

## 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 second 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 second 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 July 24, 2024, 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 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<sup>(1)</sup>

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 June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	<b>2024</b> <b>(12 weeks)</b>	2023 (12 weeks)
<b>Consolidated:</b>		
Revenue growth	1.5 %	6.9 %
Operating income	<b>\$ 868</b>	\$ 927
Adjusted EBITDA <sup>(2)</sup>	<b>1,713</b>	1,640
Adjusted EBITDA margin <sup>(2)</sup>	<b>12.3 %</b>	11.9 %
Net earnings	<b>\$ 498</b>	\$ 541
Net earnings attributable to shareholders of the Company	<b>460</b>	511
Net earnings available to common shareholders of the Company <sup>(i)</sup>	<b>457</b>	508
Adjusted net earnings available to common shareholders of the Company <sup>(2)</sup>	<b>664</b>	626
Diluted net earnings per common share (\$)	<b>\$ 1.48</b>	\$ 1.58
Adjusted diluted net earnings per common share <sup>(2)</sup> (\$)	<b>\$ 2.15</b>	\$ 1.94
Cash and cash equivalents and short term investments	<b>\$ 1,694</b>	\$ 1,740
Cash flows from operating activities	<b>1,401</b>	1,289
Capital investments <sup>(ii)</sup>	<b>495</b>	423
Free cash flow <sup>(2)</sup>	<b>437</b>	426
<b>Financial Measures:</b>		
Retail debt to rolling year retail adjusted EBITDA <sup>(2)</sup>	<b>2.3 x</b>	2.3 x
Rolling year adjusted return on equity <sup>(2)</sup>	<b>23.1 %</b>	21.4 %
Rolling year adjusted return on capital <sup>(2)</sup>	<b>11.6 %</b>	11.0 %
<b>Retail Segment:</b>		
Food retail same-store sales growth	<b>0.2 %</b>	6.1 %
Drug retail same-store sales growth	<b>1.5 %</b>	5.7 %
Operating income	<b>\$ 815</b>	\$ 925
Gross profit	<b>4,370</b>	4,192
Gross profit %	<b>32.0 %</b>	31.1 %
Adjusted EBITDA <sup>(2)</sup>	<b>\$ 1,649</b>	\$ 1,587
Adjusted EBITDA margin <sup>(2)</sup>	<b>12.1 %</b>	11.8 %
<b>Financial Services Segment:</b>		
Earnings (Losses) before income taxes	<b>\$ 16</b>	\$ (34)
Annualized yield on average quarterly gross credit card receivables	<b>14.5 %</b>	13.7 %
Annualized credit loss rate on average quarterly gross credit card receivables	<b>4.8 %</b>	3.9 %

(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.

(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 June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	2024		2023		2024		2023	
	(12 weeks)	(12 weeks)	\$ Change	% Change	(24 weeks)	(24 weeks)	\$ Change	% Change
<b>Revenue</b>	<b>\$ 13,947</b>	\$ 13,738	\$ 209	1.5 %	<b>\$27,528</b>	\$26,733	\$ 795	3.0 %
<b>Operating income</b>	<b>868</b>	927	(59)	(6.4)%	<b>1,729</b>	1,696	33	1.9 %
Adjusted EBITDA <sup>(2)</sup>	<b>1,713</b>	1,640	73	4.5 %	<b>3,257</b>	3,088	169	5.5 %
Adjusted EBITDA margin <sup>(2)</sup>	<b>12.3 %</b>	11.9 %			<b>11.8 %</b>	11.6 %		
<b>Depreciation and amortization</b>	<b>\$ 679</b>	\$ 671	\$ 8	1.2 %	<b>\$ 1,369</b>	\$ 1,346	\$ 23	1.7 %
<b>Net interest expense and other financing charges</b>	<b>190</b>	193	(3)	(1.6)%	<b>384</b>	374	10	2.7 %
<b>Income taxes</b>	<b>180</b>	193	(13)	(6.7)%	<b>358</b>	344	14	4.1 %
Adjusted income taxes <sup>(2)</sup>	<b>254</b>	233	21	9.0 %	<b>461</b>	415	46	11.1 %
Effective tax rate	<b>26.5 %</b>	26.3 %			<b>26.6 %</b>	26.0 %		
Adjusted effective tax rate <sup>(2)</sup>	<b>26.5 %</b>	26.1 %			<b>26.6 %</b>	26.0 %		
Net earnings attributable to non-controlling interests	<b>\$ 38</b>	\$ 30	\$ 8	26.7 %	<b>\$ 65</b>	\$ 46	\$ 19	41.3 %
<b>Net earnings attributable to shareholders of the Company</b>	<b>\$ 460</b>	\$ 511	\$ (51)	(10.0)%	<b>\$ 922</b>	\$ 932	\$ (10)	(1.1)%
<b>Net earnings available to common shareholders of the Company<sup>(i)</sup></b>	<b>457</b>	508	(51)	(10.0)%	<b>916</b>	926	(10)	(1.1)%
Adjusted net earnings available to common shareholders of the Company <sup>(2)</sup>	<b>664</b>	626	38	6.1 %	<b>1,201</b>	1,131	70	6.2 %
<b>Diluted net earnings per common share (\$)</b>	<b>\$ 1.48</b>	\$ 1.58	\$ (0.10)	(6.3)%	<b>\$ 2.95</b>	\$ 2.86	\$ 0.09	3.1 %
Adjusted diluted net earnings per common share <sup>(2)</sup> (\$)	<b>\$ 2.15</b>	\$ 1.94	\$ 0.21	10.8 %	<b>\$ 3.87</b>	\$ 3.49	\$ 0.38	10.9 %
Diluted weighted average common shares outstanding (in millions)	<b>308.8</b>	322.5			<b>310.6</b>	323.8		

(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's results in the second quarter of 2024 reflected strong operational performance and the impact of the settlement of the bread price-fixing class actions commenced in 2017 which negatively impacted net earnings by \$121 million.

In the quarter, Canadian consumers remained focused on value and responded favourably to Loblaw's market leading banners, private label brands, and personalized PC Optimum™ offers. Loblaw maintained its focus on retail excellence across its businesses, driving sales growth, and maintaining a careful focus on cost control. Drug Retail sales continued to outperform Food Retail. Drug front store sales reflected continued strength in the beauty category but were pressured by the Company's exit from certain low margin electronics categories. Pharmacy sales growth rates returned to more normal levels, reflecting ongoing momentum in new healthcare services. Food Retail sales reflected increased customer visits in the quarter, despite lapping very strong sales growth last year. Food sales growth was led by the ongoing strength of the Company's Maxi and NoFrills hard discount stores. A sharp focus on value was reflected in another sequential reduction in the Company's internal inflation rate. Food inflation rates have been declining and remain below Canada's total household inflation rate, as Canada's Consumer Price Index ("CPI") for Food Purchased From Stores declined for the sixth consecutive 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 second quarter of 2024 were \$457 million (\$1.48 per common share). When compared to the second quarter of 2023, this was a decrease of \$51 million (\$0.10 per common share). The decrease included an unfavourable change in adjusting items totaling \$89 million, partially offset by an improvement in the underlying operating performance of \$38 million as described below:

- the unfavourable change in adjusting items totaling \$89 million (\$0.31 per common share) was primarily due to the following:
  - the unfavourable impact of charges related to the settlement of class action lawsuits of \$121 million (\$0.39 per common share);partially offset by,
  - the favourable impact of the prior year charge related to a President's Choice Bank ("PC Bank") commodity tax matter of \$29 million (\$0.09 per common share).
- the improvement in underlying operating performance of \$38 million (\$0.12 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
  - an improvement in the underlying operating performance in the Financial Services segment.
- diluted net earnings per common share also included the favourable impact from the repurchase of common shares over the last 12 months (\$0.09 per common share).

