ⁽²⁾	11.6 %	10.9 %
Retail Segment:		
Food retail same-store sales growth	3.4 %	3.1 %
Drug retail same-store sales growth	4.0 %	7.4 %
Operating income	\$ 782	\$ 726
Gross profit	4,204	3,980
Gross profit %	31.6 %	31.3 %
Adjusted EBITDA ⁽²⁾	\$ 1,452	\$ 1,390
Adjusted EBITDA margin ⁽²⁾	10.9 %	10.9 %
Financial Services Segment:		
Earnings before income taxes	\$ 44	\$ 12
Annualized yield on average quarterly gross credit card receivables	14.8 %	13.7 %
Annualized credit loss rate on average quarterly gross credit card receivables	4.7 %	3.7 %

(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.

(ii) Capital investments are the sum of fixed asset purchases and intangible asset additions as presented in the Company's Condensed Consolidated Statements of Cash Flows, and prepayments transferred to fixed assets in the current period.

3. Consolidated Results of Operations

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	\$ Change	% Change
Revenue	\$ 13,581	\$ 12,995	\$ 586	4.5 %
Operating income	861	769	92	12.0 %
Adjusted EBITDA ⁽²⁾	1,544	1,448	96	6.6 %
Adjusted EBITDA margin ⁽²⁾	11.4 %	11.1 %		
Depreciation and amortization	\$ 690	\$ 675	\$ 15	2.2 %
Net interest expense and other financing charges	194	181	13	7.2 %
Income taxes	178	151	27	17.9 %
Adjusted income taxes ⁽²⁾	207	182	25	13.7 %
Effective tax rate	26.7 %	25.7 %		
Adjusted effective tax rate ⁽²⁾	26.7 %	25.8 %		
Net earnings attributable to non-controlling interests	\$ 27	\$ 16	\$ 11	68.8 %
Net earnings attributable to shareholders of the Company	\$ 462	\$ 421	\$ 41	9.7 %
Net earnings available to common shareholders of the Company⁽ⁱ⁾	459	418	41	9.8 %
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	537	505	32	6.3 %
Diluted net earnings per common share (\$)	\$ 1.47	\$ 1.29	\$ 0.18	14.0 %
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 1.72	\$ 1.55	\$ 0.17	11.0 %
Diluted weighted average common shares outstanding (in millions)	311.9	324.8		

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

Loblaw began 2024 with another quarter of strong operational and financial results. The focus on retail excellence continued across the Company's businesses driving sales growth, reductions in shrink, and earnings growth. The Company's market leading discount banners, private label brands, and personalized PC Optimum™ offers resonated with customers. This resulted in higher store traffic, strong market share gains in Food Retail, and revenue growth that stands out against lower internal inflation. An increase in Drug Retail sales reflected continued strength in front store beauty and cough and cold products. Canada's Consumer Price Index ("CPI") for Food Purchased From Stores in March was 1.9%, the lowest level recorded in more than two years and was below the headline CPI in the first quarter of 2024. The Company's internal food inflation remained below Canada's CPI for Food Purchased From Stores again this quarter.

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

Net earnings available to common shareholders of the Company in the first quarter of 2024 were \$459 million (\$1.47 per common share). When compared to the first quarter of 2023, this was an increase of \$41 million (\$0.18 per common share). The increase included an improvement in the underlying operating performance of \$32 million, and a favourable change in adjusting items totaling \$9 million as described below:

- the improvement in underlying operating performance of \$32 million (\$0.10 per common share) was primarily due to the following:
 - an improvement in the underlying operating performance in the Retail segment driven by an increase in gross profit, partially offset by an increase in selling, general and administrative expenses (“SG&A”) and depreciation and amortization; and
 - an improvement in the underlying operating performance in the Financial Services segment.
- the favourable change in adjusting items totaling \$9 million (\$0.01 per common share) was primarily due to the following:
 - the year-over-year favourable change in fair value adjustment on fuel and foreign currency contracts of \$8 million (\$0.02 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 (\$0.07 per common share).

Adjusted net earnings available to common shareholders of the Company⁽²⁾ were \$537 million, an increase of \$32 million or 6.3% compared to the first quarter of 2023. Adjusted net earnings per common share⁽²⁾ were \$1.72, an increase of \$0.17 or 11.0%. The increase includes the favourable impact from the repurchase of common shares.

Revenue

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	\$ Change	% Change
Retail	\$ 13,290	\$ 12,735	\$ 555	4.4 %
Financial Services	361	326	35	10.7 %
Eliminations	(70)	(66)	(4)	(6.1)%
Revenue	\$ 13,581	\$ 12,995	\$ 586	4.5 %

Revenue was \$13,581 million in the first quarter of 2024. When compared to the first quarter of 2023, this was an increase of \$586 million, or 4.5%. The increase was primarily driven by an increase in Retail segment sales of \$555 million due to positive same-store sales growth. There was also an increase in Financial Services segment sales of \$35 million.

