

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 Company's first quarter 2025 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 28, 2024 and the related MD&A included in the Company's 2024 Annual Report.

The Company's first quarter 2025 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 12 "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 2024 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 29, 2025, unless otherwise noted.

1. Forward-Looking Statements

The 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 "Outlook" and Section 12 "Non-GAAP and Other Financial Measures". Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

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

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

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

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

2. 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 22, 2025 and March 23, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)	2024 (12 weeks)
Consolidated:		
Revenue growth	4.1 %	4.5 %
Operating income	\$ 906	\$ 861
Adjusted EBITDA ⁽²⁾	1,591	1,544
Adjusted EBITDA margin ⁽²⁾	11.3 %	11.4 %
Net earnings	\$ 522	\$ 489
Net earnings attributable to shareholders of the Company	503	462
Net earnings available to common shareholders of the Company ⁽ⁱ⁾	503	459
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	570	537
Diluted net earnings per common share (\$)	\$ 1.66	\$ 1.47
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 1.88	\$ 1.72
Cash and cash equivalents and short term investments	\$ 1,937	\$ 1,609
Cash flows from operating activities	953	856
Capital investments ⁽ⁱⁱ⁾	246	387
Free cash flow ⁽²⁾	215	2
Financial Measures:		
Retail debt to rolling year retail adjusted EBITDA ⁽²⁾	2.4 x	2.3 x
Rolling year adjusted return on equity ⁽²⁾	24.4 %	22.6 %
Rolling year adjusted return on capital ⁽²⁾	11.8 %	11.6 %
Retail Segment:		
Food retail same-store sales growth	2.2 %	3.4 %
Drug retail same-store sales growth	3.8 %	4.0 %
Operating income	\$ 840	\$ 782
Gross profit ⁽²⁾	4,360	4,204
Gross profit % ⁽²⁾	31.5 %	31.6 %
Adjusted EBITDA ⁽²⁾	\$ 1,511	\$ 1,452
Adjusted EBITDA margin ⁽²⁾	10.9 %	10.9 %
Financial Services Segment:		
Earnings before income taxes	\$ 30	\$ 44
Annualized yield on average quarterly gross credit card receivables	14.9 %	14.8 %
Annualized credit loss rate on average quarterly gross credit card receivables	4.3 %	4.7 %

(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 that were redeemed on January 8, 2025.

(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 22, 2025 and March 23, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)	2024 (12 weeks)	\$ Change	% Change
Revenue	\$ 14,135	\$ 13,581	\$ 554	4.1 %
Operating income	906	861	45	5.2 %
Adjusted EBITDA ⁽²⁾	1,591	1,544	47	3.0 %
Adjusted EBITDA margin ⁽²⁾	11.3 %	11.4 %		
Depreciation and amortization	\$ 705	\$ 690	\$ 15	2.2 %
Net interest expense and other financing charges	198	194	4	2.1 %
Income taxes	186	178	8	4.5 %
Adjusted income taxes ⁽²⁾	215	207	8	3.9 %
Effective tax rate	26.3 %	26.7 %		
Adjusted effective tax rate ⁽²⁾	26.7 %	26.7 %		
Net earnings attributable to non-controlling interests	\$ 19	\$ 27	\$ (8)	(29.6)%
Net earnings attributable to shareholders of the Company	\$ 503	\$ 462	\$ 41	8.9 %
Net earnings available to common shareholders of the Company⁽ⁱ⁾	503	459	44	9.6 %
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	570	537	33	6.1 %
Diluted net earnings per common share (\$)	\$ 1.66	\$ 1.47	\$ 0.19	12.9 %
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 1.88	\$ 1.72	\$ 0.16	9.3 %
Diluted weighted average common shares outstanding (in millions)	302.6	311.9		

(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 that were redeemed on January 8, 2025.

During the quarter, Loblaw continued its focus on providing Canadians with quality, value, service, and convenience, across its coast-to-coast network of stores and digital platforms. Strong customer response to everyday value offerings, personalized PC Optimum™ loyalty offers, and impactful promotions drove continued sales momentum and market share gains, underpinned by positive unit sales and larger baskets in Food Retail. In Drug Retail, pharmacy and healthcare services performed well, reflecting continued strong growth in prescription volumes and specialty drugs. Front store sales were strong across beauty categories and reflected an extended cough, cold and flu season, partially offset by the exit from certain items in the electronics category. Delivering against its capital investment plans to open approximately 80 new stores and 100 new clinics in 2025, the Company brought Hard Discount banners to five new communities and opened four new pharmacies with expanded clinics in the quarter, and opened a second T&T Supermarket in downtown Toronto.

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 2025 were \$503 million (\$1.66 per common share). When compared to the first quarter of 2024, this was an increase of \$44 million (\$0.19 per common share) or 9.6%. The increase included an improvement in the underlying operating performance of \$33 million, and a favourable change in adjusting items totaling \$11 million as described below:

- the improvement in underlying operating performance of \$33 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⁽²⁾, partially offset by an increase in selling, general and administrative expenses (“SG&A”) and depreciation and amortization.
- the favourable change in adjusting items totaling \$11 million (\$0.03 per common share) was primarily due to the following:
 - the favourable impact of the gain on sale of a non-operating property of \$13 million (\$0.04 per common share); and
 - the favourable impact of the gain related to the sale of Wellwise by Shoppers™ (“Wellwise”) of \$5 million (\$0.02 per common share);
 partially offset by,
 - the year-over-year unfavourable change in fair value adjustments on fuel and foreign currency contracts of \$5 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 (\$0.06 per common share).