Adjusted net earnings available to common shareholders of the Company<sup>(2)</sup> were \$664 million, an increase of \$38 million or 6.1% compared to the second quarter of 2023. Adjusted net earnings per common share<sup>(2)</sup> were \$2.15, an increase of \$0.21 or 10.8%. The increase includes the favourable impact from the repurchase of common shares.

Year-to-date net earnings available to common shareholders of the Company were \$916 million (\$2.95 per common share), a decrease of \$10 million (\$0.09 per common share) or 1.1% compared to the same period in 2023. The decrease included an unfavourable change in adjusting items totaling \$80 million, partially offset by an improvement in the underlying operating performance of \$70 million as described below:

- the unfavourable change in adjusting items totaling \$80 million (\$0.29 per common share) was primarily due to the following:
  - the unfavourable impact of charges related to the settlement of class action lawsuits of \$121 million (\$0.39 per common share);partially offset by,
  - the favourable impact of the prior year charge related to a PC Bank commodity tax matter of \$29 million (\$0.09 per common share); and
  - the year-over-year favourable change in fair value adjustment on fuel and foreign currency contracts of \$10 million (\$0.03 per common share).

- the improvement in the underlying operating performance of \$70 million (\$0.22 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 SG&A and depreciation and amortization; and
  - an improvement in the underlying operating performance in the Financial Services segment; partially offset by,
  - the unfavorable impact from non-controlling interests.
- diluted net earnings per common share also included the favourable impact from the repurchase of common shares over the last 12 months (\$0.16 per common share).

Year-to-date adjusted net earnings available to common shareholders of the Company<sup>(2)</sup> were \$1,201 million, an increase of \$70 million or 6.2% compared to the same period in 2023. Adjusted net earnings per common share<sup>(2)</sup> were \$3.87 per common share, an increase of \$0.38 or 10.9%. The increase includes the favourable impact from the repurchase of common shares.

## Revenue

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	2024		2023		2024		2023	
	(12 weeks)	(12 weeks)	\$ Change	% Change	(24 weeks)	(24 weeks)	\$ Change	% Change
Retail	\$ 13,658	\$ 13,471	\$ 187	1.4 %	\$ 26,948	\$ 26,206	\$ 742	2.8 %
Financial Services	367	348	19	5.5 %	728	674	54	8.0 %
Eliminations	(78)	(81)	3	3.7 %	(148)	(147)	(1)	(0.7)%
Revenue	\$ 13,947	\$ 13,738	\$ 209	1.5 %	\$ 27,528	\$ 26,733	\$ 795	3.0 %

Revenue was \$13,947 million in the second quarter of 2024. When compared to the second quarter of 2023, this was an increase of \$209 million, or 1.5%. The increase was primarily driven by an increase in Retail segment sales of \$187 million due to positive same-store sales growth. There was also an increase in Financial Services segment sales of \$19 million.

Year-to-date revenue was \$27,528 million, an increase of \$795 million, or 3.0%, compared to the same period in 2023. The increase was primarily driven by an increase in Retail segment sales of \$742 million, due to positive same-store sales growth. There was also an increase in Financial Services segment sales of \$54 million.

**Operating Income** Operating income was \$868 million in the second quarter of 2024. When compared to the second quarter of 2023, this was a decrease of \$59 million, or 6.4%. The decrease was driven by an unfavourable change in adjusting items totaling \$123 million, partially offset by an improvement in underlying operating performance of \$64 million as described below:

- the unfavourable change in adjusting items totaling \$123 million was primarily due to the following:
  - the unfavourable impact of charges related to the settlement of class action lawsuits of \$164 million; partially offset by,
  - the favourable impact of the prior year charge related to a PC Bank commodity tax matter of \$37 million; and
  - the year-over-year favourable change in fair value adjustments on fuel and foreign currency contracts of \$3 million.
- the improvement in underlying operating performance of \$64 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.

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Year-to-date operating income was \$1,729 million, an increase of \$33 million, or 1.9%, compared to the same period in 2023. The increase in operating income was driven by an improvement in the underlying operating performance of \$145 million, partially offset by unfavourable change in adjusting items totaling \$112 million as described below:

- the improvement in the underlying operating performance of \$145 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 unfavourable change in adjusting items totaling \$112 million was primarily due to the following:
  - the unfavourable impact of charges related to the settlement of class action lawsuits of \$164 million; partially offset by,
  - the favourable impact of the prior year charge related to a PC Bank commodity tax matter of \$37 million; and
  - the year-over-year favourable impact of fair value adjustment on fuel and foreign currency contracts of \$13 million.

### Adjusted EBITDA<sup>(2)</sup>

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	2024		2023		2024		2023	
	(12 weeks)	(12 weeks)	\$ Change	% Change	(24 weeks)	(24 weeks)	\$ Change	% Change
Retail	\$ 1,649	\$ 1,587	\$ 62	3.9 %	\$ 3,101	\$ 2,977	\$ 124	4.2 %
Financial Services	64	53	11	20.8 %	156	111	45	40.5 %
Adjusted EBITDA <sup>(2)</sup>	\$ 1,713	\$ 1,640	\$ 73	4.5 %	\$ 3,257	\$ 3,088	\$ 169	5.5 %

Adjusted EBITDA<sup>(2)</sup> was \$1,713 million in the second quarter of 2024. When compared to the second quarter of 2023, this was an increase of \$73 million or 4.5%, driven by an increase in the Retail segment of \$62 million, and an increase in the Financial Services segment of \$11 million.

Year-to-date adjusted EBITDA<sup>(2)</sup> was \$3,257 million, an increase of \$169 million, or 5.5% compared to the same period in 2023, driven by an increase in the Retail segment of \$124 million, and an increase in the Financial Services segment of \$45 million.

**Depreciation and Amortization** Depreciation and amortization was \$679 million, an increase of \$8 million or 1.2% compared to the second quarter of 2023. The increase in depreciation and amortization in the second 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. Year-to-date depreciation and amortization was \$1,369 million, an increase of \$23 million or 1.7% compared to the same period in 2023. The year-to-date increase 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 second quarter of 2024 and year-to-date included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and Lifemark Health Group ("Lifemark") of \$115 million (2023 – \$116 million) and \$229 million (2023 – \$230 million), respectively.