Operating Income Operating income was \$861 million in the first quarter of 2024. When compared to the first quarter of 2023, this was an increase of \$92 million, or 12.0%. The increase was driven by an improvement in underlying operating performance of \$81 million, and a favourable change in adjusting items totaling \$11 million as described below:

- the improvement in underlying operating performance of \$81 million was primarily due to the following:
 - an improvement in the underlying operating performance of the Retail Segment due to an increase in gross profit, partially offset by an increase in SG&A and depreciation and amortization; and
 - an improvement in the underlying operating performance in the Financial Services segment.
- the favourable change in adjusting items totaling \$11 million was primarily due to the following:
 - the year-over-year favourable change in fair value adjustments on fuel and foreign currency contracts of \$10 million.

Adjusted EBITDA⁽²⁾

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	\$ Change	% Change
Retail	\$ 1,452	\$ 1,390	\$ 62	4.5 %
Financial Services	92	58	34	58.6 %
Adjusted EBITDA ⁽²⁾	\$ 1,544	\$ 1,448	\$ 96	6.6 %

Adjusted EBITDA⁽²⁾ was \$1,544 million in the first quarter of 2024. When compared to the first quarter of 2023, this was an increase of \$96 million or 6.6%, driven by an increase in the Retail segment of \$62 million, and an increase in the Financial Services segment of \$34 million.

Depreciation and Amortization Depreciation and amortization was \$690 million, an increase of \$15 million or 2.2% compared to the first quarter of 2023. The increase in depreciation and amortization in the first quarter of 2024 was primarily driven by an increase in depreciation of leased assets and IT assets, and an increase in depreciation of fixed assets related to conversions of retail locations, partially offset by the impact of prior year accelerated depreciation due to the reassessment of the estimated useful life of certain IT assets.

Depreciation and amortization in the first quarter of 2024 included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart Corporation (“Shoppers Drug Mart”) and Lifemark Health Group (“Lifemark”) of \$114 million (2023 – \$114 million).

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were \$194 million, an increase of \$13 million or 7.2% compared to the first quarter of 2023. The increase was primarily driven by an increase in interest expense from lease liabilities.

Income Taxes Income tax expense in the first quarter of 2024 was \$178 million (2023 – \$151 million) and the effective tax rate was 26.7% (2023 – 25.7%). The increase in the effective tax rate was primarily attributable to the non-taxable portion of the gain from real estate dispositions during the first quarter of 2023.

Adjusted income tax expense⁽²⁾ in the first quarter of 2024 was \$207 million (2023 – \$182 million) and the adjusted effective tax rate⁽²⁾ was 26.7% (2023 – 25.8%). The increase in the adjusted effective tax rate⁽²⁾ was primarily attributable to the non-taxable portion of the gain from real estate dispositions during the first quarter of 2023.

Net Earnings Attributable To Non-Controlling Interests Net earnings attributable to non-controlling interests were \$27 million, an increase of \$11 million or 68.8% compared to the first quarter of 2023, primarily driven by an increase in franchisee earnings after profit sharing. Non-controlling interests represent the share of earnings that relates to the Company’s Food Retail franchisees and is impacted by the timing of when profit sharing with franchisees is agreed and finalized under the terms of the agreements.

4. Reportable Operating Segments Results of Operations

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

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

4.1 Retail Segment

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	\$ Change	% Change
Sales	\$ 13,290	\$ 12,735	\$ 555	4.4 %
Operating income	782	726	56	7.7 %
Gross profit	4,204	3,980	224	5.6 %
Gross profit %	31.6 %	31.3 %		
Adjusted EBITDA ⁽²⁾	\$ 1,452	\$ 1,390	\$ 62	4.5 %
Adjusted EBITDA margin ⁽²⁾	10.9 %	10.9 %		
Depreciation and amortization	\$ 677	\$ 660	\$ 17	2.6 %

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

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)		2023 (12 weeks)	
	Sales	Same-store sales	Sales	Same-store sales
Food retail	\$ 9,409	3.4 %	\$ 9,011	3.1 %
Drug retail	3,881	4.0 %	3,724	7.4 %
Pharmacy and healthcare services	2,059	7.3 %	1,924	4.7 %
Front store	1,822	0.7 %	1,800	10.3 %

Sales Retail segment sales were \$13,290 million in the first quarter of 2024, an increase of \$555 million, or 4.4% compared to the first quarter of 2023, primarily driven by the following factors:

- Food retail same-store sales growth was 3.4% (2023 – 3.1%) for the quarter.
 - Sales growth in food was strong;
 - Sales growth in pharmacy was moderate;
 - The CPI for Food Purchased From Stores was 2.6% (2023 – 10.5%) which was higher than the Company's internal food inflation; and
 - Food Retail traffic increased and basket size decreased.
- Drug retail same-store sales growth was 4.0% (2023 – 7.4%) for the quarter.
 - Pharmacy and healthcare services same-store sales growth was 7.3% (2023 – 4.7%). The number of prescriptions increased by 4.2% (2023 – decreased by 2.4%). On a same-store basis, the number of prescriptions increased by 4.0% (2023 – decreased by 1.9%) and the average prescription value increased by 2.0% (2023 – 6.0%);
 - Front store same-store sales growth was 0.7% (2023 – 10.3%). Front store same-store sales remained strong, led by beauty and cough and cold products, lapping double digit growth in the prior year.

In the last 12 months, 26 food and drug stores were opened, and 10 food and drug stores were closed, resulting in a net increase in Retail square footage of 0.2 million square feet, or 0.3%.