Adjusted net earnings available to common shareholders of the Company⁽²⁾ were \$570 million, an increase of \$33 million or 6.1% compared to the first quarter of 2024. Adjusted net earnings per common share⁽²⁾ were \$1.88, an increase of \$0.16 or 9.3%. The increase includes the favourable impact from the repurchase of common shares.

Revenue

For the periods ended March 22, 2025 and March 23, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)	2024 (12 weeks)	\$ Change	% Change
Retail	\$ 13,837	\$ 13,290	\$ 547	4.1 %
Financial Services	373	361	12	3.3 %
Eliminations	(75)	(70)	(5)	(7.1)%
Revenue	\$ 14,135	\$ 13,581	\$ 554	4.1 %

Revenue was \$14,135 million in the first quarter of 2025. When compared to the first quarter of 2024, this was an increase of \$554 million, or 4.1%. The increase was primarily driven by an increase in Retail segment sales of \$547 million due to positive same-store sales growth. There was also an increase in Financial Services segment sales of \$12 million.

Operating Income Operating income was \$906 million in the first quarter of 2025. When compared to the first quarter of 2024, this was an increase of \$45 million, or 5.2%. The increase was driven by an improvement in underlying operating performance of \$34 million and a favourable change in adjusting items totaling \$11 million as described below:

- the improvement in underlying operating performance of \$34 million was primarily due to the following:
 - an improvement in the Retail Segment due to an increase in gross profit⁽²⁾, partially offset by an increase in SG&A and depreciation and amortization; partially offset by,
 - a decrease in the Financial Services segment, primary driven by the lapping of prior year marketing support funding in connection with the launch of PC Insiders World Elite Mastercard®.
- the favourable change in adjusting items totaling \$11 million was primarily due to the following:
 - the favourable impact of the gain on sale of a non-operating property of \$14 million; and
 - the favourable impact of the gain related to the sale of *Wellwise* of \$5 million; partially offset by,
 - the year-over-year unfavourable change in fair value adjustments on fuel and foreign currency contracts of \$6 million.

Adjusted EBITDA⁽²⁾

For the periods ended March 22, 2025 and March 23, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)	2024 (12 weeks)	\$ Change	% Change
Retail	\$ 1,511	\$ 1,452	\$ 59	4.1 %
Financial Services	80	92	(12)	(13.0)%
Adjusted EBITDA ⁽²⁾	\$ 1,591	\$ 1,544	\$ 47	3.0 %

Adjusted EBITDA⁽²⁾ was \$1,591 million in the first quarter of 2025. When compared to the first quarter of 2024, this was an increase of \$47 million or 3.0%, driven by an increase in the Retail segment of \$59 million, partially offset by a decrease in the Financial Services segment of \$12 million.

Depreciation and Amortization Depreciation and amortization was \$705 million in the first quarter of 2025, an increase of \$15 million or 2.2% compared to the first quarter of 2024, driven by an increase in the Retail segment of \$14 million. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart Corporation (“Shoppers Drug Mart”) and Lifemark Health Group (“Lifemark”) of \$116 million (2024 – \$114 million).

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were \$198 million, an increase of \$4 million or 2.1% compared to the first quarter of 2024. The increase was primarily driven by an increase in interest expense from lease liabilities and long term debt, partially offset by the capitalization of interest expense related to the Company’s automated distribution facility.

Income Taxes Income tax expense in the first quarter of 2025 was \$186 million (2024 – \$178 million) and the effective tax rate was 26.3% (2024 – 26.7%). The decrease 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 2025.

Adjusted income tax expense⁽²⁾ in the first quarter of 2025 was \$215 million (2024 – \$207 million) and the adjusted effective tax rate⁽²⁾ was 26.7% (2024 – 26.7%). The adjusted effective tax rate⁽²⁾ remained flat when compared to the first quarter of 2024.

Net Earnings Attributable To Non-Controlling Interests Net earnings attributable to non-controlling interests were \$19 million, a decrease of \$8 million or 29.6% compared to the first quarter of 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.