**Net Interest Expense and Other Financing Charges** Net interest expense and other financing charges were \$190 million, a decrease of \$3 million or 1.6% compared to the second quarter of 2023. The decrease was primarily driven by a decrease in interest expense from borrowing related to credit card receivables, and the capitalization of interest expense related to the Company's automated distribution facility. This was partially offset by an increase in interest expense from lease liabilities and long term debt. Year-to-date net interest expense and other financing charges were \$384 million, an increase of \$10 million or 2.7% compared to the same period in 2023. The year-to-date increase was primarily driven by an increase in interest expense from lease liabilities and long term debt. This was partially offset by a decrease in interest expense from borrowing related to credit card receivables, and the capitalization of interest expense related to the Company's automated distribution facility.

**Income Taxes** Income tax expense in the second quarter of 2024 was \$180 million (2023 – \$193 million) and the effective tax rate was 26.5% (2023 – 26.3%). The increase in the effective tax rate was primarily attributable to the non-taxable portion of the gain from real estate dispositions during the second quarter of 2023. Year-to-date income tax expense was \$358 million (2023 – \$344 million) and the effective tax rate was 26.6% (2023 – 26.0%). The increase to the year-to-date effective tax rate was primarily attributable to the non-taxable portion of the gain from real estate dispositions during 2023.

Adjusted income tax expense<sup>(2)</sup> in the second quarter of 2024 was \$254 million (2023 – \$233 million) and the adjusted effective tax rate<sup>(2)</sup> was 26.5% (2023 – 26.1%). The increase in the adjusted effective tax rate<sup>(2)</sup> was primarily attributable to the non-taxable portion of the gain from real estate dispositions during the second quarter of 2023. Year-to-date adjusted income tax expense<sup>(2)</sup> was \$461 million (2023 – \$415 million) and the adjusted effective tax rate<sup>(2)</sup> was 26.6% (2023 – 26.0%). The increase to the year-to-date adjusted effective tax rate<sup>(2)</sup> was primarily attributable to the non-taxable portion of the gain from real estate dispositions during 2023.

**Net Earnings Attributable To Non-Controlling Interests** Net earnings attributable to non-controlling interests were \$38 million, an increase of \$8 million or 26.7% compared to the second quarter of 2023. Year-to-date net earnings attributable to non-controlling interests were \$65 million, an increase of \$19 million or 41.3% compared to the same period in 2023. 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. The increase in non-controlling interests was primarily driven by an increase in franchisee earnings after profit sharing.

#### 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 June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)							
	2024 (12 weeks)	2023 (12 weeks)	\$ Change	% Change	2024 (24 weeks)	2023 (24 weeks)	\$ Change	% Change
Sales	\$13,658	\$13,471	\$ 187	1.4 %	\$26,948	\$26,206	\$ 742	2.8 %
Operating income	815	925	(110)	(11.9)%	1,597	1,651	(54)	(3.3)%
Gross profit	4,370	4,192	178	4.2 %	8,574	8,172	402	4.9 %
Gross profit %	32.0 %	31.1 %			31.8 %	31.2 %		
Adjusted EBITDA <sup>(2)</sup>	\$ 1,649	\$ 1,587	\$ 62	3.9 %	\$ 3,101	\$ 2,977	\$ 124	4.2 %
Adjusted EBITDA margin <sup>(2)</sup>	12.1 %	11.8 %			11.5 %	11.4 %		
Depreciation and amortization	\$ 668	\$ 657	\$ 11	1.7 %	\$ 1,345	\$ 1,317	\$ 28	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 June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	2024		2023		2024		2023	
	(12 weeks)		(12 weeks)		(24 weeks)		(24 weeks)	
	Sales	Same-store sales						
Food retail	\$ 9,653	0.2 %	\$ 9,560	6.1 %	\$ 19,062	1.8 %	\$ 18,571	4.6 %
Drug retail	4,005	1.5 %	3,911	5.7 %	7,886	2.8 %	7,635	6.5 %
Pharmacy and healthcare services	2,110	5.4 %	1,984	6.3 %	4,169	6.4 %	3,908	5.5 %
Front store	1,895	(2.4)%	1,927	5.0 %	3,717	(0.9)%	3,727	7.5 %

**Sales** Retail segment sales were \$13,658 million in the second quarter of 2024, an increase of \$187 million, or 1.4% compared to the second quarter of 2023, primarily driven by the following factors:

- Food retail same-store sales growth was 0.2% (2023 – 6.1%) for the quarter.
  - Sales growth in food was modest;
  - Sales growth in pharmacy was modest;
  - The CPI for Food Purchased From Stores was 1.7% (2023 – 9.1%) which was in line with the Company's internal food inflation; and
  - Food Retail traffic increased and basket size decreased.
- Drug retail same-store sales growth was 1.5% (2023 – 5.7%) for the quarter.
  - Pharmacy and healthcare services same-store sales growth was 5.4% (2023 – 6.3%). Pharmacy and healthcare services same-store sales growth benefited from an increase in chronic and specialty prescription volumes and increased delivery of healthcare services. The number of prescriptions increased by 2.1% (2023 – 0.4%). On a same-store basis, the number of prescriptions increased by 2.1% (2023 – 0.9%) and the average prescription value increased by 1.9% (2023 – 4.7%); partially offset by,
  - Front store same-store sales decline of 2.4% (2023 – growth of 5.0%). The decline in front store same-store sales was primarily driven by lower sales of food and household items and the decision to exit certain low margin electronics categories, partially offset by the continued strength in beauty products.

In the last 12 months, 27 food and drug stores were opened, and 12 food and drug stores were closed, resulting in a net increase in Retail square footage of 0.1 million square feet, or 0.1%.

On a year-to-date basis, Retail segment sales were \$26,948 million, an increase of \$742 million, or 2.8% when compared to the same period in 2023. Food retail sales of \$19,062 million, increased by \$491 million, or 2.6%. Food retail same-store sales grew by 1.8% (2023 – 4.6%). Drug retail sales of \$7,886 million increased by \$251 million, or 3.3%. Drug retail same-store sales growth was 2.8% (2023 – 6.5%), with pharmacy and healthcare services same-store sales growth of 6.4% (2023 – 5.5%), partially offset by front store sales decline of 0.9% (2023 – growth of 7.5%).

**Operating Income** Operating income was \$815 million in the second quarter of 2024, a decrease of \$110 million, or 11.9% compared to the second quarter of 2023. The decrease was driven by an unfavourable change in adjusting items totaling \$160 million, partially offset by an improvement in underlying operating performance of \$50 million as described below:

- the unfavourable change in adjusting items totaling \$160 million was primarily due to the following:
  - the unfavourable impact of charges related to the settlement of class action lawsuits of \$164 million; partially offset by,
  - the year-over-year favourable change in fair value adjustments on fuel and foreign currency contracts of \$3 million.
- the improvement in underlying operating performance of \$50 million was due to an increase in gross profit, partially offset by an increase in SG&A and depreciation and amortization.

Year-to-date operating income was \$1,597 million, a decrease of \$54 million, or 3.3% compared to the same period in 2023. The decrease was driven by an unfavourable change in adjusting items totaling \$149 million, partially offset by an improvement in underlying operating performance of \$95 million as described below:

- the unfavourable change in adjusting items totaling \$149 million was primarily due to the following:
  - the unfavourable impact of charges related to the settlement of class action lawsuits of \$164 million; partially offset by,
  - the year-over-year favourable change in fair value adjustments on fuel and foreign currency contracts of \$13 million.
- the improvement in underlying operating performance of \$95 million was due to an increase in gross profit, partially offset by an increase in SG&A and depreciation and amortization.