Operating Income Operating income was \$782 million in the first quarter of 2024, an increase of \$56 million, or 7.7% compared to the first quarter of 2023. The increase was driven by an improvement in underlying operating performance of \$45 million, and a favourable change in adjusting items totaling \$11 million, as described below:

- the improvement in underlying operating performance of \$45 million was due to an increase in gross profit, partially offset by an increase in SG&A and depreciation and amortization; and
- the favourable change in adjusting items totaling \$11 million was primarily due to the following:
 - the year-over-year favourable change in fair value adjustments on fuel and foreign currency contracts of \$10 million.

Gross Profit Gross profit was \$4,204 million in the first quarter of 2024, an increase of \$224 million, or 5.6% compared to 2023. The gross profit percentage⁽²⁾ of 31.6% increased by 30 basis points, primarily driven by improvements in Drug Retail gross margins, mainly due to sales mix, and lower shrink.

Adjusted EBITDA⁽²⁾ Adjusted EBITDA⁽²⁾ was \$1,452 million in the first quarter of 2024, an increase of \$62 million, or 4.5% compared to the first quarter of 2023. The increase was driven by an increase in gross profit of \$224 million, partially offset by an increase in SG&A of \$162 million. SG&A as a percentage of sales was 20.7%, an increase of 40 basis points, primarily driven by the year-over-year impact of certain real estate activities and labour costs, and costs related to network optimization.

Depreciation and Amortization Depreciation and amortization was \$677 million in the first quarter of 2024, an increase of \$17 million when compared to the first quarter of 2023. The increase in depreciation and amortization in the first quarter of 2024 was primarily driven by an increase in depreciation of leased assets and IT assets, and an increase in depreciation of fixed assets related to conversions of retail locations, partially offset by the impact of prior year accelerated depreciation due to the reassessment of the estimated useful life of certain IT assets.

Depreciation and amortization in the first quarter of 2024 included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of \$114 million (2023 – \$114 million).

4.2 Financial Services Segment

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	\$ Change	% Change
Revenue	\$ 361	\$ 326	\$ 35	10.7 %
Earnings before income taxes	44	12	32	266.7 %

(millions of Canadian dollars except where otherwise indicated)	As at March 23, 2024	As at March 25, 2023	\$ Change	% Change
Average quarterly net credit card receivables	\$ 3,989	\$ 3,851	\$ 138	3.6 %
Credit card receivables	3,846	3,748	98	2.6 %
Allowance for credit card receivables	265	212	53	25.0 %
Annualized yield on average quarterly gross credit card receivables	14.8 %	13.7 %		
Annualized credit loss rate on average quarterly gross credit card receivables	4.7 %	3.7 %		

Revenue Revenue was \$361 million, an increase of \$35 million compared to the first quarter of 2023. The increase in revenue was primarily driven by:

- higher interest income from growth in credit card receivables; and
- higher sales attributable to The Mobile Shop™.

Earnings before income taxes Earnings before income taxes were \$44 million in the first quarter of 2024, an increase of \$32 million compared to the first quarter of 2023. The increase in the first quarter was primarily driven by:

- higher revenue as described above; and
 - lower customer acquisition expenses and operating costs, including the marketing support funding in connection with the launch of PC Insiders World Elite Mastercard® and the benefits associated with the renewal of a long-term agreement with Mastercard;
- partially offset by,
- higher contractual charge-offs and funding costs due to the current macro-economic environment; and
 - the year-over-year unfavourable impact of the expected credit loss provision.

Credit Card Receivables As at March 23, 2024, credit card receivables were \$3,846 million, an increase of \$98 million compared to March 25, 2023. This increase was primarily driven by growth in the active customer base. The expected credit loss allowance for credit card receivables was \$265 million, an increase of \$53 million compared to March 25, 2023. The increase is reflective of the current and forecasted macro-economic environment and its impact on consumer credit trends.

5. Liquidity and Capital Resources

5.1 Cash Flows

Major Cash Flow Components

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)		\$ Change	% Change
Cash and cash equivalents, beginning of period	\$ 1,488	\$ 1,608	\$ (120)		(7.5)%
Cash flows from (used in):					
Operating activities	\$ 856	\$ 915	\$ (59)		(6.4)%
Investing activities	(196)	(454)	258		56.8 %
Financing activities	(863)	(906)	43		4.7 %
Effect of foreign currency exchange rate changes on cash and cash equivalents	3	(1)	4		400.0 %
Decrease in cash and cash equivalents	\$ (200)	\$ (446)	\$ 246		55.2 %
Cash and cash equivalents, end of period	\$ 1,288	\$ 1,162	\$ 126		10.8 %

Cash Flows from Operating Activities Cash flows from operating activities in the first quarter of 2024 were \$856 million, a decrease of \$59 million when compared to the first quarter of 2023. The decrease in cash flows from operating activities was primarily driven by an unfavourable year-over-year change in both non-cash working capital and income taxes paid, partially offset by higher cash earnings and higher payments from cardholders on credit card receivables.

Cash Flows used in Investing Activities Cash flows used in investing activities in the first quarter of 2024 were \$196 million, a decrease of \$258 million when compared to the first quarter of 2023. The decrease in cash flows used in investing activities was primarily driven by higher disposal of short term investments, partially offset by an increase in investment in fixed assets and a decrease in proceeds from disposal of assets.

