

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 2025 unaudited interim period condensed consolidated financial statements and the accompanying notes ("interim financial statements") included within the Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 28, 2024 and the related MD&A included in the Company's 2024 Annual Report.

The Company's second quarter 2025 interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IFRS Accounting Standards" or "GAAP"). These interim financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except when otherwise noted.

Management uses non-GAAP and other financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. The Company adjusts for these items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring. See Section 12 "Non-GAAP and Other Financial Measures" for more information on the Company's non-GAAP and other financial measures.

A glossary of terms used throughout this Quarterly Report can be found at the back of the Company's 2024 Annual Report.

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

The information in this MD&A is current to July 23, 2025, unless otherwise noted.

1. Forward-Looking Statements

The Quarterly Report, including the MD&A, contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Quarterly Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of information technology ("IT") systems implementations. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, Section 5 "Liquidity and Capital Resources", Section 11 "Outlook" and Section 12 "Non-GAAP and Other Financial Measures". Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

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

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

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

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

2. Key Financial Performance Indicators⁽¹⁾

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

As at or for the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)	2024 (12 weeks)
Consolidated:		
Revenue growth	5.2 %	1.5 %
Operating income	\$ 1,239	\$ 868
Adjusted EBITDA ⁽²⁾	1,840	1,713
Adjusted EBITDA margin ⁽²⁾	12.5 %	12.3 %
Net earnings	\$ 757	\$ 498
Net earnings attributable to shareholders of the Company	714	460
Net earnings available to common shareholders of the Company ⁽ⁱ⁾	714	457
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	721	664
Diluted net earnings per common share (\$)	\$ 2.37	\$ 1.48
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 2.40	\$ 2.15
Cash and cash equivalents and short term investments	\$ 1,900	\$ 1,694
Cash flows from operating activities	1,363	1,401
Capital investments ⁽ⁱⁱ⁾	409	495
Total number of stores ⁽ⁱⁱⁱ⁾	2,459	2,457
Free cash flow ⁽²⁾	468	437
Financial Measures:		
Retail debt to rolling year retail adjusted EBITDA ⁽²⁾	2.4 x	2.3 x
Rolling year adjusted return on equity ⁽²⁾	24.7 %	23.1 %
Rolling year adjusted return on capital ⁽²⁾	11.9 %	11.6 %
Retail Segment:		
Food retail same-store sales growth	3.5 %	0.2 %
Drug retail same-store sales growth	4.1 %	1.5 %
Operating income	\$ 1,170	\$ 815
Gross profit ⁽²⁾	4,608	4,370
Gross profit % ⁽²⁾	32.0 %	32.0 %
Adjusted EBITDA ⁽²⁾	\$ 1,759	\$ 1,649
Adjusted EBITDA margin ⁽²⁾	12.2 %	12.1 %
Financial Services Segment:		
Earnings before income taxes	\$ 30	\$ 16
Annualized yield on average quarterly gross credit card receivables	14.4 %	14.5 %
Annualized credit loss rate on average quarterly gross credit card receivables	4.4 %	4.8 %

(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 that were redeemed on January 8, 2025.

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

(iii) The change in the total number of stores includes the sale of 48 stores in the first quarter of 2025, including 42 locations related to the sale of *Wellwise*. See the "Capital Investments and Store Activity" within Section 5.1 "Cash Flows" for details.

3. Consolidated Results of Operations

For the periods ended June 14, 2025 and June 15, 2024

(millions of Canadian dollars except where otherwise indicated)

	2025				2024			
	(12 weeks)	(12 weeks)	\$ Change	% Change	(24 weeks)	(24 weeks)	\$ Change	% Change
Revenue	\$14,672	\$13,947	\$ 725	5.2 %	\$28,807	\$27,528	\$ 1,279	4.6 %
Operating income	1,239	868	371	42.7 %	2,145	1,729	416	24.1 %
Adjusted EBITDA ⁽²⁾	1,840	1,713	127	7.4 %	3,431	3,257	174	5.3 %
Adjusted EBITDA margin ⁽²⁾	12.5 %	12.3 %			11.9 %	11.8 %		
Depreciation and amortization	\$ 600	\$ 679	\$ (79)	(11.6)%	\$ 1,305	\$ 1,369	\$ (64)	(4.7)%
Net interest expense and other financing charges	212	190	22	11.6 %	410	384	26	6.8 %
Income taxes	270	180	90	50.0 %	456	358	98	27.4 %
Adjusted income taxes ⁽²⁾	273	254	19	7.5 %	488	461	27	5.9 %
Effective tax rate	26.3 %	26.5 %			26.3 %	26.6 %		
Adjusted effective tax rate ⁽²⁾	26.3 %	26.5 %			26.5 %	26.6 %		
Net earnings attributable to non-controlling interests	\$ 43	\$ 38	\$ 5	13.2 %	\$ 62	\$ 65	\$ (3)	(4.6)%
Net earnings attributable to shareholders of the Company	\$ 714	\$ 460	\$ 254	55.2 %	\$ 1,217	\$ 922	\$ 295	32.0 %
Net earnings available to common shareholders of the Company⁽ⁱ⁾	714	457	257	56.2 %	1,217	916	301	32.9 %
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	721	664	57	8.6 %	1,291	1,201	90	7.5 %
Diluted net earnings per common share (\$)	\$ 2.37	\$ 1.48	\$ 0.89	60.1 %	\$ 4.03	\$ 2.95	\$ 1.08	36.6 %
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 2.40	\$ 2.15	\$ 0.25	11.6 %	\$ 4.28	\$ 3.87	\$ 0.41	10.6 %
Diluted weighted average common shares outstanding (in millions)	300.9	308.8			301.8	310.6		

(i) Net earnings available to common shareholders of the Company are net earnings attributable to shareholders of the Company, net of dividends declared on the Company's Second Preferred Shares, Series B that were redeemed on January 8, 2025.