**Gross Profit** Gross profit was \$4,370 million in the second quarter of 2024, an increase of \$178 million, or 4.2% compared to 2023. The gross profit percentage<sup>(2)</sup> of 32.0% increased by 90 basis points, primarily driven by improvements in shrink, and an increase in Drug Retail gross margins mainly due to sales mix.

Year-to-date gross profit was \$8,574 million in 2024, an increase of \$402 million, or 4.9% compared to the same period in 2023. Gross profit percentage of 31.8% increased by 60 basis points when compared to 2023, primarily driven by improvements in shrink, and an increase in Drug Retail gross margins mainly due to sales mix.

**Adjusted EBITDA<sup>(2)</sup>** Adjusted EBITDA<sup>(2)</sup> was \$1,649 million in the second quarter of 2024, an increase of \$62 million, or 3.9% compared to the second quarter of 2023. The increase was driven by an increase in gross profit of \$178 million, partially offset by an increase in SG&A of \$116 million. SG&A as a percentage of sales was 19.9%, an increase of 60 basis points, primarily due to lower operating leverage, the year-over-year impact of labour costs and certain real estate activities, and costs related to network optimization.

Year-to-date adjusted EBITDA<sup>(2)</sup> was \$3,101 million in 2024, an increase of \$124 million, or 4.2% compared to 2023. The increase was driven by an increase in gross profit of \$402 million, partially offset by an increase in SG&A of \$278 million. SG&A as a percentage of sales was 20.3%, an increase of 50 basis points when compared to 2023. The increase was primarily driven by the year-over-year impact of certain real estate activities and labour costs, and lower operating leverage.

**Depreciation and Amortization** Depreciation and amortization was \$668 million in the second quarter of 2024, an increase of \$11 million when compared to the second quarter of 2023. The increase in depreciation and amortization in the second 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. Year-to-date depreciation and amortization was \$1,345 million, an increase of \$28 million compared to the same period in 2023. The year-to-date increase 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 second quarter of 2024 and year-to-date included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of \$115 million (2023 – \$116 million) and \$229 million (2023 – \$230 million), respectively.

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

## 4.2 Financial Services Segment

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	\$ Change	% Change	2024 (24 weeks)	2023 (24 weeks)	\$ Change	% Change
Revenue	\$ 367	\$ 348	\$ 19	5.5 %	\$ 728	\$ 674	\$ 54	8.0 %
Earnings (Losses) before income taxes	16	(34)	50	147.1 %	60	(22)	82	372.7 %

(millions of Canadian dollars except where otherwise indicated)	As at June 15, 2024	As at June 17, 2023	\$ Change	% Change
Average quarterly net credit card receivables	\$ 3,977	\$ 3,891	\$ 86	2.2 %
Credit card receivables	3,954	3,972	(18)	(0.5)%
Allowance for credit card receivables	266	220	46	20.9 %
Annualized yield on average quarterly gross credit card receivables	14.5 %	13.7 %		
Annualized credit loss rate on average quarterly gross credit card receivables	4.8 %	3.9 %		

**Revenue** Revenue was \$367 million, an increase of \$19 million compared to the second 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™.

Year-to-date revenue was \$728 million, an increase of \$54 million compared to the same period in 2023. The increase in the year-to-date revenue was primarily driven by:

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

**Earnings (Losses) before income taxes** Earnings before income taxes were \$16 million in the second quarter of 2024, as compared to losses of \$34 million in 2023. The improvement in the second quarter was primarily driven by:

- lapping of a prior year charge of \$37 million related to a commodity tax matter;
  - higher revenue as described above; and
  - the year-over-year favourable impact of the expected credit loss provision;
- partially offset by,
- higher contractual charge-offs and funding costs due to the current macro-economic environment.

Year-to-date earnings before income taxes were \$60 million in 2024, as compared to losses of \$22 million in 2023. The improvement was primarily driven by:

- higher revenue as described above;
  - lapping of a prior year charge of \$37 million related to a commodity tax matter;
  - lower customer acquisition expenses and operating costs, including the ongoing benefits associated with the renewal of a long-term agreement with Mastercard; and
  - the year-over-year favourable impact of the expected credit loss provision;
- partially offset by,

- higher contractual charge-offs and funding costs due to the current macro-economic environment.

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

**Credit Card Receivables** As at June 15, 2024, credit card receivables were \$3,954 million, a decrease of \$18 million compared to June 17, 2023. This decrease was primarily driven by the increase in the expected credit loss allowance. The expected credit loss allowance for credit card receivables was \$266 million, an increase of \$46 million compared to June 17, 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 June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	2024				2023			
	(12 weeks)	(12 weeks)	\$ Change	% Change	(24 weeks)	(24 weeks)	\$ Change	% Change
Cash and cash equivalents, beginning of period	\$ 1,288	\$ 1,162	\$ 126	10.8 %	\$ 1,488	\$ 1,608	\$ (120)	(7.5)%
Cash flows from (used in):								
Operating activities	\$ 1,401	\$ 1,289	\$ 112	8.7 %	\$ 2,257	\$ 2,204	\$ 53	2.4 %
Investing activities	(769)	(630)	(139)	(22.1)%	(965)	(1,084)	119	11.0 %
Financing activities	(639)	(615)	(24)	(3.9)%	(1,502)	(1,521)	19	1.2 %
Effect of foreign currency exchange rate changes on cash and cash equivalents	1	3	(2)	(66.7)%	4	2	2	100.0 %
(Decrease) increase in cash and cash equivalents	\$ (6)	\$ 47	\$ (53)	(112.8)%	\$ (206)	\$ (399)	\$ 193	48.4 %
Cash and cash equivalents, end of period	\$ 1,282	\$ 1,209	\$ 73	6.0 %	\$ 1,282	\$ 1,209	\$ 73	6.0 %

**Cash Flows from Operating Activities** Cash flows from operating activities in the second quarter of 2024 were \$1,401 million, an increase of \$112 million when compared to the second quarter of 2023. The increase in cash flows from operating activities was primarily driven by credit card receivables increasing year-over-year at a rate lower than prior year and higher cash earnings, partially offset by an unfavourable year-over-year change in non-cash working capital. Year-to-date cash flows from operating activities were \$2,257 million, an increase of \$53 million compared to the same period in 2023. The increase in cash flows from operating activities year-to-date was primarily driven by credit card receivables increasing year-over-year at a rate lower than prior year and higher cash earnings, partially offset by an unfavourable year-over-year change in non-cash working capital and higher income taxes paid in the current year.

**Cash Flows used in Investing Activities** Cash flows used in investing activities in the second quarter of 2024 were \$769 million, an increase of \$139 million when compared to the second quarter of 2023. The increase in cash flows used in investing activities was primarily driven by higher purchases of short term investments and an increase in investment in fixed assets, partially offset by higher disposals of long term securities.