Capital Investments and Store Activity

As at March 23, 2024 and March 25, 2023	2024	2023	% Change
Corporate square footage (in millions)	35.1	34.9	0.6 %
Franchise square footage (in millions)	17.1	17.2	(0.6)%
Associate-owned drug store square footage (in millions)	19.1	19.0	0.5 %
Total retail square footage (in millions)	71.3	71.1	0.3 %
Number of corporate stores	569	548	3.8 %
Number of franchise stores	539	551	(2.2)%
Number of Associate-owned drug stores	1,350	1,343	0.5 %
Total number of stores	2,458	2,442	0.7 %
Average store size (square feet)			
Corporate	61,700	63,700	(3.1)%
Franchise	31,700	31,200	1.6 %
Associate-owned drug store	14,100	14,100	— %

Capital Investments Capital investments were \$387 million, an increase of \$72 million or 22.9%, compared to 2023.

Cash Flows used in Financing Activities Cash flows used in financing activities in the first quarter of 2024 were \$863 million, a decrease of \$43 million when compared to the first quarter of 2023. The decrease in cash flows used in financing activities was primarily driven by issuance of \$400 million aggregate principal amount of senior unsecured notes bearing interest at 5.115% per annum with a maturity date of March 4, 2054, partially offset by higher issuance of short-term debt in the prior year and higher proceeds from financial liabilities in the prior year.

Free Cash Flow⁽²⁾

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars)	2024 (12 weeks)				2023 (12 weeks)			
	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total
Cash flows from (used in) operating activities	\$ 462	\$ 371	\$ 23	\$ 856	\$ 652	\$ 237	\$ 26	\$ 915
Less:								
Capital investments ⁽ⁱⁱ⁾	377	10	—	387	306	9	—	315
Interest paid	77	—	23	100	80	—	26	106
Lease payments, net	367	—	—	367	347	—	—	347
Free cash flow ⁽²⁾	\$ (359)	\$ 361	\$ —	\$ 2	\$ (81)	\$ 228	\$ —	\$ 147

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

(ii) Capital investments are the sum of fixed asset purchases and intangible asset additions as presented in the Company's Condensed Consolidated Statements of Cash Flows, and prepayments transferred to fixed assets in the current period.

Free cash flow⁽²⁾ used in the Retail segment in the first quarter of 2024 was \$359 million, an increase of \$278 million when compared to the first quarter of 2023. The increase was primarily driven by an unfavourable year-over-year change in non-cash working capital and an unfavourable year-over-year change of income taxes paid, partially offset by higher cash earnings. Higher capital investments also impacted Retail segment free cash flow compared to the same period in 2023.

Free cash flow⁽²⁾ from the Financial Services segment in the first quarter of 2024 was \$361 million, an increase of \$133 million when compared to the first quarter of 2023, primarily due to higher payments from cardholders on credit card receivables.

5.2 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.

President's Choice Bank ("PC Bank") expects to obtain long term financing for its credit card portfolio through the issuance of *Eagle Credit Card Trust*[®] ("Eagle") notes and Guaranteed Investment Certificates ("GICs").

The following table presents total debt by reportable operating segment:

(millions of Canadian dollars)	As at March 23, 2024			As at March 25, 2023			As at December 30, 2023		
	Retail	Financial Services	Total	Retail	Financial Services	Total	Retail	Financial Services	Total
Bank indebtedness	\$ 1	\$ —	\$ 1	\$ 25	\$ —	\$ 25	\$ 13	\$ —	\$ 13
Demand deposits from customers	—	170	170	—	131	131	—	166	166
Short term debt ⁽ⁱ⁾	—	450	450	—	600	600	—	850	850
Long term debt due within one year	400	788	1,188	—	708	708	400	791	1,191
Long term debt ⁽ⁱⁱ⁾	4,866	2,193	7,059	4,853	2,178	7,031	4,460	2,201	6,661
Certain other liabilities ⁽ⁱⁱⁱ⁾	285	—	285	240	—	240	280	—	280
Total debt excluding lease liabilities	\$ 5,552	\$ 3,601	\$ 9,153	\$ 5,118	\$ 3,617	\$ 8,735	\$ 5,153	\$ 4,008	\$ 9,161
Lease liabilities due within one year	1,459	—	1,459	1,409	—	1,409	1,455	—	1,455
Lease liabilities	7,970	—	7,970	7,782	—	7,782	8,003	—	8,003
Total debt including total lease liabilities	\$14,981	\$ 3,601	\$18,582	\$14,309	\$ 3,617	\$17,926	\$ 14,611	\$ 4,008	\$18,619

- (i) During the first quarter of 2024, PC Bank recorded a \$400 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.
- (ii) In the first quarter of 2024, the Company completed an issuance of \$400 million aggregate principal amount of senior unsecured notes bearing interest at 5.115% per annum with a maturity date of March 4, 2054. The Company intends to use the net proceeds of the issuance to partially fund the repayment of its outstanding \$400 million aggregate principal amount of 3.918% senior unsecured notes maturing June 10, 2024.
- (iii) As at March 23, 2024, certain other liabilities include financial liabilities of \$190 million related to the sale and leaseback of retail properties (March 25, 2023 — \$160 million, December 30, 2023 — \$190 million).