Loblaw delivered strong performance this quarter by continuing to provide Canadians with quality, value, service, and convenience across its nationwide network of stores and digital platforms. Strong sales growth was driven by new store openings and improved same-store sales, with everyday value offerings, personalized PC Optimum™ loyalty rewards, and impactful promotions driving higher customer engagement. In the Food Retail business, consumers continued to focus on value, which resulted in outperformance by Hard Discount and Real Canadian Superstores banners. Same-store traffic, basket size, and item count all increased compared to the same quarter last year. Food Retail tonnage volume also increased, reflecting solid market share gains within both discount and conventional segments. In Drug Retail, robust pharmacy and healthcare services drove continued strength, led by specialty drug growth. Front store sales momentum continued, particularly in prestige beauty categories, partially offset by the strategic exit from certain electronics items. Loblaw advanced its full-year plan to open approximately 80 new stores and 100 new pharmacy clinics, providing access to affordable, quality groceries and healthcare to more communities across Canada. This included opening 10 stores and 12 pharmacy clinics in the quarter, bringing the year-to-date total to 20 new stores and 23 new pharmacy clinics. In addition, the Company continued to successfully execute the ramp-up of its East Gwillimbury distribution centre.

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 2025 were \$714 million (\$2.37 per common share). When compared to the second quarter of 2024, this was an increase of \$257 million (\$0.89 per common share) or 56.2%. The increase included a favourable change in adjusting items totaling \$200 million and an improvement in the underlying operating performance of \$57 million as described below:

- the favourable change in adjusting items totaling \$200 million (\$0.64 per common share) was primarily due to the following:
 - the favourable impact of the prior year charges related to the settlement of class action lawsuits of \$121 million (\$0.39 per common share); and
 - the year-over-year favourable change in amortization of intangible assets of \$78 million (\$0.25 per common share) primarily related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart Corporation (“Shoppers Drug Mart”) which are now fully amortized.
- the improvement in underlying operating performance of \$57 million (\$0.19 per common share) was primarily due to the following:
 - an improvement in the underlying operating performance in the Retail segment driven by an increase in gross profit⁽²⁾, partially offset by an increase in selling, general and administrative expenses (“SG&A”) and depreciation and amortization.
- diluted net earnings per common share also included the favourable impact from the repurchase of common shares over the last 12 months (\$0.06 per common share).

Adjusted net earnings available to common shareholders of the Company⁽²⁾ were \$721 million, an increase of \$57 million or 8.6% compared to the second quarter of 2024. Adjusted net earnings per common share⁽²⁾ were \$2.40, an increase of \$0.25 or 11.6%. 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 \$1,217 million (\$4.03 per common share), an increase of \$301 million (\$1.08 per common share) or 32.9% compared to the same period in 2024. The increase included a favourable change in adjusting items totaling \$211 million and an improvement in the underlying operating performance of \$90 million as described below:

- the favourable change in adjusting items totaling \$211 million (\$0.67 per common share) was primarily due to the following:
 - the favourable impact of the prior year charges related to the settlement of class action lawsuits of \$121 million (\$0.39 per common share);
 - the year-over-year favourable change in amortization of intangible assets of \$76 million (\$0.24 per common share) primarily related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized;
 - the favourable impact of the gain on sale of non-operating properties of \$14 million (\$0.04 per common share); and
 - the favourable impact of the gain related to the sale of Wellwise by Shoppers™ (“Wellwise”) of \$5 million (\$0.02 per common share);
- partially offset by,
 - the year-over-year unfavourable change of fair value adjustments on fuel and foreign currency contracts of \$5 million (\$0.02 per common share).
- the improvement in the underlying operating performance of \$90 million (\$0.29 per common share) was primarily due to the following:
 - an improvement in the underlying operating performance in the Retail segment driven by an increase in gross profit⁽²⁾, partially offset by an increase in SG&A and depreciation and amortization.
- diluted net earnings per common share also included the favourable impact from the repurchase of common shares over the last 12 months (\$0.12 per common share).

Year-to-date adjusted net earnings available to common shareholders of the Company⁽²⁾ were \$1,291 million, an increase of \$90 million or 7.5% compared to the same period in 2024. Adjusted net earnings per common share⁽²⁾ were \$4.28 per common share, an increase of \$0.41 or 10.6%. The increase includes the favourable impact from the repurchase of common shares.

Revenue

For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars except where otherwise indicated)	2025				2024			
	(12 weeks)	(12 weeks)	\$ Change	% Change	(24 weeks)	(24 weeks)	\$ Change	% Change
Retail	\$ 14,389	\$ 13,658	\$ 731	5.4 %	\$ 28,226	\$ 26,948	\$ 1,278	4.7 %
Financial Services	377	367	10	2.7 %	750	728	22	3.0 %
Eliminations	(94)	(78)	(16)	(20.5)%	(169)	(148)	(21)	(14.2)%
Revenue	\$ 14,672	\$ 13,947	\$ 725	5.2 %	\$ 28,807	\$ 27,528	\$ 1,279	4.6 %

Revenue was \$14,672 million in the second quarter of 2025. When compared to the second quarter of 2024, this was an increase of \$725 million, or 5.2%. The increase was primarily driven by an increase in Retail segment sales of \$731 million due to positive same-store sales growth. In addition, the sale of Wellwise by Shoppers™ (“Wellwise”) was completed in the first quarter of 2025. Revenue related to Wellwise in the second quarter of 2025 was nil (2024 – \$21 million). Excluding the impact of revenue related to Wellwise, revenue increased by 5.4%. There was also an increase in Financial Services segment sales of \$10 million.