Year-to-date cash flows used in investing activities were \$965 million, a decrease of \$119 million compared to the same period in 2023. The decrease in cash flows used in investing activities was primarily driven by higher disposal of both short term investments and long term securities in the current year, 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 June 15, 2024 and June 17, 2023	2024	2023	% Change
Corporate square footage (in millions)	35.3	35.2	0.3 %
Franchise square footage (in millions)	16.8	17.1	(1.8)%
Associate-owned drug store square footage (in millions)	19.2	18.9	1.6 %
Total retail square footage (in millions)	71.3	71.2	0.1 %
Number of corporate stores	578	561	3.0 %
Number of franchise stores	528	543	(2.8)%
Number of Associate-owned drug stores	1,351	1,338	1.0 %
Total number of stores	2,457	2,442	0.6 %
Average store size (square feet)			
Corporate	61,100	62,700	(2.6)%
Franchise	31,800	31,500	1.0 %
Associate-owned drug store	14,200	14,100	0.7 %

**Capital Investments** Capital investments in the second quarter of 2024 were \$495 million, an increase of \$72 million or 17.0%, compared to the second quarter of 2023. Year-to-date capital investments were \$882 million, an increase of \$144 million or 19.5%, compared to 2023.

**Cash Flows used in Financing Activities** Cash flows used in financing activities in the second quarter of 2024 were \$639 million, an increase of \$24 million when compared to the second quarter of 2023. The increase in cash flows used in financing activities was primarily driven by repayment of the \$400 million aggregate principal amount of 3.918% senior unsecured notes on June 10, 2024, partially offset by higher issuance of short term debt in the current year and an increase in bank indebtedness.

Year-to-date cash flows used in financing activities were \$1,502 million, a decrease of \$19 million when compared to the same period in 2023. The decrease in cash flows used in financing activities was primarily driven by higher net issuance of long term debt, partially offset by higher repayments of short term debt, higher proceeds from financial liabilities in the prior year and higher repurchases of common shares in the current year.

## Free Cash Flow<sup>(2)</sup>

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars)	2024 (12 weeks)				2023 (12 weeks)			
	Retail	Financial Services	Elimi- nations <sup>(i)</sup>	Total	Retail	Financial Services	Elimi- nations <sup>(i)</sup>	Total
Cash flows from (used in) operating activities	\$ 1,410	\$ (32)	\$ 23	\$ 1,401	\$ 1,435	\$ (167)	\$ 21	\$ 1,289
Less:								
Capital investments <sup>(ii)</sup>	489	6	—	495	416	7	—	423
Interest paid	73	—	23	96	71	—	21	92
Lease payments, net	373	—	—	373	348	—	—	348
Free cash flow <sup>(2)</sup>	\$ 475	\$ (38)	\$ —	\$ 437	\$ 600	\$ (174)	\$ —	\$ 426

  

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars)	2024 (24 weeks)				2023 (24 weeks)			
	Retail	Financial Services	Elimi- nations <sup>(i)</sup>	Total	Retail	Financial Services	Elimi- nations <sup>(i)</sup>	Total
Cash flows from (used in) operating activities	\$ 1,872	\$ 339	\$ 46	\$ 2,257	\$ 2,087	\$ 70	\$ 47	\$ 2,204
Less:								
Capital investments <sup>(ii)</sup>	866	16	—	882	722	16	—	738
Interest paid	150	—	46	196	151	—	47	198
Lease payments, net	740	—	—	740	695	—	—	695
Free cash flow <sup>(2)</sup>	\$ 116	\$ 323	\$ —	\$ 439	\$ 519	\$ 54	\$ —	\$ 573

(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<sup>(2)</sup> from the Retail segment in the second quarter of 2024 was \$475 million, a decrease of \$125 million when compared to the second quarter of 2023. The decrease was primarily driven by an unfavourable year-over-year change in non-cash working capital, partially offset by higher cash earnings. Year-to-date free cash flow<sup>(2)</sup> from the Retail Segment was \$116 million, a decrease of \$403 million compared to the same period in 2023. The decrease was primarily driven by unfavourable year-over-year change in non-cash working capital and net higher income taxes paid in the current year, 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<sup>(2)</sup> used in the Financial Services segment in the second quarter of 2024 was \$38 million, a decrease of \$136 million when compared to the second quarter of 2023. The decrease was primarily due to credit card receivables increasing year-over-year at a rate lower than prior year. Year-to-date free cash flow<sup>(2)</sup> from the Financial Services segment was \$323 million, an increase of \$269 million compared to the same period in 2023. The increase was primarily driven by credit card receivables increasing year-over-year at a rate lower than prior year.

## 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.

PC Bank expects to obtain long term financing for its credit card portfolio through the issuance of *Eagle Credit Card Trust*<sup>®</sup> (“Eagle”) notes and Guaranteed Investment Certificates (“GICs”).

The following table presents total debt by reportable operating segment:

(millions of Canadian dollars)	As at June 15, 2024			As at June 17, 2023			As at December 30, 2023		
	Retail	Financial Services	Total	Retail	Financial Services	Total	Retail	Financial Services	Total
Bank indebtedness	\$ 38	\$ —	\$ 38	\$ 18	\$ —	\$ 18	\$ 13	\$ —	\$ 13
Demand deposits from customers	—	175	175	—	137	137	—	166	166
Short term debt <sup>(i)</sup>	—	650	650	—	650	650	—	850	850
Long term debt due within one year	—	741	741	—	833	833	400	791	1,191
Long term debt <sup>(ii)</sup>	5,230	2,511	7,741	4,820	2,505	7,325	4,460	2,201	6,661
Certain other liabilities <sup>(iii)</sup>	290	—	290	270	—	270	280	—	280
Total debt excluding lease liabilities	\$ 5,558	\$ 4,077	\$ 9,635	\$ 5,108	\$ 4,125	\$ 9,233	\$ 5,153	\$ 4,008	\$ 9,161
Lease liabilities due within one year	1,477	—	1,477	1,425	—	1,425	1,455	—	1,455
Lease liabilities	7,968	—	7,968	7,772	—	7,772	8,003	—	8,003
Total debt including total lease liabilities	\$15,003	\$4,077	\$19,080	\$14,305	\$4,125	\$18,430	\$14,611	\$4,008	\$18,619

- (i) During the second quarter of 2024, PC Bank recorded a \$200 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 used the net proceeds of the issuance to partially fund the redemption of the \$400 million aggregate principal amount of 3.918% senior unsecured notes on June 10, 2024. The Company has a committed credit facility with maturity date of July 15, 2027, provided by a syndicate of lenders. The facility contains certain financial covenants and as at June 15, 2024 and throughout the first half of the year, the Company was in compliance with these covenants.
- (iii) As at June 15, 2024, certain other liabilities include financial liabilities of \$190 million related to the sale and leaseback of retail properties (June 17, 2023 — \$189 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<sup>(2)</sup> ratio to measure the leverage being employed.

	As at June 15, 2024	As at June 17, 2023	As at December 30, 2023
Retail debt to rolling year retail adjusted EBITDA <sup>(2)</sup>	2.3 x	2.3 x	2.3 x

The Retail debt to rolling year retail adjusted EBITDA<sup>(2)</sup> ratio as at June 15, 2024 remained constant compared to June 17, 2023 and 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 June 15, 2024 and throughout the quarter, the Company was in compliance with such covenants. As at June 15, 2024 and throughout the quarter, PC Bank has met all applicable regulatory requirements.