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

	As at March 23, 2024	As at March 25, 2023	As at December 30, 2023
Retail debt to rolling year retail adjusted EBITDA ⁽²⁾	2.3 x	2.4 x	2.3 x

The Retail debt to rolling year retail adjusted EBITDA⁽²⁾ ratio as at March 23, 2024 decreased compared to March 25, 2023, primarily due to an improvement in rolling year adjusted EBITDA⁽²⁾. The Retail debt to rolling year retail adjusted EBITDA⁽²⁾ ratio as at March 23, 2024 remained consistent with the ratio as at December 30, 2023.

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

Covenants and Regulatory Requirements The Company is required to comply with certain financial covenants for various debt instruments. As at March 23, 2024 and throughout the quarter, the Company was in compliance with such covenants. As at March 23, 2024 and throughout the quarter, PC Bank has met all applicable regulatory requirements.

5.3 Financial Condition

Rolling year adjusted return on equity⁽²⁾ and Rolling year adjusted return on capital⁽²⁾

	As at March 23, 2024	As at March 25, 2023	As at December 30, 2023
Rolling year adjusted return on equity ⁽²⁾	22.6 %	20.4 %	22.2 %
Rolling year adjusted return on capital ⁽²⁾	11.6 %	10.9 %	11.5 %

Rolling year adjusted return on equity⁽²⁾ as at March 23, 2024 increased compared to March 25, 2023 and December 30, 2023, primarily due to an improvement in the underlying operating performance of the Retail segment and Financial Services segment.

Rolling year adjusted return on capital⁽²⁾ as at March 23, 2024 increased compared to compared to March 25, 2023 and December 30, 2023, primarily due to an improvement in adjusted operating income⁽²⁾.

5.4 Credit Ratings

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

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

5.5 Dividends and Share Repurchases

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

	March 23, 2024 ⁽ⁱ⁾ (12 weeks)	March 25, 2023 (12 weeks)
Dividends declared per share (\$)		
Common Share	\$ 0.446	\$ 0.405
Second Preferred Share, Series B	\$ 0.33125	\$ 0.33125

(i) The Common Share dividends declared in the first quarter of 2024 of \$0.446 per share had a payment date of April 1, 2024. The Second Preferred Shares, Series B dividends declared in the first quarter of 2024 of \$0.33125 per share had a payment date of March 31, 2024.

Subsequent to the end of the first quarter of 2024, the Board of Directors declared a quarterly dividend of \$0.513 per common share, payable on July 1, 2024 to shareholders of record on June 15, 2024 and a quarterly dividend of \$0.33125 per share on the Second Preferred Shares, Series B payable on June 30, 2024 to shareholders of record on June 15, 2024.

In the second quarter of 2023, the Company renewed its Normal Course Issuer Bid (“NCIB”) to purchase on the Toronto Stock Exchange or through alternative trading systems up to 16,055,686 of the Company’s common shares, representing approximately 5% of issued and outstanding common shares. As at March 23, 2024, the Company had purchased 14,206,839 common shares for cancellation under its current NCIB. The Company is still permitted to purchase its common shares from George Weston Limited (“Weston”) under its NCIB, pursuant to an automatic disposition plan agreement among the Company’s broker, the Company and Weston, in order for Weston to maintain its proportionate ownership interest in the Company. The maximum number of common shares that may be purchased pursuant to the NCIB will be reduced by the number of common shares purchased from Weston.

During the first quarter of 2024, 3,213,853 common shares (2023 – 3,258,266) were purchased under the NCIB for cancellation, for aggregate consideration of \$470 million (2023 – \$383 million), including 1,237,193 common shares (2023 – 1,601,915) purchased from Weston, for aggregate consideration of \$182 million (2023 – \$188 million).

For additional information please refer to Note 11 “Share Capital” of the Company’s interim financial statements.

5.6 Off-Balance Sheet Arrangements

The Company uses off-balance sheet arrangements including letters of credit, guarantees and cash collateralization in connection with certain obligations. There were no significant changes to these off-balance sheet arrangements during the first quarter of 2024. For a discussion of the Company’s significant off-balance sheet arrangements see Section 7.7 “Off-Balance Sheet Arrangements” of the Company’s 2023 Annual Report.

6. Financial Derivative Instruments

The Company uses derivative instruments to offset certain of its financial risks. The Company uses bond forwards, interest rate swaps and foreign exchange forwards to mitigate the impact of increases in interest rates and manage its anticipated exposure to exchange rates on its underlying operations and anticipated fixed asset purchases. These derivative instruments are designated as cash flow hedges.

In the first quarter of 2024, PC Bank entered a bond forward agreement with notional value of \$275 million (2023 – \$135 million) to hedge its exposure to interest rate fluctuations against the future issuance of debt instruments. The Company assessed that these hedge agreements were effective as at the quarter-end and included the fluctuations relating to the bond forwards in other comprehensive income.

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. As at March 23, 2024, a fair value loss of \$7 million was recorded in other comprehensive income related to the energy hedge. The fair value of the derivative is included in trade payables and other liabilities.

The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates on its underlying operations. These derivative instruments are not designated in a formal hedging relationship. For further details on the impact of these instruments during the first quarter of 2024 see Section 13 “Non-GAAP and Other Financial Measures” of the MD&A.