Year-to-date revenue was \$28,807 million, an increase of \$1,279 million, or 4.6%, compared to the same period in 2024. The increase was primarily driven by an increase in Retail segment sales of \$1,278 million, due to positive same-store sales growth. There was also an increase in Financial Services segment sales of \$22 million.

Operating Income Operating income was \$1,239 million in the second quarter of 2025. When compared to the second quarter of 2024, this was an increase of \$371 million, or 42.7%. The increase was driven by a favourable change in adjusting items totaling \$271 million and an improvement in underlying operating performance of \$100 million as described below:

- the favourable change in adjusting items totaling \$271 million was primarily due to the following:
 - the favourable impact of the prior year charges related to the settlement of class action lawsuits of \$164 million; and
 - the year-over-year favourable change in amortization of intangible assets of \$106 million primarily related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized.
- the improvement in underlying operating performance of \$100 million was primarily due to the following:
 - an improvement in the Retail Segment due to an increase in gross profit⁽²⁾, partially offset by an increase in SG&A and depreciation and amortization; and
 - an improvement in the underlying operating performance in the Financial Services segment.

Year-to-date operating income was \$2,145 million, an increase of \$416 million, or 24.1%, compared to the same period in 2024. The increase in operating income was driven by a favourable change in adjusting items totaling \$282 million and an improvement in the underlying operating performance of \$134 million, as described below:

- the favourable change in adjusting items totaling \$282 million was primarily due to the following:
 - the favourable impact of the prior year charges related to the settlement of class action lawsuits of \$164 million;
 - the year-over-year favourable change in amortization of intangible assets of \$104 million primarily related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized;
 - the favourable impact of the gain on sale of non-operating properties of \$15 million; and
 - the favourable impact of the gain related to the sale of *Wellwise* of \$5 million;
 partially offset by,
 - the year-over-year unfavourable change of fair value adjustments on fuel and foreign currency contracts of \$6 million.
- the improvement in the underlying operating performance of \$134 million was primarily due to the following:
 - an improvement in the underlying operating performance of the Retail segment due to an increase in gross profit⁽²⁾, partially offset by an increase in SG&A and depreciation and amortization.

Adjusted EBITDA⁽²⁾

For the periods ended June 14, 2025 and June 15, 2024
(millions of Canadian dollars except where otherwise indicated)

	2025				2024			
	(12 weeks)	(12 weeks)	\$ Change	% Change	(24 weeks)	(24 weeks)	\$ Change	% Change
Retail	\$ 1,759	\$ 1,649	\$ 110	6.7 %	\$ 3,270	\$ 3,101	\$ 169	5.4 %
Financial Services	81	64	17	26.6 %	161	156	5	3.2 %
Adjusted EBITDA ⁽²⁾	\$ 1,840	\$ 1,713	\$ 127	7.4 %	\$ 3,431	\$ 3,257	\$ 174	5.3 %

Adjusted EBITDA⁽²⁾ was \$1,840 million in the second quarter of 2025. When compared to the second quarter of 2024, this was an increase of \$127 million or 7.4%, driven by an increase in the Retail segment of \$110 million and an increase in the Financial Services segment of \$17 million.

Year-to-date adjusted EBITDA⁽²⁾ was \$3,431 million, an increase of \$174 million, or 5.3% compared to the same period in 2024, driven by an increase in the Retail segment of \$169 million, and an increase in the Financial Services segment of \$5 million.

Depreciation and Amortization Depreciation and amortization was \$600 million in the second quarter of 2025, a decrease of \$79 million or 11.6% compared to the second quarter of 2024, driven by a decrease in the Retail segment of \$80 million. Year-to-date depreciation and amortization was \$1,305 million, a decrease of \$64 million or 4.7% compared to the same period in 2024, primarily driven by a decrease in the Retail segment of \$66 million.

Depreciation and amortization in the second quarter of 2025 and year-to-date included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark Health Group (“Lifemark”) of \$9 million (2024 – \$115 million) and \$125 million (2024 – \$229 million), respectively.

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were \$212 million, an increase of \$22 million or 11.6% compared to the second quarter of 2024. The increase was primarily driven by an increase in interest expense from lease liabilities, lower interest income on certain short term investments, and lower capitalization of interest expense related to the Company’s automated distribution facility. Year-to-date net interest expense and other financing charges were \$410 million, an increase of \$26 million or 6.8% compared to the same period in 2024. The year-to-date increase was primarily driven by an increase in interest expense from lease liabilities and long term debt, partially offset by the capitalization of interest expense related to the Company’s automated distribution facility.

Income Taxes Income tax expense in the second quarter of 2025 was \$270 million (2024 – \$180 million) and the effective tax rate was 26.3% (2024 – 26.5%). The decrease 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 2025. Year-to-date income tax expense was \$456 million (2024 – \$358 million) and the effective tax rate was 26.3% (2024 – 26.6%). The decrease to the year-to-date effective tax rate was primarily attributable to the non-taxable portion of the gain from real estate dispositions during 2025.