### 5.3 Financial Condition

#### Rolling year adjusted return on equity<sup>(2)</sup> and Rolling year adjusted return on capital<sup>(2)</sup>

	As at June 15, 2024	As at June 17, 2023	As at December 30, 2023
Rolling year adjusted return on equity <sup>(2)</sup>	23.1 %	21.4 %	22.2 %
Rolling year adjusted return on capital <sup>(2)</sup>	11.6 %	11.0 %	11.5 %

Rolling year adjusted return on equity<sup>(2)</sup> as at June 15, 2024 increased compared to June 17, 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<sup>(2)</sup> as at June 15, 2024 increased compared to June 17, 2023 and December 30, 2023, primarily due to an improvement in adjusted operating income<sup>(2)</sup>.

### 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
Second Preferred Shares, Series B	Pfd-3 (high)	Stable	P-2 (low)	n/a

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

### 5.5 Dividends and Share Repurchases

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

	June 15, 2024 <sup>(i)</sup> (12 weeks)	June 17, 2023 (12 weeks)	June 15, 2024 (24 weeks)	June 17, 2023 (24 weeks)
<b>Dividends declared per share (\$)</b>				
Common Share	\$ 0.513	\$ 0.446	\$ 0.959	\$ 0.851
Second Preferred Share, Series B	\$ 0.33125	\$ 0.33125	\$ 0.66250	\$ 0.66250

(i) The Common Share dividends declared in the second quarter of 2024 of \$0.513 per share had a payment date of July 1, 2024. The Second Preferred Shares, Series B dividends declared in the second quarter of 2024 of \$0.33125 per share had a payment date of June 30, 2024.

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

In the second quarter of 2024, the Company renewed its Normal Course Issuer 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 June 15, 2024, the Company had purchased 1,350,172 common shares for cancellation under its current NCIB. The Company is still permitted to purchase its common shares from Weston under its NCIB, pursuant to an automatic disposition plan agreement among the Company's broker, the Company and Weston, in order for Weston to maintain its proportionate ownership interest in the Company. The maximum number of common shares that may be purchased pursuant to the NCIB will be reduced by the number of common shares purchased from Weston.

During the second quarter of 2024, 3,157,109 common shares (2023 – 4,226,034) were purchased under the NCIB for cancellation, for aggregate consideration of \$482 million (2023 – \$511 million), including 1,252,690 common shares (2023 – 2,072,339) purchased from Weston, for aggregate consideration of \$190 million (2023 – \$250 million). On a year-to-date basis, 6,370,962 common shares (2023 – 7,484,300) were purchased under the NCIB for cancellation, for aggregate consideration of \$952 million (2023 – \$894 million), including 2,489,883 common shares (2023 – 3,674,254) purchased from Weston, for aggregate consideration of \$372 million (2023 – 438 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 second 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.

During the second quarter of 2024, PC Bank did not enter into any bond forward agreements (2023 – \$25 million), and settled bond forward agreements with notional value of \$175 million (2023 – \$140 million), primarily related to the \$350 million *Eagle Series 2024-1* notes (2023 – \$250 million *Eagle Series 2023-1* notes) issued during the quarter. The Company concluded that the hedges were effective at the settlement date which will result in a \$2 million fair value gain (2023 – \$4 million fair value gain) being reclassified to net earning, over the life of the *Eagle Series 2024-1* notes (2023- *Eagle Series 2023-1* notes). On a year-to-date basis, PC Bank entered into bond forward agreements with a notional value of \$275 million (2023 – \$160 million), and settled bond forward agreement with a notional value of \$175 million (2023 – \$140 million).

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 June 15, 2024, a fair value loss of \$19 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 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 second 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

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
	2024 (12 weeks)	2023 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)	2023 (16 weeks)	2022 (16 weeks)
(millions of Canadian dollars except where otherwise indicated)								
<b>Revenue</b>	<b>\$ 13,947</b>	<b>\$ 13,738</b>	\$ 13,581	\$ 12,995	\$ 14,531	\$ 14,007	\$ 18,265	\$ 17,388
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>1,713</b>	<b>1,640</b>	1,544	1,448	1,633	1,493	1,926	1,846
Net earnings available to common shareholders of the Company	<b>457</b>	<b>508</b>	459	418	541	529	621	556
Adjusted net earnings available to common shareholders of the Company <sup>(2)</sup>	<b>664</b>	<b>626</b>	537	505	630	575	719	663
<b>Net earnings per common share:</b>								
<b>Basic (\$)</b>	<b>\$ 1.49</b>	<b>\$ 1.59</b>	\$ 1.48	\$ 1.30	\$ 1.73	\$ 1.63	\$ 1.97	\$ 1.71
<b>Diluted (\$)</b>	<b>\$ 1.48</b>	<b>\$ 1.58</b>	\$ 1.47	\$ 1.29	\$ 1.72	\$ 1.62	\$ 1.95	\$ 1.69
Adjusted diluted net earnings per common share <sup>(2)</sup> (\$)	<b>\$ 2.15</b>	<b>\$ 1.94</b>	\$ 1.72	\$ 1.55	\$ 2.00	\$ 1.76	\$ 2.26	\$ 2.01
Food retail same-store sales growth	<b>0.2 %</b>	<b>6.1 %</b>	3.4 %	3.1 %	2.0 %	8.4 %	4.5 %	6.9 %
Drug retail same-store sales growth	<b>1.5 %</b>	<b>5.7 %</b>	4.0 %	7.4 %	4.6 %	8.7 %	4.6 %	7.7 %

**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 0.1 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:
  - charges related to the settlement of class action lawsuits;
  - fair value adjustment on fuel and foreign currency;
  - charges and recoveries related to PC Bank commodity tax matters;
  - the gain and loss on sale of non-operating properties; and
  - fair value adjustment on 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. 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 second 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](http://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. Future Accounting Standards and Amendments

**Amendments to IAS 7 and IFRS 7** In May 2023, amendments to IAS 7, “Statement of Cash Flows” and IFRS 7, “Financial Instruments: Disclosures” were issued to enhance the transparency of supplier finance arrangements. The amendments require further disclosure for supplier finance arrangements regarding the terms and conditions, the range of payment due dates, and how they affect an entity’s cash flows, liabilities and exposure to liquidity risk. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and required disclosures will be included in the notes to the Company’s 2024 audited annual consolidated financial statements.

For additional information on future accounting standards and amendments not yet in effect, please refer to Note 3 “Future Accounting Standards and Amendments” of the Company’s interim financial statements.

## 12. Outlook<sup>(3)</sup>

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<sup>(2)</sup> 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.