7. Results by Quarter

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

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

Summary of Consolidated Quarterly Results

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2024 (12 weeks)	2023 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)	2023 (16 weeks)	2022 (16 weeks)	2023 (12 weeks)	2022 (12 weeks)
(millions of Canadian dollars except where otherwise indicated)								
Revenue	\$13,581	\$12,995	\$ 14,531	\$14,007	\$18,265	\$17,388	\$13,738	\$12,847
Adjusted EBITDA⁽²⁾	1,544	1,448	1,633	1,493	1,926	1,846	1,640	1,499
Net earnings available to common shareholders of the Company	459	418	541	529	621	556	508	387
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	537	505	630	575	719	663	626	566
Net earnings per common share:								
Basic (\$)	\$ 1.48	\$ 1.30	\$ 1.73	\$ 1.63	\$ 1.97	\$ 1.71	\$ 1.59	\$ 1.17
Diluted (\$)	\$ 1.47	\$ 1.29	\$ 1.72	\$ 1.62	\$ 1.95	\$ 1.69	\$ 1.58	\$ 1.16
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 1.72	\$ 1.55	\$ 2.00	\$ 1.76	\$ 2.26	\$ 2.01	\$ 1.94	\$ 1.69
Food retail same-store sales growth	3.4 %	3.1 %	2.0 %	8.4 %	4.5 %	6.9 %	6.1 %	0.9 %
Drug retail same-store sales growth	4.0 %	7.4 %	4.6 %	8.7 %	4.6 %	7.7 %	5.7 %	5.6 %

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

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- macro-economic conditions impacting food and drug retail prices; and
- changes in net retail square footage. Over the past eight quarters, net retail square footage has increased by 0.2 million square feet to 71.3 million square feet.

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

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

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- cost savings from operating efficiencies and benefits from strategic initiatives;
- the favourable impact of the repurchase of common shares for cancellation; and
- the impact of adjusting items, as set out in Section 13 “Non-GAAP and Other Financial Measures”, including:
 - the gain and loss on sale of non-operating properties;
 - charges and recoveries related to PC Bank commodity tax matters;
 - Lifemark transaction costs;
 - fair value adjustment on non-operating properties; and
 - fair value adjustment on fuel and foreign currency.

8. Internal Control over Financial Reporting

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.

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.

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. 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 control over financial reporting in the first quarter of 2024 that materially affected, or are reasonably likely to materially affect the Company’s internal control over financial reporting.

9. Enterprise Risks and Risk Management

A detailed full set of risks inherent in the Company’s business are included in the Company’s AIF for the year ended December 30, 2023 and the Company’s MD&A in the Company’s 2023 Annual Report, which are hereby incorporated by reference. The Company’s 2023 Annual Report and AIF are available online on www.sedarplus.ca. Those risks and risk management strategies remain unchanged.

10. Related Party Transactions

Sale and Leaseback During the first quarter of 2024, the Company sold a property to Choice Properties Real Estate Investment Trust ("Choice Properties") for proceeds of \$38 million (2023 – \$12 million) and recognized a gain of \$14 million (2023 – \$3 million). The property was leased back by the Company.

Financial Liabilities During the first quarter of 2023, the Company disposed of two retail properties to Choice Properties. These properties were leased back by the Company and did not meet the criteria for sale in accordance with IFRS 15, "Revenue from Contracts with Customers" as the Company did not relinquish control of the properties under the terms of the leases (see note 9 "Real Estate Dispositions" of the Company's interim financial statements).

As at March 23, 2024, \$11 million (March 25, 2023 – \$9 million; December 30, 2023 – \$11 million) was recorded in trade payables and other liabilities and \$179 million (March 25, 2023 – \$151 million; December 30, 2023 – \$179 million) was recorded in other liabilities for all properties sold to date that did not meet the criteria for sale.

11. Future Accounting Standards

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, 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.

12. Outlook⁽³⁾

Loblaw will continue to execute on retail excellence while advancing its growth initiatives with the goal of delivering consistent operational and financial results in 2024. The Company's businesses remain well positioned to meet the everyday needs of Canadians.

For the full-year 2024, the Company continues to expect:

- its Retail business to grow earnings faster than sales;
- adjusted net earnings per common share⁽²⁾ growth in the high single-digits;
- to continue investing in our store network and distribution centres by investing a net amount of \$1.8 billion in capital expenditures, which reflects gross capital investments of approximately \$2.2 billion, net of approximately \$400 million of proceeds from property disposals; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

13. Non-GAAP and Other Financial Measures

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

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

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

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

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

	2024 (12 weeks)				2023 (12 weeks)			
	Retail	Financial Services	Eliminations	Total	Retail	Financial Services	Eliminations	Total
For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars)								
Revenue	\$ 13,290	\$ 361	\$ (70)	\$ 13,581	\$ 12,735	\$ 326	\$ (66)	\$ 12,995
Cost of sales	9,086	40	—	9,126	8,755	33	—	8,788
Gross profit	\$ 4,204	\$ 321	\$ (70)	\$ 4,455	\$ 3,980	\$ 293	\$ (66)	\$ 4,207
Adjusted gross profit	\$ 4,204	\$ 321	\$ (70)	\$ 4,455	\$ 3,980	\$ 293	\$ (66)	\$ 4,207