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 22, 2025 and March 23, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)	2024 (12 weeks)	\$ Change	% Change
Sales	\$ 13,837	\$ 13,290	\$ 547	4.1 %
Operating income	840	782	58	7.4 %
Gross profit ⁽²⁾	4,360	4,204	156	3.7 %
Gross profit % ⁽²⁾	31.5 %	31.6 %		
Adjusted EBITDA ⁽²⁾	\$ 1,511	\$ 1,452	\$ 59	4.1 %
Adjusted EBITDA margin ⁽²⁾	10.9 %	10.9 %		
Depreciation and amortization	\$ 691	\$ 677	\$ 14	2.1 %

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

For the periods ended March 22, 2025 and March 23, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)		2024 (12 weeks)	
	Sales	Same- store sales	Sales	Same- store sales
Food retail	\$ 9,787	2.2 %	\$ 9,409	3.4 %
Drug retail	4,050	3.8 %	3,881	4.0 %
Pharmacy and healthcare services	2,201	6.4 %	2,059	7.3 %
Front store	1,849	0.9 %	1,822	0.7 %

Sales Retail segment sales were \$13,837 million in the first quarter of 2025, an increase of \$547 million, or 4.1% compared to the first quarter of 2024, primarily driven by the following factors:

- Food retail same-store sales growth was 2.2% (2024 – 3.4%) for the quarter.
 - Sales growth in food was moderate;
 - Sales growth in pharmacy was strong;
 - The Consumer Price Index as measured by The Consumer Price Index for Food Purchased From Stores was 2.6% (2024 – 2.6%) which was in line with the Company’s internal food inflation; and
 - Food Retail traffic was flat and basket size increased.
- Drug retail same-store sales growth was 3.8% (2024 – 4.0%) for the quarter.
 - Pharmacy and healthcare services same-store sales growth was 6.4% (2024 – 7.3%), led by specialty prescriptions. The number of prescriptions increased by 2.1% (2024 – 4.2%). On a same-store basis, the number of prescriptions increased by 2.3% (2024 – 4.0%) and the average prescription value increased by 4.4% (2024 – 2.0%);
 - Front store same-store sales growth was 0.9% (2024 – 0.7%). Front store same-store sales growth 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 first quarter of 2025, 10 food and drug stores were opened and 4 food and drug stores were closed. Retail square footage was 72.3 million square feet, a net increase of 1.0 million square feet, or 1.4% compared to the first quarter of 2024.

Operating Income Operating income was \$840 million in the first quarter of 2025, an increase of \$58 million, or 7.4% compared to the first quarter of 2024. The increase was driven by an improvement in the underlying operating performance of \$47 million, and a favourable change in adjusting items totaling \$11 million as described below:

- the improvement in underlying operating performance of \$47 million was due to 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 \$11 million was primarily due to the following:
 - the favourable impact of the gain on sale of a non-operating property of \$14 million; and
 - the favourable impact of the gain related to the sale of *Wellwise* of \$5 million;partially offset by,
 - the year-over-year unfavourable change in fair value adjustments on fuel and foreign currency contracts of \$6 million.

Gross Profit⁽²⁾ Gross profit⁽²⁾ in the first quarter of 2025 was \$4,360 million, an increase of \$156 million, or 3.7% compared to the first quarter of 2024. The gross profit percentage⁽²⁾ of 31.5% decreased by 10 basis points, primarily driven by changes in sales mix.

Adjusted EBITDA⁽²⁾ Adjusted EBITDA⁽²⁾ was \$1,511 million in the first quarter of 2025, an increase of \$59 million, or 4.1% compared to the first quarter of 2024. The increase was driven by an increase in gross profit⁽²⁾ of \$156 million, partially offset by an increase in SG&A of \$97 million. SG&A as a percentage of sales was 20.6%, a favourable decrease of 10 basis points, primarily due to operating leverage from higher sales, partially offset by incremental costs related to opening new stores and the automated distribution facility.

Depreciation and Amortization Depreciation and amortization was \$691 million in the first quarter of 2025, an increase of \$14 million or 2.1% when compared to the first quarter of 2024. The increase in depreciation and amortization in the first quarter of 2025 was primarily driven by an increase in depreciation of fixed assets related to conversions of retail locations and opening new stores, and an increase in depreciation of leased assets, partially offset by the impact of prior year accelerated depreciation as a result of network optimization. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of \$116 million (2024 – \$114 million).

4.2 Financial Services Segment

For the periods ended March 22, 2025 and March 23, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)	2024 (12 weeks)	\$ Change	% Change
Revenue	\$ 373	\$ 361	\$ 12	3.3 %
Earnings before income taxes	30	44	(14)	(31.8)%

(millions of Canadian dollars except where otherwise indicated)	As at March 22, 2025	As at March 23, 2024	\$ Change	% Change
Average quarterly net credit card receivables	\$ 4,014	\$ 3,989	\$ 25	0.6 %
Credit card receivables	3,797	3,846	(49)	(1.3)%
Allowance for credit card receivables	271	265	6	2.3 %
Annualized yield on average quarterly gross credit card receivables	14.9 %	14.8 %		
Annualized credit loss rate on average quarterly gross credit card receivables	4.3 %	4.7 %		

Revenue Revenue was \$373 million, an increase of \$12 million compared to the first quarter of 2024. The increase in revenue was primarily driven by:

- higher sales attributable to The Mobile Shop™; and
- higher interchange income.

Earnings before income taxes Earnings before income taxes were \$30 million in the first quarter of 2025, a decrease of \$14 million compared to the first quarter of 2024. The decrease in the first quarter was primarily driven by:

- lapping of prior year marketing support funding in connection with the launch of PC Insiders World Elite Mastercard®; and
 - higher loyalty program costs;
- partially offset by,
- higher revenue described above; and
 - lower contractual charge-offs and the year-over-year favourable impact of the expected credit loss provision.