Adjusted income tax expense⁽²⁾ in the second quarter of 2025 was \$273 million (2024 – \$254 million) and the adjusted effective tax rate⁽²⁾ was 26.3% (2024 – 26.5%). The decrease in the adjusted effective tax rate⁽²⁾ was primarily attributed to the non-taxable portion of the gain from real estate dispositions during the second quarter of 2025. Year-to-date adjusted income tax expense⁽²⁾ was \$488 million (2024 – \$461 million) and the adjusted effective tax rate⁽²⁾ was 26.5% (2024 – 26.6%). The decrease to the year-to-date adjusted effective tax rate⁽²⁾ was primarily attributable to the non-taxable portion of the gain from real estate dispositions during 2025.

Net Earnings Attributable To Non-Controlling Interests Net earnings attributable to non-controlling interests were \$43 million, an increase of \$5 million or 13.2% compared to the second quarter of 2024, primarily driven by an increase in franchisee earnings after profit sharing. Year-to-date net earnings attributable to non-controlling interests were \$62 million, a decrease of \$3 million or 4.6% compared to the same period in 2024, primarily driven by a decline in franchisee earnings after profit sharing. Non-controlling interests represent the share of earnings that relates to the Company’s Food Retail franchisees and is impacted by the timing of when profit sharing with franchisees is agreed and finalized under the terms of the agreements.

4. Reportable Operating Segments Results of Operations

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

- the Retail segment consists primarily of corporate and franchise-owned retail food and Associate-owned drug stores, and includes in-store pharmacies, healthcare 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

	2025		2024		2025		2024	
	(12 weeks)	(12 weeks)	\$ Change	% Change	(24 weeks)	(24 weeks)	\$ Change	% Change
Sales	\$14,389	\$13,658	\$ 731	5.4 %	\$28,226	\$26,948	\$ 1,278	4.7 %
Operating income	1,170	815	355	43.6 %	2,010	1,597	413	25.9 %
Gross profit ⁽²⁾	4,608	4,370	238	5.4 %	8,968	8,574	394	4.6 %
Gross profit % ⁽²⁾	32.0 %	32.0 %			31.8 %	31.8 %		
Adjusted EBITDA ⁽²⁾	\$ 1,759	\$ 1,649	\$ 110	6.7 %	\$3,270	\$ 3,101	\$ 169	5.4 %
Adjusted EBITDA margin ⁽²⁾	12.2 %	12.1 %			11.6 %	11.5 %		
Depreciation and amortization	\$ 588	\$ 668	\$ (80)	(12.0)%	\$1,279	\$ 1,345	\$ (66)	(4.9)%

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

	2025		2024		2025		2024	
	(12 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(24 weeks)	(24 weeks)	(24 weeks)	(24 weeks)
	Same-Sales	Same-store sales	Same-Sales	Same-store sales	Same-Sales	Same-store sales	Same-Sales	Same-store sales
Food retail	\$ 10,213	3.5 %	\$ 9,653	0.2 %	\$20,000	2.9 %	\$19,062	1.8 %
Drug retail	4,176	4.1 %	4,005	1.5 %	8,226	3.9 %	7,886	2.8 %
Pharmacy and healthcare services	2,255	6.2 %	2,110	5.4 %	4,456	6.3 %	4,169	6.4 %
Front store	1,921	1.7 %	1,895	(2.4)%	3,770	1.3 %	3,717	(0.9)%

Sales Retail segment sales were \$14,389 million in the second quarter of 2025, an increase of \$731 million, or 5.4% compared to the second quarter of 2024, primarily driven by the following factors:

- Food retail same-store sales growth was 3.5% (2024 – 0.2%) for the quarter.
 - Sales growth in food was strong;
 - Sales growth in pharmacy was moderate;
 - The Company’s internal food inflation was lower than the Consumer Price Index for Food Purchased From Stores of 3.3% (2024 – 1.7%); and
 - Food Retail traffic increased and basket size increased.
- Drug retail same-store sales growth was 4.1% (2024 – 1.5%) for the quarter.
 - Pharmacy and healthcare services same-store sales growth was 6.2% (2024 – 5.4%), led by specialty prescriptions. The number of prescriptions increased by 3.2% (2024 – 2.1%). On a same-store basis, the number of prescriptions increased by 3.1% (2024 – 2.1%) and the average prescription value increased by 3.9% (2024 – 1.9%); and
 - Front store same-store sales growth was 1.7% (2024 – decline of 2.4%). Front store same-store sales growth was primarily driven by higher sales of beauty and over-the-counter (“OTC”) products, partially offset by the decision to exit certain low margin electronics categories.

In the second quarter of 2025, 10 food and drug stores were opened and 1 food and drug store was closed. Retail square footage was 72.5 million square feet, a net increase of 1.2 million square feet, or 1.7% compared to the second quarter of 2024.

On a year-to-date basis, Retail segment sales were \$28,226 million, an increase of \$1,278 million, or 4.7% when compared to the same period in 2024. Food retail sales of \$20,000 million increased by \$938 million, or 4.9%. Food retail same-store sales grew by 2.9% (2024 – 1.8%). Drug retail sales of \$8,226 million increased by \$340 million, or 4.3%. Drug retail same-store sales growth was 3.9% (2024 – 2.8%), with pharmacy and healthcare services same-store sales growth of 6.3% (2024 – 6.4%), and front store sales growth of 1.3% (2024 – decline of 0.9%).