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars)	<b>2024</b> (12 weeks)				2023 (12 weeks)			
	<b>Retail</b>	<b>Financial Services</b>	<b>Eliminations</b>	<b>Total</b>	Retail	Financial Services	Eliminations	Total
Revenue	<b>\$ 13,658</b>	<b>\$ 367</b>	<b>\$ (78)</b>	<b>\$ 13,947</b>	\$ 13,471	\$ 348	\$ (81)	\$ 13,738
Cost of sales	<b>9,288</b>	<b>38</b>	<b>—</b>	<b>9,326</b>	9,279	33	—	9,312
Gross profit	<b>\$ 4,370</b>	<b>\$ 329</b>	<b>\$ (78)</b>	<b>\$ 4,621</b>	\$ 4,192	\$ 315	\$ (81)	\$ 4,426
Adjusted gross profit	<b>\$ 4,370</b>	<b>\$ 329</b>	<b>\$ (78)</b>	<b>\$ 4,621</b>	\$ 4,192	\$ 315	\$ (81)	\$ 4,426

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars)	<b>2024</b> (24 weeks)				2023 (24 weeks)			
	<b>Retail</b>	<b>Financial Services</b>	<b>Eliminations</b>	<b>Total</b>	Retail	Financial Services	Eliminations	Total
Revenue	<b>\$26,948</b>	<b>\$ 728</b>	<b>\$ (148)</b>	<b>\$27,528</b>	\$26,206	\$ 674	\$ (147)	\$ 26,733
Cost of sales	<b>18,374</b>	<b>78</b>	<b>—</b>	<b>18,452</b>	18,034	66	—	18,100
Gross profit	<b>\$ 8,574</b>	<b>\$ 650</b>	<b>\$ (148)</b>	<b>\$ 9,076</b>	\$ 8,172	\$ 608	\$ (147)	\$ 8,633
Adjusted gross profit	<b>\$ 8,574</b>	<b>\$ 650</b>	<b>\$ (148)</b>	<b>\$ 9,076</b>	\$ 8,172	\$ 608	\$ (147)	\$ 8,633

**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 June 15, 2024 and June 17, 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			\$ 460			\$ 511
Add impact of the following:						
Non-controlling interests			38			30
Net interest expense and other financing charges			190			193
Income taxes			180			193
Operating income	\$ 815	\$ 53	\$ 868	\$ 925	\$ 2	\$ 927
Add impact of the following:						
Charges related to settlement of class action lawsuits	\$ 164	\$ —	\$ 164	\$ —	\$ —	\$ —
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	115	—	115	116	—	116
Fair value adjustment on fuel and foreign currency contracts	2	—	2	5	—	5
Charge related to PC Bank commodity tax matter	—	—	—	—	37	37
Adjusting items	\$ 281	\$ —	\$ 281	\$ 121	\$ 37	\$ 158
Adjusted operating income	\$ 1,096	\$ 53	\$ 1,149	\$ 1,046	\$ 39	\$ 1,085
Depreciation and amortization	668	11	679	657	14	671
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(115)	—	(115)	(116)	—	(116)
Adjusted EBITDA	\$ 1,649	\$ 64	\$ 1,713	\$ 1,587	\$ 53	\$ 1,640

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars)	2024 (24 weeks)			2023 (24 weeks)		
	Retail	Financial Services	Total	Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			\$ 922			\$ 932
Add impact of the following:						
Non-controlling interests			65			46
Net interest expense and other financing charges			384			374
Income taxes			358			344
Operating income	\$ 1,597	\$ 132	\$ 1,729	\$ 1,651	\$ 45	\$ 1,696
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 229	\$ —	\$ 229	\$ 230	\$ —	\$ 230
Charges related to settlement of class action lawsuits	164	—	164	—	—	—
Charge related to PC Bank commodity tax matter	—	—	—	—	37	37
Loss on sale of non-operating properties	—	—	—	1	—	1
Fair value adjustment on fuel and foreign currency contracts	(5)	—	(5)	8	—	8
Adjusting items	\$ 388	\$ —	\$ 388	\$ 239	\$ 37	\$ 276
Adjusted operating income	\$ 1,985	\$ 132	\$ 2,117	\$ 1,890	\$ 82	\$ 1,972
Depreciation and amortization	1,345	24	1,369	1,317	29	1,346
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(229)	—	(229)	(230)	—	(230)
Adjusted EBITDA	\$ 3,101	\$ 156	\$ 3,257	\$ 2,977	\$ 111	\$ 3,088

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

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

**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.

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

**Loss on sale of non-operating properties** Year-to-date, 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 June 15, 2024 and June 17, 2023 (millions of Canadian dollars)	2024 (12 weeks)	2023 (12 weeks)	2024 (24 weeks)	2023 (24 weeks)
Net interest expense and other financing charges	\$ 190	\$ 193	\$ 384	\$ 374
Adjusted net interest expense and other financing charges	\$ 190	\$ 193	\$ 384	\$ 374

**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 June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	2024 (24 weeks)	2023 (24 weeks)
Adjusted operating income <sup>(i)</sup>	\$ 1,149	\$ 1,085	\$ 2,117	\$ 1,972
Adjusted net interest expense and other financing charges <sup>(i)</sup>	190	193	384	374
Adjusted earnings before taxes	\$ 959	\$ 892	\$ 1,733	\$ 1,598
Income taxes	\$ 180	\$ 193	\$ 358	\$ 344
Add impact of the following:				
Tax impact of items included in adjusted earnings before taxes <sup>(ii)</sup>	74	40	103	71
Adjusted income taxes	\$ 254	\$ 233	\$ 461	\$ 415
Effective tax rate	26.5 %	26.3 %	26.6 %	26.0 %
Adjusted effective tax rate	26.5 %	26.1 %	26.6 %	26.0 %

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

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

**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 June 15, 2024 and June 17, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)	2024 (24 weeks)	2023 (24 weeks)
Net earnings attributable to shareholders of the Company	\$ 460	\$ 511	\$ 922	\$ 932
Prescribed dividends on preferred shares in share capital	(3)	(3)	(6)	(6)
Net earnings available to common shareholders of the Company	\$ 457	\$ 508	\$ 916	\$ 926
Net earnings attributable to shareholders of the Company	\$ 460	\$ 511	\$ 922	\$ 932
Adjusting items (refer to the following table)	207	118	285	205
Adjusted net earnings attributable to shareholders of the Company	\$ 667	\$ 629	\$ 1,207	\$ 1,137
Prescribed dividends on preferred shares in share capital	(3)	(3)	(6)	(6)
Adjusted net earnings available to common shareholders of the Company	\$ 664	\$ 626	\$ 1,201	\$ 1,131
Diluted weighted average common shares outstanding (millions)	308.8	322.5	310.6	323.8

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 June 15, 2024 and June 17, 2023 (millions of Canadian dollars/Canadian dollars)	2024 (12 weeks)		2023 (12 weeks)		2024 (24 weeks)		2023 (24 weeks)	
	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share
<b>As reported</b>	\$ 457	\$ 1.48	\$ 508	\$ 1.58	\$ 916	\$ 2.95	\$ 926	\$ 2.86
Add (deduct) impact of the following:								
Charges related to settlement of class action lawsuits	\$ 121	\$ 0.39	\$ —	\$ —	\$ 121	\$ 0.39	\$ —	\$ —
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	84	0.27	85	0.26	168	0.54	169	0.52
Fair value adjustment on fuel and foreign currency contracts	2	0.01	4	0.01	(4)	(0.01)	6	0.02
Charge related to PC Bank commodity tax matter	—	—	29	0.09	—	—	29	0.09
Loss on sale of non-operating properties	—	—	—	—	—	—	1	—
Adjusting items	\$ 207	\$ 0.67	\$ 118	\$ 0.36	\$ 285	\$ 0.92	\$ 205	\$ 0.63
<b>Adjusted</b>	\$ 664	\$ 2.15	\$ 626	\$ 1.94	\$ 1,201	\$ 3.87	\$ 1,131	\$ 3.49