Credit Card Receivables As at March 22, 2025, credit card receivables were \$3,797 million, a decrease of \$49 million compared to March 23, 2024. The decrease was primarily driven by higher payments received from cardholders. The expected credit loss allowance for credit card receivables was \$271 million, an increase of \$6 million compared to March 23, 2024.

5. Liquidity and Capital Resources

5.1 Cash Flows

Major Cash Flow Components

For the periods ended March 22, 2025 and March 23, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)	2024 (12 weeks)	\$ Change	% Change
Cash and cash equivalents, beginning of period	\$ 1,462	\$ 1,488	\$ (26)	(1.7)%
Cash flows from (used in):				
Operating activities	\$ 953	\$ 856	\$ 97	11.3 %
Investing activities	(545)	(196)	(349)	(178.1)%
Financing activities	(931)	(863)	(68)	(7.9)%
Effect of foreign currency exchange rate changes on cash and cash equivalents	(1)	3	(4)	(133.3)%
Decrease in cash and cash equivalents	\$ (524)	\$ (200)	\$ (324)	(162.0)%
Cash and cash equivalents, end of period	\$ 938	\$ 1,288	\$ (350)	(27.2)%

Cash Flows from Operating Activities Cash flows from operating activities in the first quarter of 2025 were \$953 million, an increase of \$97 million when compared to the first quarter of 2024. The increase was primarily driven by higher payments received from cardholders, lower income taxes paid in the current year and higher cash earnings, partially offset by payments related to provisions (refer to Note 14 “Contingent Liabilities” of the Company’s interim financial statements).

Cash Flows used in Investing Activities Cash flows used in investing activities in the first quarter of 2025 were \$545 million, an increase of \$349 million when compared to the first quarter of 2024. The increase in cash flows used in investing activities was primarily driven by higher purchases of short term investments, partially offset by lower fixed asset purchases.

Capital Investments and Store Activity

As at March 22, 2025 and March 23, 2024	2025	2024	% Change
Corporate square footage (in millions)	36.0	35.1	2.6 %
Franchise square footage (in millions)	16.9	17.1	(1.2)%
Associate-owned drug store square footage (in millions)	19.4	19.1	1.6 %
Total retail square footage (in millions)	72.3	71.3	1.4 %
Number of corporate stores	556	569	(2.3)%
Number of franchise stores	533	539	(1.1)%
Number of Associate-owned drug stores	1,361	1,350	0.8 %
Total number of stores	2,450	2,458	(0.3)%
Average store size (square feet)			
Corporate	64,700	61,700	4.9 %
Franchise	31,700	31,700	— %
Associate-owned drug store	14,300	14,100	1.4 %

Capital Investments Capital investments in the first quarter of 2025 were \$246 million, a decrease of \$141 million or 36.4%, compared to the first quarter of 2024.

Cash Flows used in Financing Activities Cash flows used in financing activities in the first quarter of 2025 were \$931 million, an increase of \$68 million when compared to the first quarter of 2024. The increase was primarily driven by the redemption of all issued and outstanding Preferred Shares, Series B on January 8, 2025 and higher dividends paid due to timing of the fourth quarter 2024 dividend payment, partially offset by an increase in demand deposits from customers, lower repayments of short-term debt and higher net issuance of long term debt.

Free Cash Flow⁽²⁾

For the periods ended March 22, 2025 and March 23, 2024 (millions of Canadian dollars)	2025 (12 weeks)				2024 (12 weeks)			
	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total
Cash flows from operating activities	\$ 444	\$ 489	\$ 20	\$ 953	\$ 462	\$ 371	\$ 23	\$ 856
Less:								
Capital investments ⁽ⁱⁱ⁾	236	10	—	246	377	10	—	387
Interest paid	87	—	20	107	77	—	23	100
Lease payments, net	385	—	—	385	367	—	—	367
Free cash flow ⁽²⁾	\$ (264)	\$ 479	\$ —	\$ 215	\$ (359)	\$ 361	\$ —	\$ 2

(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 2025 was \$264 million, an improvement of \$95 million when compared to the first quarter of 2024. The improvement was primarily due to lower capital investments, lower income taxes paid in the current year, and higher cash earnings, partially offset by payments related to provisions (refer to Note 14 "Contingent Liabilities" of the Company's interim financial statements).

Free cash flow⁽²⁾ from the Financial Services segment in the first quarter of 2025 was \$479 million, an increase of \$118 million when compared to the first quarter of 2024. The increase was primarily due to higher payments received from cardholders.