Operating Income Operating income was \$1,170 million in the second quarter of 2025, an increase of \$355 million, or 43.6% compared to the second quarter of 2024. The increase was driven by a favourable change in adjusting items totaling \$271 million and an improvement in the underlying operating performance of \$84 million as described below:

- the favourable change in adjusting items totaling \$271 million was primarily due to the following:
 - the favourable impact of the prior year charges related to the settlement of class action lawsuits of \$164 million; and
 - the year-over-year favourable change in amortization of intangible assets of \$106 million primarily related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized.
- the improvement in underlying operating performance of \$84 million was due to an increase in gross profit⁽²⁾, partially offset by an increase in SG&A and depreciation and amortization.

Year-to-date operating income was \$2,010 million, an increase of \$413 million, or 25.9% compared to the same period in 2024. The increase was driven by a favourable change in adjusting items totaling \$282 million and an improvement in underlying operating performance of \$131 million as described below:

- the favourable change in adjusting items totaling \$282 million was primarily due to the following:
 - the favourable impact of prior year charges related to the settlement of class action lawsuits of \$164 million;
 - the year-over-year favourable change in amortization of intangible assets of \$104 million primarily related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized;
 - the favourable the gain on sale of non-operating properties of \$15 million; and
 - the favourable impact of the gain related to the sale of *Wellwise* of \$5 million;partially offset by,
 - the year-over-year unfavourable change in fair value adjustments on fuel and foreign currency contracts of \$6 million.
- the improvement in underlying operating performance of \$131 million was due to an increase in gross profit⁽²⁾, partially offset by an increase in SG&A and depreciation and amortization.

Gross Profit⁽²⁾ Gross profit⁽²⁾ in the second quarter of 2025 was \$4,608 million, an increase of \$238 million, or 5.4% compared to the second quarter of 2024. The gross profit percentage⁽²⁾ of 32.0% was stable, primarily driven by improvements in shrink, offset by changes in sales mix in Drug Retail pharmacy categories.

Year-to-date gross profit⁽²⁾ was \$8,968 million in 2025, an increase of \$394 million, or 4.6% compared to the same period in 2024. Gross profit percentage⁽²⁾ of 31.8% was stable when compared to the same period in 2024, primarily driven by improvements in shrink, offset by changes in sales mix in Drug Retail pharmacy categories.

Adjusted EBITDA⁽²⁾ Adjusted EBITDA⁽²⁾ was \$1,759 million in the second quarter of 2025, an increase of \$110 million, or 6.7% compared to the second quarter of 2024. The increase was driven by an increase in gross profit⁽²⁾ of \$238 million, partially offset by an increase in SG&A of \$128 million. SG&A as a percentage of sales was 19.8%, a favourable decrease of 10 basis points, primarily due to operating leverage from higher sales and the year-over-year impact of certain real estate activities, partially offset by incremental costs related to opening new stores and the automated distribution facility.

Year-to-date adjusted EBITDA⁽²⁾ was \$3,270 million in 2025, an increase of \$169 million, or 5.4% compared to the same period in 2024. The increase was driven by an increase in gross profit of \$394 million, partially offset by an increase in SG&A of \$225 million. SG&A as a percentage of sales was 20.2%, a favourable decrease of 10 basis points when compared to the same period in 2024, primarily due to operating leverage from higher sales and the year-over-year impact of certain real estate activities, partially offset by incremental costs related to opening new stores and the automated distribution facility.

Depreciation and Amortization Depreciation and amortization was \$588 million in the second quarter of 2025, a decrease of \$80 million or 12.0% when compared to the second quarter of 2024. The decrease in depreciation and amortization in the second quarter of 2025 was primarily driven by the impact of lower amortization related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized, partially offset by an increase in depreciation of fixed assets related to conversions of retail locations and opening new stores, and an increase in depreciation of leased assets.

Year-to-date depreciation and amortization was \$1,279 million, a decrease of \$66 million compared to the same period in 2024. The year-to-date decrease was primarily driven by the impact of lower amortization related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized, the impact of prior year accelerated depreciation as a result of network optimization, and a decrease in depreciation of IT assets. This was partially offset by an increase in depreciation of fixed assets related to conversions of retail locations and opening new stores, and an increase in depreciation of leased assets.

Depreciation and amortization in the second quarter of 2025 and year-to-date included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of \$9 million (2024 – \$115 million) and \$125 million (2024 – \$229 million), respectively.

4.2 Financial Services Segment

For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars except where otherwise indicated)	2025		2024		2025		2024	
	(12 weeks)	(12 weeks)	\$ Change	% Change	(24 weeks)	(24 weeks)	\$ Change	% Change
Revenue	\$ 377	\$ 367	\$ 10	2.7 %	\$ 750	\$ 728	\$ 22	3.0 %
Earnings before income taxes	30	16	14	87.5 %	60	60	—	— %

(millions of Canadian dollars except where otherwise indicated)	As at June 14, 2025	As at June 15, 2024	\$ Change	% Change
Average quarterly net credit card receivables	\$ 4,001	\$ 3,977	\$ 24	0.6 %
Credit card receivables	3,975	3,954	21	0.5 %
Allowance for credit card receivables	273	266	7	2.6 %
Annualized yield on average quarterly gross credit card receivables	14.4 %	14.5 %		
Annualized credit loss rate on average quarterly gross credit card receivables	4.4 %	4.8 %		

Revenue Revenue was \$377 million, an increase of \$10 million compared to the second quarter of 2024. The increase in revenue was primarily driven by:

- higher sales attributable to The Mobile Shop™; and
 - higher insurance commission income;
- partially offset by,
- lower interest income.