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

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

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars)	2024 (12 weeks)			2023 (12 weeks)		
	Retail	Financial Services	Total	Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			\$ 462			\$ 421
Add impact of the following:						
Non-controlling interests			27			16
Net interest expense and other financing charges			194			181
Income taxes			178			151
Operating income	\$ 782	\$ 79	\$ 861	\$ 726	\$ 43	\$ 769
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 114	\$ —	\$ 114	\$ 114	\$ —	\$ 114
Loss on sale of non-operating properties	—	—	—	1	—	1
Fair value adjustment on fuel and foreign currency contracts	(7)	—	(7)	3	—	3
Adjusting items	\$ 107	\$ —	\$ 107	\$ 118	\$ —	\$ 118
Adjusted operating income	\$ 889	\$ 79	\$ 968	\$ 844	\$ 43	\$ 887
Depreciation and amortization	677	13	690	660	15	675
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(114)	—	(114)	(114)	—	(114)
Adjusted EBITDA	\$ 1,452	\$ 92	\$ 1,544	\$ 1,390	\$ 58	\$ 1,448

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

Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark The acquisition of Shoppers Drug Mart in 2014 included approximately \$6,050 million of definite life intangible assets, which are being amortized over their estimated useful lives. Annual amortization associated with the acquired intangibles will be approximately \$500 million until 2024 and will decrease 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.

Loss on sale of non-operating properties In the first quarter of 2024, the Company did not record any gain or loss related to the sale of non-operating properties (2023 – loss of \$1 million).

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.

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 March 23, 2024 and March 25, 2023 (millions of Canadian dollars)	2024 (12 weeks)	2023 (12 weeks)
Net interest expense and other financing charges	\$ 194	\$ 181
Adjusted net interest expense and other financing charges	\$ 194	\$ 181

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 March 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)
Adjusted operating income ⁽ⁱ⁾	\$ 968	\$ 887
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	194	181
Adjusted earnings before taxes	\$ 774	\$ 706
Income taxes	\$ 178	\$ 151
Add impact of the following:		
Tax impact of items included in adjusted earnings before taxes ⁽ⁱⁱ⁾	29	31
Adjusted income taxes	\$ 207	\$ 182
Effective tax rate	26.7 %	25.7 %
Adjusted effective tax rate	26.7 %	25.8 %

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

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

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

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

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)
Net earnings attributable to shareholders of the Company	\$ 462	\$ 421
Prescribed dividends on preferred shares in share capital	(3)	(3)
Net earnings available to common shareholders of the Company	\$ 459	\$ 418
Net earnings attributable to shareholders of the Company	\$ 462	\$ 421
Adjusting items (refer to the following table)	78	87
Adjusted net earnings attributable to shareholders of the Company	\$ 540	\$ 508
Prescribed dividends on preferred shares in share capital	(3)	(3)
Adjusted net earnings available to common shareholders of the Company	\$ 537	\$ 505
Diluted weighted average common shares outstanding (millions)	311.9	324.8

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.

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars/Canadian dollars)	2024 (12 weeks)		2023 (12 weeks)	
	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share
As reported	\$ 459	\$ 1.47	\$ 418	\$ 1.29
Add (deduct) impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 84	\$ 0.27	\$ 84	\$ 0.26
Loss on sale of non-operating properties	—	—	1	—
Fair value adjustment on fuel and foreign currency contracts	(6)	(0.02)	2	—
Adjusting items	\$ 78	\$ 0.25	\$ 87	\$ 0.26
Adjusted	\$ 537	\$ 1.72	\$ 505	\$ 1.55

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

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars)	2024 (12 weeks)				2023 (12 weeks)			
	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total
Cash flows from (used in) operating activities	\$ 462	\$ 371	\$ 23	\$ 856	\$ 652	\$ 237	\$ 26	\$ 915
Less:								
Capital investments ⁽ⁱⁱ⁾	377	10	—	387	306	9	—	315
Interest paid ⁽ⁱ⁾	77	—	23	100	80	—	26	106
Lease payments, net	367	—	—	367	347	—	—	347
Free cash flow	\$ (359)	\$ 361	\$ —	\$ 2	\$ (81)	\$ 228	\$ —	\$ 147

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

(ii) Capital investments are the sum of fixed asset purchases and intangible asset additions as presented in the Company's Condensed Consolidated Statements of Cash Flows, and prepayments transferred to fixed assets in the current period.

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

- **Retail Debt to Rolling Year Retail Adjusted EBITDA** Retail segment total debt divided by Retail segment adjusted EBITDA for the last four quarters. Please refer to section "5.2 Liquidity and Capital Structure" of this MD&A.
- **Rolling year Adjusted Return on Equity** Adjusted net earnings available to common shareholders of the Company for the last four quarters divided by average total equity attributable to common shareholders of the Company. Please refer to section "5.3 Financial Condition" of this MD&A.
- **Rolling year Adjusted Return on Capital** Tax-effected adjusted operating income for the last four quarters divided by average capital where capital is defined as total debt, plus equity attributable to shareholders of the Company, less cash and cash equivalents, and short term investments. Please refer to section "5.3 Financial Condition" of this MD&A.