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 22, 2025			As at March 23, 2024			As at December 28, 2024		
	Retail	Financial Services	Total	Retail	Financial Services	Total	Retail	Financial Services	Total
Bank indebtedness	\$ 22	\$ —	\$ 22	\$ 1	\$ —	\$ 1	\$ —	\$ —	\$ —
Demand deposits from customers	—	513	513	—	170	170	—	353	353
Short term debt	—	500	500	—	450	450	—	800	800
Long term debt due within one year	—	624	624	400	788	1,188	—	631	631
Long term debt ⁽ⁱ⁾⁽ⁱⁱ⁾	5,745	2,309	8,054	4,866	2,193	7,059	5,288	2,282	7,570
Certain other liabilities ⁽ⁱⁱⁱ⁾	299	—	299	285	—	285	294	—	294
Total debt excluding lease liabilities	\$ 6,066	\$ 3,946	\$ 10,012	\$ 5,552	\$ 3,601	\$ 9,153	\$ 5,582	\$ 4,066	\$ 9,648
Lease liabilities due within one year	1,529	—	1,529	1,459	—	1,459	1,648	—	1,648
Lease liabilities	8,645	—	8,645	7,970	—	7,970	8,535	—	8,535
Total debt including total lease liabilities	\$16,240	\$3,946	\$20,186	\$14,981	\$3,601	\$18,582	\$15,765	\$4,066	\$19,831

- (i) Subsequent to the first quarter of 2025, the total capacity of the independent funding trusts increased from \$700 million to \$1 billion and the maturity date of the trusts were extended from May 29, 2027 to March 27, 2028 with all other terms and conditions remaining substantially the same.
- (ii) The Company has a committed credit facility with a maturity date of July 15, 2027, provided by a syndicate of lenders. The facility contains certain financial covenants and as at March 22, 2025 and throughout the quarter, the Company was in compliance with these covenants. Subsequent to the first quarter of 2025, the maturity date of the credit facility was extended from July 15, 2027 to March 27, 2030 with all other terms and conditions remaining substantially the same.
- (iii) As at March 22, 2025, certain other liabilities include financial liabilities of \$192 million related to the sale and leaseback of retail properties (March 23, 2024 – \$190 million December 28, 2024 – \$192 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 22, 2025	As at March 23, 2024	As at December 28, 2024
Retail debt to rolling year retail adjusted EBITDA ⁽²⁾	2.4 x	2.3 x	2.4 x

The Retail debt to rolling year retail adjusted EBITDA⁽²⁾ as at March 22, 2025 increased compared to March 23, 2024, primarily driven by an increase in retail debt partially offset by an improvement in adjusted EBITDA⁽²⁾. The Retail debt to rolling year retail adjusted EBITDA⁽²⁾ as at March 22, 2025 remained flat compared to December 28, 2024.

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").

During the first quarter of 2025, Eagle filed a Short Form Base Shelf Prospectus, which allows for the issuance of up to \$1.5 billion of notes over a 25-month period.

Subsequent to the first quarter of 2025, Eagle issued \$300 million of senior subordinated term notes with a maturity date of June 17, 2030 (the "Eagle 2025-1 Series notes"). These notes have a weighted average interest rate of 4.02%. In connection with the issuance, \$150 million of bond forward agreements were settled. This resulted in a fair value loss of \$1 million before income taxes, which will be reclassified to net earnings over the life of the Eagle 2025-1 Series notes. Consequently, the net effective interest rate on Eagle 2025-1 Series notes issued is 4.07%.

Covenants and Regulatory Requirements The Company is required to comply with certain financial covenants for various debt instruments. As at March 22, 2025 and throughout the quarter, the Company was in compliance with such covenants. As at March 22, 2025 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 22, 2025	As at March 23, 2024	As at December 28, 2024
Rolling year adjusted return on equity ⁽²⁾	24.4 %	22.6 %	23.6 %
Rolling year adjusted return on capital ⁽²⁾	11.8 %	11.6 %	11.8 %

Rolling year adjusted return on equity⁽²⁾ as at March 22, 2025 increased compared to March 23, 2024, primarily due to an improvement in the underlying operating performance and a decrease in average equity, primarily due to a decrease in share capital including the impact of preferred shares redemption in the fourth quarter of 2024. The Rolling year adjusted return on equity⁽²⁾ as at March 22, 2025 increased compared to December 28, 2024, primarily due to a decrease in average equity driven by a decrease in retained earnings, and an improvement in the underlying operating performance.

Rolling year adjusted return on capital⁽²⁾ as at March 22, 2025 increased compared to March 23, 2024, primarily due to an improvement in adjusted operating income⁽²⁾ partially offset by an increase in average capital, primarily due to an increase in lease liabilities and long term debt. Rolling year adjusted return on capital⁽²⁾ as at March 22, 2025 remained flat compared to December 28, 2024.

5.4 Credit Ratings

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

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

5.5 Dividends and Share Repurchases

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

	March 22, 2025 (12 weeks)	March 23, 2024 (12 weeks)
Dividends declared per share (\$)		
Common Share	\$ 0.513	\$ 0.446
Second Preferred Share, Series B	\$ 0.02944	\$ 0.33125

- (i) The Common Share dividends declared in the first quarter of 2025 of \$0.513 per share had a payment date of April 1, 2025. The Second Preferred Shares, Series B dividends declared in the first quarter of 2025 of \$0.02944 per share had a payment date of January 8, 2025.

Subsequent to the end of the first quarter of 2025, the Board of Directors declared a quarterly dividend of \$0.5643 per common share, payable on July 1, 2025 to shareholders of record on June 15, 2025.