Year-to-date revenue was \$750 million, an increase of \$22 million compared to the same period in 2024. The increase in the year-to-date revenue was primarily driven by:

- higher sales attributable to *The Mobile Shop*;
 - higher insurance commission income; and
 - higher interchange income;
- partially offset by,
- lower interest income.

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

- higher revenue described above;
 - lower operating costs; and
 - lower credit card receivable charge-offs;
- partially offset by,
- higher loyalty program costs.

Year-to-date earnings before income taxes were \$60 million in 2025, which remained flat when compared to the same period in 2024, primarily driven by:

- higher revenue described above; and
 - lower credit card receivable charge-offs;
- partially offset by,
- higher operating costs from lapping of prior year ongoing benefits associated with the renewal of a long-term agreement with Mastercard International Incorporated; and
 - higher loyalty program costs.

Credit Card Receivables As at June 14, 2025, credit card receivables were \$3,975 million, an increase of \$21 million compared to June 15, 2024. The increase was primarily driven by an increase in customer spending partially offset by higher payments received from cardholders. The expected credit loss allowance for credit card receivables was \$273 million, an increase of \$7 million compared to June 15, 2024.

5. Liquidity and Capital Resources

5.1 Cash Flows

Major Cash Flow Components

For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars except where otherwise indicated)	2025	2024			2025	2024		
	(12 weeks)	(12 weeks)	\$ Change	% Change	(24 weeks)	(24 weeks)	\$ Change	% Change
Cash and cash equivalents, beginning of period	\$ 938	\$ 1,288	\$ (350)	(27.2)%	\$ 1,462	\$ 1,488	\$ (26)	(1.7)%
Cash flows from (used in):								
Operating activities	\$ 1,363	\$ 1,401	\$ (38)	(2.7)%	\$ 2,316	\$ 2,257	\$ 59	2.6 %
Investing activities	(440)	(769)	329	42.8 %	(985)	(965)	(20)	(2.1)%
Financing activities	(907)	(639)	(268)	(41.9)%	(1,838)	(1,502)	(336)	(22.4)%
Effect of foreign currency exchange rate changes on cash and cash equivalents	(4)	1	(5)	(500.0)%	(5)	4	(9)	(225.0)%
Increase (decrease) in cash and cash equivalents	\$ 12	\$ (6)	\$ 18	300.0 %	\$ (512)	\$ (206)	\$ (306)	(148.5)%
Cash and cash equivalents, end of period	\$ 950	\$ 1,282	\$ (332)	(25.9)%	\$ 950	\$ 1,282	\$ (332)	(25.9)%

Cash Flows from Operating Activities Cash flows from operating activities in the second quarter of 2025 were \$1,363 million, a decrease of \$38 million when compared to the second quarter of 2024. The decrease was primarily driven by an unfavourable year-over-year change in non-cash working capital, year-over-year change in provisions, and credit card receivables increasing year-over-year at a rate higher than the prior year, partially offset by higher cash earnings. Year-to-date cash flows from operating activities were \$2,316 million, an increase of \$59 million compared to the same period in 2024. The increase was primarily driven by higher cash earnings, lower income taxes paid in the current year and higher payments received from cardholders, partially offset by an unfavourable year-over-year change in non-cash working capital and payments related to provisions.

Cash Flows used in Investing Activities Cash flows used in investing activities in the second quarter of 2025 were \$440 million, a decrease of \$329 million when compared to the second quarter of 2024. The decrease in cash flows used in investing activities was primarily driven by higher proceeds from the disposal of assets, higher disposals of short term investments and lower capital investments in the current year, partially offset by an increase in security deposits.

Year-to-date cash flows used in investing activities were \$985 million, an increase of \$20 million compared to the same period in 2024. The increase in cash flows used in investing activities was primarily driven by higher purchases of short term investments and an increase in security deposits, partially offset by a decrease in investments in fixed assets and an increase in proceeds from disposals of assets.

Capital Investments and Store Activity

	As at June 14, 2025	As at June 15, 2024	Change ⁽ⁱ⁾	As at December 28, 2024	Change ⁽ⁱ⁾
Number of corporate stores	559	578	(19)	603	(44)
Number of franchise stores	539	528	11	528	11
Number of Associate-owned drug stores	1,361	1,351	10	1,361	—
Total number of stores	2,459	2,457	2	2,492	(33)

	As at June 14, 2025	As at June 15, 2024	% Change	As at December 28, 2024	% Change
Corporate square footage (in millions)	36.1	35.3	2.3 %	35.9	0.6 %
Franchise square footage (in millions)	17.0	16.8	1.2 %	16.8	1.2 %
Associate-owned drug store square footage (in millions)	19.4	19.2	1.0 %	19.3	0.5 %
Total retail square footage (in millions)	72.5	71.3	1.7 %	72.0	0.7 %
Average store size (square feet)					
Corporate	64,600	61,100	5.7 %	59,500	8.6 %
Franchise	31,500	31,800	(0.9)%	31,800	(0.9)%
Associate-owned drug store	14,300	14,200	0.7 %	14,200	0.7 %

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

Capital Investments Capital investments in the second quarter of 2025 were \$409 million, a decrease of \$86 million or 17.4%, compared to the second quarter of 2024. Year-to-date capital investments were \$655 million, a decrease of \$227 million or 25.7%, compared to the same period in 2024.

Cash Flows used in Financing Activities Cash flows used in financing activities in the second quarter of 2025 were \$907 million, an increase of \$268 million when compared to the second quarter of 2024. The increase was primarily driven by lower net issuance of long term debt and short-term debt in the current year, and lower issuance of common shares, partially offset by an increase in demand deposits from customers and lower repurchases of common shares in the current year.