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

Non-GAAP and Other Financial Measures - Selected Comparative Reconciliations to GAAP Measures

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

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2024 (12 weeks)	2023 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)	2023 (16 weeks)	2022 (16 weeks)	2023 (12 weeks)	2022 (12 weeks)
(millions of Canadian dollars except where otherwise indicated)								
Net earnings attributable to shareholders of the Company	\$ 462	\$ 421	\$ 544	\$ 532	\$ 624	\$ 559	\$ 511	\$ 390
Add (deduct) impact of the following:								
Non-controlling interests	27	16	16	(14)	25	16	30	38
Net interest expense and other financing charges	194	181	195	172	234	217	193	152
Income taxes	178	151	188	181	182	199	193	162
Operating income	\$ 861	\$ 769	\$ 943	\$ 871	\$ 1,065	\$ 991	\$ 927	\$ 742
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 114	\$ 114	\$ 115	\$ 115	\$ 154	\$ 151	\$ 116	\$ 114
(Gain) Loss on sale of non-operating properties	—	1	—	(50)	(13)	(3)	—	(4)
Charges (recoveries) related to PC Bank commodity tax matters	—	—	(13)	—	—	—	37	111
Lifemark transaction costs	—	—	—	—	—	—	—	13
Fair value adjustment on non-operating properties	—	—	9	(6)	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	(7)	3	14	11	(6)	(6)	5	4
Adjusting items	\$ 107	\$ 118	\$ 125	\$ 70	\$ 135	\$ 142	\$ 158	\$ 238
Adjusted operating income	\$ 968	\$ 887	\$ 1,068	\$ 941	\$ 1,200	\$ 1,133	\$ 1,085	\$ 980
Depreciation and amortization	690	675	680	667	880	864	671	633
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(114)	(114)	(115)	(115)	(154)	(151)	(116)	(114)
Adjusted EBITDA ⁽ⁱ⁾	\$ 1,544	\$ 1,448	\$ 1,633	\$ 1,493	\$ 1,926	\$ 1,846	\$ 1,640	\$ 1,499

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes the amortization of intangible assets, acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net Earnings Per Common Share The following tables reconcile adjusted net earnings available to common shareholders of the Company and adjusted diluted net earnings per common share to GAAP net earnings available to common shareholders of the Company and diluted net earnings per common share as reported for the quarters ended as indicated.

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
(millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)	2023 (16 weeks)	2022 (16 weeks)	2023 (12 weeks)	2022 (12 weeks)
As reported	\$ 459	\$ 418	\$ 541	\$ 529	\$ 621	\$ 556	\$ 508	\$ 387
Add (deduct) impact of the following ⁽ⁱ⁾ :								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 84	\$ 84	\$ 85	\$ 83	\$ 113	\$ 112	\$ 85	\$ 83
(Gain) Loss on sale of non-operating properties	—	1	—	(41)	(11)	(1)	—	(3)
Charges (recoveries) related to PC Bank commodity tax matters	—	—	(12)	—	—	—	29	86
Lifemark transaction costs	—	—	—	—	—	—	—	10
Fair value adjustment on non-operating properties	—	—	6	(4)	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	(6)	2	10	8	(4)	(4)	4	3
Adjusting items	\$ 78	\$ 87	\$ 89	\$ 46	\$ 98	\$ 107	\$ 118	\$ 179
Adjusted⁽ⁱ⁾	\$ 537	\$ 505	\$ 630	\$ 575	\$ 719	\$ 663	\$ 626	\$ 566

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

(millions of Canadian dollars except where otherwise indicated)	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2024 (12 weeks)	2023 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)	2023 (16 weeks)	2022 (16 weeks)	2023 (12 weeks)	2022 (12 weeks)
As reported	\$ 1.47	\$ 1.29	\$ 1.72	\$ 1.62	\$ 1.95	\$ 1.69	\$ 1.58	\$ 1.16
Add (deduct) impact of the following ⁽ⁱ⁾ :								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 0.27	\$ 0.26	\$ 0.27	\$ 0.25	\$ 0.35	\$ 0.34	\$ 0.26	\$ 0.25
(Gain) Loss on sale of non-operating properties	—	—	—	(0.13)	(0.03)	—	—	(0.01)
Charges (recoveries) related to PC Bank commodity tax matters	—	—	(0.04)	—	—	—	0.09	0.25
Lifemark transaction costs	—	—	—	—	—	—	—	0.03
Fair value adjustment on non-operating properties	—	—	0.02	(0.01)	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	(0.02)	—	0.03	0.03	(0.01)	(0.02)	0.01	0.01
Adjusting items	\$ 0.25	\$ 0.26	\$ 0.28	\$ 0.14	\$ 0.31	\$ 0.32	\$ 0.36	\$ 0.53
Adjusted⁽ⁱ⁾	\$ 1.72	\$ 1.55	\$ 2.00	\$ 1.76	\$ 2.26	\$ 2.01	\$ 1.94	\$ 1.69
Diluted weighted average common shares outstanding (millions)	311.9	324.8	314.9	327.4	318.4	329.6	322.5	334.4

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

14. 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.

April 30, 2024
Toronto, Canada

MD&A Endnotes

- (1) For financial definitions and ratios refer to the Glossary of Terms section included within the Company's 2023 Annual Report.
- (2) See Section 13 "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".