In the second quarter of 2024, the Company renewed its Normal Course Issuers Bid ("NCIB") to purchase on the Toronto Stock Exchange or through alternative trading systems up to 15,336,875 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. As at March 22, 2025, the Company had purchased 2,485,405 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 2025, 2,485,405 common shares (2024 – 3,213,853) were purchased under the NCIB for cancellation, for aggregate consideration of \$457 million (2024 – \$470 million), including 1,148,754 common shares (2024 – 1,237,193) purchased from Weston, for aggregate consideration of \$211 million (2024 – \$182 million).

From time to time, the Company participates in an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at March 22, 2025, an obligation to repurchase shares of \$200 million was recognized under the ASPP in trade payables and other liabilities.

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 2025. For a discussion of the Company's significant off-balance sheet arrangements see Section 7.7 "Off-Balance Sheet Arrangements" of the Company's 2024 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.

During the first quarter of 2025, PC bank entered a bond forward agreement with notional value of \$250 million (2024 – \$275 million) to hedge its exposure to interest rate fluctuations against the future issuance of debt instruments. The Company assessed that the hedge agreement was effective as at the quarter-end and included the fluctuations relating to the bond forwards in other comprehensive income.

During the first quarter of 2025, the Company entered a foreign exchange forward agreement with a notional value of USD \$315 million to hedge its foreign exchange exposure on certain borrowings denominated in USD. The Company has assessed that this hedge agreement was effective as at the quarter-end and has included the fluctuations relating to the foreign exchange rate 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. In the first quarter of 2025, a fair value loss of \$10 million (2024 – \$7 million) was recorded in other comprehensive income related to the energy hedge. The fair value of the derivative is included in other liabilities.

The Company also uses interest rate swaps, 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 2025 see Section 12 "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 2024 and 2023 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. When a fiscal year such as 2025 contains 53 weeks, the fourth quarter is 13 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	
	2025 (12 weeks)	2024 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2024 (16 weeks)	2023 (16 weeks)	2024 (12 weeks)	2023 (12 weeks)
(millions of Canadian dollars except where otherwise indicated)								
Revenue	\$ 14,135	\$ 13,581	\$14,948	\$ 14,531	\$18,538	\$18,265	\$13,947	\$13,738
Adjusted EBITDA⁽²⁾	1,591	1,544	1,698	1,633	2,069	1,926	1,713	1,640
Net earnings available to common shareholders of the Company	503	459	462	541	777	621	457	508
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	570	537	669	630	767	719	664	626
Net earnings per common share:								
Basic (\$)	\$ 1.68	\$ 1.48	\$ 1.53	\$ 1.73	\$ 2.55	\$ 1.97	\$ 1.49	\$ 1.59
Diluted (\$)	\$ 1.66	\$ 1.47	\$ 1.52	\$ 1.72	\$ 2.53	\$ 1.95	\$ 1.48	\$ 1.58
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 1.88	\$ 1.72	\$ 2.20	\$ 2.00	\$ 2.50	\$ 2.26	\$ 2.15	\$ 1.94
Food retail same-store sales growth	2.2 %	3.4 %	2.5 %	2.0 %	0.5 %	4.5 %	0.2 %	6.1 %
Drug retail same-store sales growth	3.8 %	4.0 %	1.3 %	4.6 %	2.9 %	4.6 %	1.5 %	5.7 %

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 1.2 million square feet to 72.3 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 12 "Non-GAAP and Other Financial Measures", including:
 - the *PC Optimum* loyalty program, including the revaluation of the loyalty liability;
 - fair value adjustment on non-operating properties;
 - the recoveries and charges related to PC Bank commodity tax matters;
 - charges related to the settlement of class action lawsuits;
 - fair value adjustment on fuel and foreign currency;
 - the sale of *Wellwise*; and
 - the gain and loss on sale of non-operating properties.

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. 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 control over financial reporting in the first quarter of 2025 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 28, 2024 and the Company's MD&A in the Company's 2024 Annual Report, which are hereby incorporated by reference. The Company's 2024 Annual Report and AIF are available online on www.sedarplus.ca. Those risks and risk management strategies remain unchanged.

10. Related Party Transactions

Please refer to Note 15 "Related Party Transactions" of the Company's interim financial statements.

11. 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 2025. The Company's businesses remain well positioned to meet the everyday needs of Canadians.

In 2025, the Company's results will include the impact of a 53rd week, which is expected to benefit adjusted net earnings per common share⁽²⁾ growth by approximately 2%. On a full-year comparative basis, excluding the impact of the 53rd week, the Company 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 \$1.9 billion in capital expenditures, which reflects gross capital investments of approximately \$2.2 billion, net of approximately \$300 million of proceeds from property disposals; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

12. 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.