Year-to-date cash flows used in financing activities were \$1,838 million, an increase of \$336 million when compared to the same period in 2024. The increase was primarily driven by, the redemption of all issued and outstanding Preferred Shares, Series B on January 8, 2025, lower net issuance of long term debt in the current year, higher dividends paid due to timing of the fourth quarter 2024 dividend payment and higher repayments of short-term debt, partially offset by an increase in demand deposits from customers and lower repurchases of common shares in the current year.

Free Cash Flow⁽²⁾

For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars)	2025 (12 weeks)				2024 (12 weeks)			
	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total
Cash flows from (used in) operating activities	\$ 1,505	\$ (166)	\$ 24	\$ 1,363	\$ 1,410	\$ (32)	\$ 23	\$ 1,401
Less:								
Capital investments ⁽ⁱⁱ⁾	403	6	—	409	489	6	—	495
Interest paid	71	—	24	95	73	—	23	96
Lease payments, net	391	—	—	391	373	—	—	373
Free cash flow ⁽²⁾	\$ 640	\$ (172)	\$ —	\$ 468	\$ 475	\$ (38)	\$ —	\$ 437

For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars)	2025 (24 weeks)				2024 (24 weeks)			
	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total
Cash flow from operating activities	\$ 1,949	\$ 323	\$ 44	\$ 2,316	\$ 1,872	\$ 339	\$ 46	\$ 2,257
Less:								
Capital investments ⁽ⁱⁱ⁾	639	16	—	655	866	16	—	882
Interest paid	158	—	44	202	150	—	46	196
Lease payments, net	776	—	—	776	740	—	—	740
Free cash flow ⁽²⁾	\$ 376	\$ 307	\$ —	\$ 683	\$ 116	\$ 323	\$ —	\$ 439

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

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

Free cash flow⁽²⁾ from the Retail segment in the second quarter of 2025 was \$640 million, an increase of \$165 million when compared to the second quarter of 2024. The increase was primarily due to higher cash earnings and lower capital investments in the current year, partially offset by an unfavourable year-over-year change in non-cash working capital and year-over-year change in provisions. Year-to-date Free cash flow⁽²⁾ from the Retail segment was \$376 million, an increase of \$260 million when compared to the same period in 2024. The increase was primarily driven by lower capital investments in the current year.

Free cash flow⁽²⁾ used in the Financial Services segment in the second quarter of 2025 was \$172 million, an increase of \$134 million when compared to the second quarter of 2024. The increase was primarily due to credit card receivables increasing year-over-year at a rate higher than the prior year and an unfavourable year-over-year change in non-cash working capital. Year-to-date free cash flow⁽²⁾ from the Financial Services segment was \$307 million, a decrease of \$16 million compared to the same period in 2024. The decrease was primarily driven by an unfavourable year-over-year change in non-cash working capital, partially offset by higher payments received from the cardholders.

5.2 Liquidity and Capital Structure

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

President's Choice Bank ("PC Bank") expects to obtain long term financing for its credit card portfolio through the issuance of Eagle Credit Card Trust ("Eagle") notes and guaranteed investment certificates ("GICs").

The following table presents total debt by reportable operating segment:

(millions of Canadian dollars)	As at June 14, 2025			As at June 15, 2024			As at December 28, 2024		
	Retail	Financial Services	Total	Retail	Financial Services	Total	Retail	Financial Services	Total
Bank indebtedness	\$ 59	\$ —	\$ 59	\$ 38	\$ —	\$ 38	\$ —	\$ —	\$ —
Demand deposits from customers	—	673	673	—	175	175	—	353	353
Short term debt	—	500	500	—	650	650	—	800	800
Long term debt due within one year	—	543	543	—	741	741	—	631	631
Long term debt ⁽ⁱ⁾⁽ⁱⁱ⁾	5,524	2,575	8,099	5,230	2,511	7,741	5,288	2,282	7,570
Certain other liabilities ⁽ⁱⁱⁱ⁾	302	—	302	290	—	290	294	—	294
Total debt excluding lease liabilities	\$ 5,885	\$ 4,291	\$ 10,176	\$ 5,558	\$ 4,077	\$ 9,635	\$ 5,582	\$ 4,066	\$ 9,648
Lease liabilities due within one year	1,560	—	1,560	1,477	—	1,477	1,648	—	1,648
Lease liabilities	8,754	—	8,754	7,968	—	7,968	8,535	—	8,535
Total debt including total lease liabilities	\$16,199	\$ 4,291	\$20,490	\$15,003	\$ 4,077	\$19,080	\$15,765	\$ 4,066	\$19,831

- (i) In the second quarter of 2025, the total capacity of the independent funding trusts increased from \$700 million to \$1 billion and the maturity date of the trusts were extended from May 29, 2027 to March 27, 2028 with all other terms and conditions remaining substantially the same.
- (ii) In the second quarter of 2025, the maturity date of the Company's committed credit facility, provided by a syndicate of lenders, was extended from July 15, 2027 to March 27, 2030 with all other terms and conditions remaining substantially the same. The facility contains certain financial covenants and as at June 14, 2025 and throughout the quarter, the Company was in compliance with these covenants.
- (iii) As at June 14, 2025, certain other liabilities include financial liabilities of \$192 million related to the sale and leaseback of retail properties (June 15, 2024 – \$190 million December 28, 2024 – \$192 million).