**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 June 15, 2024 and June 17, 2023 (millions of Canadian dollars)	2024 (12 weeks)				2023 (12 weeks)			
	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total
Cash flows from (used in) operating activities	\$ 1,410	\$ (32)	\$ 23	\$ 1,401	\$ 1,435	\$ (167)	\$ 21	\$ 1,289
Less:								
Capital investments <sup>(ii)</sup>	489	6	—	495	416	7	—	423
Interest paid <sup>(i)</sup>	73	—	23	96	71	—	21	92
Lease payments, net	373	—	—	373	348	—	—	348
Free cash flow	\$ 475	\$ (38)	\$ —	\$ 437	\$ 600	\$ (174)	\$ —	\$ 426

For the periods ended June 15, 2024 and June 17, 2023 (millions of Canadian dollars)	2024 (24 weeks)				2023 (24 weeks)			
	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total	Retail	Financial Services	Eliminations <sup>(i)</sup>	Total
Cash flows from (used in) operating activities	\$ 1,872	\$ 339	\$ 46	\$ 2,257	\$ 2,087	\$ 70	\$ 47	\$ 2,204
Less:								
Capital investments <sup>(ii)</sup>	866	16	—	882	722	16	—	738
Interest paid <sup>(i)</sup>	150	—	46	196	151	—	47	198
Lease payments, net	740	—	—	740	695	—	—	695
Free cash flow	\$ 116	\$ 323	\$ —	\$ 439	\$ 519	\$ 54	\$ —	\$ 573

(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.

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
	2024 (12 weeks)	2023 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)	2023 (16 weeks)	2022 (16 weeks)
(millions of Canadian dollars except where otherwise indicated)								
Net earnings attributable to shareholders of the Company	\$ 460	\$ 511	\$ 462	\$ 421	\$ 544	\$ 532	\$ 624	\$ 559
Add (deduct) impact of the following:								
Non-controlling interests	38	30	27	16	16	(14)	25	16
Net interest expense and other financing charges	190	193	194	181	195	172	234	217
Income taxes	180	193	178	151	188	181	182	199
Operating income	\$ 868	\$ 927	\$ 861	\$ 769	\$ 943	\$ 871	\$ 1,065	\$ 991
Add (deduct) impact of the following:								
Charges related to settlement of class action lawsuits	\$ 164	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	115	116	114	114	115	115	154	151
Fair value adjustment on fuel and foreign currency contracts	2	5	(7)	3	14	11	(6)	(6)
Charges (recoveries) related to PC Bank commodity tax matters	—	37	—	—	(13)	—	—	—
(Gain) Loss on sale of non-operating properties	—	—	—	1	—	(50)	(13)	(3)
Fair value adjustment on non-operating properties	—	—	—	—	9	(6)	—	—
Adjusting items	\$ 281	\$ 158	\$ 107	\$ 118	\$ 125	\$ 70	\$ 135	\$ 142
Adjusted operating income	\$ 1,149	\$ 1,085	\$ 968	\$ 887	\$ 1,068	\$ 941	\$ 1,200	\$ 1,133
Depreciation and amortization	679	671	690	675	680	667	880	864
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(115)	(116)	(114)	(114)	(115)	(115)	(154)	(151)
Adjusted EBITDA <sup>(i)</sup>	\$ 1,713	\$ 1,640	\$ 1,544	\$ 1,448	\$ 1,633	\$ 1,493	\$ 1,926	\$ 1,846

(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.

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
	2024 (12 weeks)	2023 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)	2023 (16 weeks)	2022 (16 weeks)
(millions of Canadian dollars except where otherwise indicated)								
<b>As reported</b>	<b>\$ 457</b>	<b>\$ 508</b>	<b>\$ 459</b>	<b>\$ 418</b>	<b>\$ 541</b>	<b>\$ 529</b>	<b>\$ 621</b>	<b>\$ 556</b>
Add (deduct) impact of the following <sup>(i)</sup> :								
Charges related to settlement of class action lawsuits	\$ 121	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	84	85	84	84	85	83	113	112
Fair value adjustment on fuel and foreign currency contracts	2	4	(6)	2	10	8	(4)	(4)
Charges (recoveries) related to PC Bank commodity tax matters	—	29	—	—	(12)	—	—	—
(Gain) Loss on sale of non-operating properties	—	—	—	1	—	(41)	(11)	(1)
Fair value adjustment on non-operating properties	—	—	—	—	6	(4)	—	—
Adjusting items	<b>\$ 207</b>	<b>\$ 118</b>	<b>\$ 78</b>	<b>\$ 87</b>	<b>\$ 89</b>	<b>\$ 46</b>	<b>\$ 98</b>	<b>\$ 107</b>
<b>Adjusted<sup>(i)</sup></b>	<b>\$ 664</b>	<b>\$ 626</b>	<b>\$ 537</b>	<b>\$ 505</b>	<b>\$ 630</b>	<b>\$ 575</b>	<b>\$ 719</b>	<b>\$ 663</b>

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

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
	2024 (12 weeks)	2023 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)	2023 (16 weeks)	2022 (16 weeks)
(millions of Canadian dollars except where otherwise indicated)								
<b>As reported</b>	<b>\$ 1.48</b>	<b>\$ 1.58</b>	<b>\$ 1.47</b>	<b>\$ 1.29</b>	<b>\$ 1.72</b>	<b>\$ 1.62</b>	<b>\$ 1.95</b>	<b>\$ 1.69</b>
Add (deduct) impact of the following <sup>(i)</sup> :								
Charges related to settlement of class action lawsuits	\$ 0.39	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	0.27	0.26	0.27	0.26	0.27	0.25	0.35	0.34
Fair value adjustment on fuel and foreign currency contracts	0.01	0.01	(0.02)	—	0.03	0.03	(0.01)	(0.02)
Charges (recoveries) related to PC Bank commodity tax matters	—	0.09	—	—	(0.04)	—	—	—
(Gain) Loss on sale of non-operating properties	—	—	—	—	—	(0.13)	(0.03)	—
Fair value adjustment on non-operating properties	—	—	—	—	0.02	(0.01)	—	—
Adjusting items	<b>\$ 0.67</b>	<b>\$ 0.36</b>	<b>\$ 0.25</b>	<b>\$ 0.26</b>	<b>\$ 0.28</b>	<b>\$ 0.14</b>	<b>\$ 0.31</b>	<b>\$ 0.32</b>
<b>Adjusted<sup>(i)</sup></b>	<b>\$ 2.15</b>	<b>\$ 1.94</b>	<b>\$ 1.72</b>	<b>\$ 1.55</b>	<b>\$ 2.00</b>	<b>\$ 1.76</b>	<b>\$ 2.26</b>	<b>\$ 2.01</b>
Diluted weighted average common shares outstanding (millions)	<b>308.8</b>	<b>322.5</b>	311.9	324.8	314.9	327.4	318.4	329.6

(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](http://www.sedarplus.ca) and with OSFI as the primary regulator for the Company's subsidiary, PC Bank.

July 24, 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".