For the periods ended March 22, 2025 and March 23, 2024 (millions of Canadian dollars)	2025 (12 weeks)				2024 (12 weeks)			
	Retail	Financial Services	Elimi- nations	Total	Retail	Financial Services	Elimi- nations	Total
Revenue	\$ 13,837	\$ 373	\$ (75)	\$ 14,135	\$13,290	\$ 361	\$ (70)	\$ 13,581
Cost of sales	9,477	43	—	9,520	9,086	40	—	9,126
Gross profit	\$ 4,360	\$ 330	\$ (75)	\$ 4,615	\$ 4,204	\$ 321	\$ (70)	\$ 4,455
Adjusted gross profit	\$ 4,360	\$ 330	\$ (75)	\$ 4,615	\$ 4,204	\$ 321	\$ (70)	\$ 4,455

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 22, 2025 and March 23, 2024 (millions of Canadian dollars)	2025 (12 weeks)			2024 (12 weeks)		
	Retail	Financial Services	Total	Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			\$ 503			\$ 462
Add impact of the following:						
Non-controlling interests			19			27
Net interest expense and other financing charges			198			194
Income taxes			186			178
Operating income	\$ 840	\$ 66	\$ 906	\$ 782	\$ 79	\$ 861
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 116	\$ —	\$ 116	\$ 114	\$ —	\$ 114
Fair value adjustment on fuel and foreign currency contracts	(1)	—	(1)	(7)	—	(7)
Sale of <i>Wellwise</i>	(5)	—	(5)	—	—	—
Gain on sale of non-operating property	(14)	—	(14)	—	—	—
Adjusting items	\$ 96	\$ —	\$ 96	\$ 107	\$ —	\$ 107
Adjusted operating income	\$ 936	\$ 66	\$ 1,002	\$ 889	\$ 79	\$ 968
Depreciation and amortization	691	14	705	677	13	690
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(116)	—	(116)	(114)	—	(114)
Adjusted EBITDA	\$ 1,511	\$ 80	\$ 1,591	\$ 1,452	\$ 92	\$ 1,544

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

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

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.

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 the Retail segment in SG&A. The transaction closed in the first quarter of 2025 and the Company recorded a gain of \$5 million in the Retail segment in SG&A.

Gain on sale of non-operating property In the first quarter of 2025, the Company recorded a gain related to the sale of a non-operating property to a third party of \$14 million (first quarter of 2024 – nil).

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 22, 2025 and March 23, 2024 (millions of Canadian dollars)	2025 (12 weeks)	2024 (12 weeks)
Net interest expense and other financing charges	\$ 198	\$ 194
Adjusted net interest expense and other financing charges	\$ 198	\$ 194

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 22, 2025 and March 23, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)	2024 (12 weeks)
Adjusted operating income ⁽ⁱ⁾	\$ 1,002	\$ 968
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	198	194
Adjusted earnings before taxes	\$ 804	\$ 774
Income taxes	\$ 186	\$ 178
Add impact of the following:		
Tax impact of items included in adjusted earnings before taxes ⁽ⁱⁱ⁾	29	29
Adjusted income taxes	\$ 215	\$ 207
Effective tax rate	26.3 %	26.7 %
Adjusted effective tax rate	26.7 %	26.7 %

(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 22, 2025 and March 23, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)	2024 (12 weeks)
Net earnings attributable to shareholders of the Company	\$ 503	\$ 462
Prescribed dividends on preferred shares in share capital	—	(3)
Net earnings available to common shareholders of the Company	\$ 503	\$ 459
Net earnings attributable to shareholders of the Company	\$ 503	\$ 462
Adjusting items (refer to the following table)	67	78
Adjusted net earnings attributable to shareholders of the Company	\$ 570	\$ 540
Prescribed dividends on preferred shares in share capital	—	(3)
Adjusted net earnings available to common shareholders of the Company	\$ 570	\$ 537
Diluted weighted average common shares outstanding (millions)	302.6	311.9

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 22, 2025 and March 23, 2024 (millions of Canadian dollars/Canadian dollars)	2025 (12 weeks)		2024 (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	\$ 503	\$ 1.66	\$ 459	\$ 1.47
Add (deduct) impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 86	\$ 0.28	\$ 84	\$ 0.27
Fair value adjustment on fuel and foreign currency contracts	(1)	—	(6)	(0.02)
Sale of <i>Wellwise</i>	(5)	(0.02)	—	—
Gain on sale of non-operating property	(13)	(0.04)	—	—
Adjusting items	\$ 67	\$ 0.22	\$ 78	\$ 0.25
Adjusted	\$ 570	\$ 1.88	\$ 537	\$ 1.72

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 22, 2025 and March 23, 2024 (millions of Canadian dollars)	2025 (12 weeks)				2024 (12 weeks)			
	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total
Cash flows from operating activities	\$ 444	\$ 489	\$ 20	\$ 953	\$ 462	\$ 371	\$ 23	\$ 856
Less:								
Capital investments ⁽ⁱⁱ⁾	236	10	—	246	377	10	—	387
Interest paid ⁽ⁱ⁾	87	—	20	107	77	—	23	100
Lease payments, net	385	—	—	385	367	—	—	367
Free cash flow	\$ (264)	\$ 479	\$ —	\$ 215	\$ (359)	\$ 361	\$ —	\$ 2

(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.

(millions of Canadian dollars except where otherwise indicated)	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2025 (12 weeks)	2024 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2024 (16 weeks)	2023 (16 weeks)	2024 (12 weeks)	2023 (12 weeks)
Net earnings attributable to shareholders of the Company	\$ 503	\$ 462	\$ 469	\$ 544	\$ 780	\$ 624	\$ 460	\$ 511
Add (deduct) impact of the following:								
Non-controlling interests	19	27	(1)	16	40	25	38	30
Net interest expense and other financing charges	198	194	199	195	238	234	190	193
Income taxes	186	178	185	188	263	182	180	193
Operating income	\$ 906	\$ 861	\$ 852	\$ 943	\$ 1,321	\$ 1,065	\$ 868	\$ 927
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 116	\$ 114	\$ 115	\$ 115	\$ 155	\$ 154	\$ 115	\$ 116
PC Optimum loyalty program	—	—	129	—	—	—	—	—
Fair value adjustment on non-operating properties	—	—	3	9	—	—	—	—
(Recoveries) Charges related to PC Bank commodity tax matters	—	—	—	(13)	(155)	—	—	37
Charges related to settlement of class action lawsuits	—	—	—	—	—	—	164	—
Fair value adjustment on fuel and foreign currency contracts	(1)	(7)	—	14	—	(6)	2	5
Sale of Wellwise	(5)	—	23	—	—	—	—	—
Gain on sale of non-operating property	(14)	—	(3)	—	—	(13)	—	—
Adjusting items	\$ 96	\$ 107	\$ 267	\$ 125	\$ —	\$ 135	\$ 281	\$ 158
Adjusted operating income	\$ 1,002	\$ 968	\$ 1,119	\$ 1,068	\$ 1,321	\$ 1,200	\$ 1,149	\$ 1,085
Depreciation and amortization	705	690	694	680	903	880	679	671
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(116)	(114)	(115)	(115)	(155)	(154)	(115)	(116)
Adjusted EBITDA ⁽ⁱ⁾	\$ 1,591	\$ 1,544	\$ 1,698	\$ 1,633	\$ 2,069	\$ 1,926	\$ 1,713	\$ 1,640

(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)	2025 (12 weeks)	2024 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2024 (16 weeks)	2023 (16 weeks)	2024 (12 weeks)	2023 (12 weeks)
As reported	\$ 503	\$ 459	\$ 462	\$ 541	\$ 777	\$ 621	\$ 457	\$ 508
Add (deduct) impact of the following ⁽ⁱ⁾ :								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 86	\$ 84	\$ 84	\$ 85	\$ 115	\$ 113	\$ 84	\$ 85
PC Optimum loyalty program	—	—	94	—	—	—	—	—
Fair value adjustment on non-operating properties	—	—	3	6	—	—	—	—
(Recoveries) Charges related to PC Bank commodity tax matters	—	—	—	(12)	(125)	—	—	29
Charges related to settlement of class action lawsuits	—	—	—	—	—	—	121	—
Fair value adjustment on fuel and foreign currency contracts	(1)	(6)	—	10	—	(4)	2	4
Sale of Wellwise	(5)	—	29	—	—	—	—	—
Gain on sale of non-operating property	(13)	—	(3)	—	—	(11)	—	—
Adjusting items	\$ 67	\$ 78	\$ 207	\$ 89	\$ (10)	\$ 98	\$ 207	\$ 118
Adjusted⁽ⁱ⁾	\$ 570	\$ 537	\$ 669	\$ 630	\$ 767	\$ 719	\$ 664	\$ 626

(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	
	2025 (12 weeks)	2024 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2024 (16 weeks)	2023 (16 weeks)	2024 (12 weeks)	2023 (12 weeks)
As reported	\$ 1.66	\$ 1.47	\$ 1.52	\$ 1.72	\$ 2.53	\$ 1.95	\$ 1.48	\$ 1.58
Add (deduct) impact of the following ⁽ⁱ⁾ :								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 0.28	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.38	\$ 0.35	\$ 0.27	\$ 0.26
PC Optimum loyalty program	—	—	0.31	—	—	—	—	—
Fair value adjustment on non-operating properties	—	—	0.01	0.02	—	—	—	—
(Recoveries) Charges related to PC Bank commodity tax matters	—	—	—	(0.04)	(0.41)	—	—	0.09
Charges related to settlement of class action lawsuits	—	—	—	—	—	—	0.39	—
Fair value adjustment on fuel and foreign currency contracts	—	(0.02)	—	0.03	—	(0.01)	0.01	0.01
Sale of Wellwise	(0.02)	—	0.10	—	—	—	—	—
Gain on sale of non-operating property	(0.04)	—	(0.01)	—	—	(0.03)	—	—
Adjusting items	\$ 0.22	\$ 0.25	\$ 0.68	\$ 0.28	\$ (0.03)	\$ 0.31	\$ 0.67	\$ 0.36
Adjusted⁽ⁱ⁾	\$ 1.88	\$ 1.72	\$ 2.20	\$ 2.00	\$ 2.50	\$ 2.26	\$ 2.15	\$ 1.94
Diluted weighted average common shares outstanding (millions)	302.6	311.9	304.4	314.9	306.9	318.4	308.8	322.5

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

13. 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 29, 2025
Toronto, Canada

MD&A Endnotes

- (1) For financial definitions and ratios refer to the Glossary of Terms section included within the Company's 2024 Annual Report.
- (2) See Section 12 "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".