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

	As at June 14, 2025	As at June 15, 2024	As at December 28, 2024
Retail debt to rolling year retail adjusted EBITDA ⁽²⁾	2.4 x	2.3 x	2.4 x

The Retail debt to rolling year retail adjusted EBITDA⁽²⁾ as at June 14, 2025 increased compared to June 15, 2024, primarily driven by an increase in retail debt partially offset by an improvement in adjusted EBITDA⁽²⁾. The Retail debt to rolling year retail adjusted EBITDA⁽²⁾ as at June 14, 2025 remained flat compared to December 28, 2024.

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

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

Covenants and Regulatory Requirements The Company is required to comply with certain financial covenants for various debt instruments. As at June 14, 2025 and throughout the quarter, the Company was in compliance with such covenants. As at June 14, 2025 and throughout the quarter, PC Bank has met all applicable regulatory requirements.

5.3 Financial Condition

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

	As at June 14, 2025	As at June 15, 2024	As at December 28, 2024
Rolling year adjusted return on equity ⁽²⁾	24.7 %	23.1 %	23.6 %
Rolling year adjusted return on capital ⁽²⁾	11.9 %	11.6 %	11.8 %

Rolling year adjusted return on equity⁽²⁾ as at June 14, 2025 increased compared to June 15, 2024, due to an improvement in the underlying operating performance and a decrease in average equity, primarily due to a decrease in share capital including the impact of preferred shares redemption in the fourth quarter of 2024. The Rolling year adjusted return on equity⁽²⁾ as at June 14, 2025 increased compared to December 28, 2024, due to an improvement in the underlying operating performance and a decrease in average equity.

Rolling year adjusted return on capital⁽²⁾ as at June 14, 2025 increased compared to June 15, 2024, due to an improvement in adjusted operating income⁽²⁾ partially offset by an increase in average capital, primarily due to an increase in lease liabilities, long term debt and demand deposits from customers. Rolling year adjusted return on capital⁽²⁾ as at June 14, 2025 increased compared to December 28, 2024, due to an improvement in adjusted operating income⁽²⁾ partially offset by an increase in average capital, primarily due to an increase in long term debt.

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)	Positive	BBB+	Stable
Medium term notes	BBB (high)	Positive	BBB+	n/a

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

5.5 Dividends and Share Repurchases

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

	June 14, 2025 (12 weeks)	June 15, 2024 (12 weeks)	June 14, 2025 (24 weeks)	June 15, 2024 (24 weeks)
Dividends declared per share (\$)				
Common Share	\$ 0.564	\$ 0.513	\$ 1.077	\$ 0.959
Second Preferred Share, Series B	\$ —	\$ 0.33125	\$ 0.02944	\$ 0.66250

(i) The Common Share dividends declared in the second quarter of 2025 of \$0.564 per share had a payment date of July 2, 2025.

Subsequent to the end of the second quarter of 2025, the Company's Board of Directors approved a 4-for-1 stock split of the Company's outstanding common shares. The stock split will be implemented by way of a stock dividend where the Company will issue to shareholders three additional common shares for each common share held. The stock split will be effective at the close of business on August 18, 2025 for shareholders of record as of the close of business on August 14, 2025.

Subsequent to the end of the second quarter of 2025, the Board of Directors declared a quarterly dividend of \$0.5643 per common share (on a pre-stock split basis), payable on October 1, 2025 to shareholders of record on September 15, 2025.

In the second quarter of 2025, the Company renewed its Normal Course Issuer Bid ("NCIB") to purchase on the Toronto Stock Exchange or through alternative trading systems up to 14,950,061 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. As at June 14, 2025, the Company had purchased 1,361,868 common shares for cancellation under its current NCIB. The Company is still permitted to purchase its common shares from George Weston Limited ("Weston") under its NCIB, pursuant to an automatic disposition plan agreement among the Company's broker, the Company and Weston, in order for Weston to maintain its proportionate ownership interest in the Company. The maximum number of common shares that may be purchased pursuant to the NCIB will be reduced by the number of common shares purchased from Weston.

During the second quarter of 2025, 2,052,205 common shares (2024 – 3,157,109) were purchased under the NCIB for cancellation, for aggregate consideration of \$445 million (2024 – \$482 million), including 927,235 common shares (2024 – 1,252,690) purchased from Weston, for aggregate consideration of \$200 million (2024 – \$190 million). On a year-to-date basis, 4,537,610 common shares (2024 – 6,370,962) were purchased under the NCIB for cancellation, for aggregate consideration of \$902 million (2024 – \$952 million), including 2,075,989 common shares (2024 – 2,489,883) purchased from Weston, for aggregate consideration of \$411 million (2024 – \$372 million).

The Company participates in an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at June 14, 2025, an obligation to repurchase shares of \$200 million was recognized under the ASPP in trade payables and other liabilities.

For additional information please refer to Note 11 "Share Capital" of the Company's interim financial statements.

5.6 Off-Balance Sheet Arrangements

The Company uses off-balance sheet arrangements including letters of credit, guarantees and cash collateralization in connection with certain obligations. There were no significant changes to these off-balance sheet arrangements during the second quarter of 2025. For a discussion of the Company's significant off-balance sheet arrangements see Section 7.7 "Off-Balance Sheet Arrangements" of the Company's 2024 Annual Report.

6. Financial Derivative Instruments

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

During the second quarter of 2025, PC bank settled bond forward agreements with notional value of \$200 million (2024 – \$175 million), primarily related to the \$300 million Eagle Series 2025-1 notes (2024 – \$350 million Eagle Series 2024-1 notes) issued during the quarter. This resulted in a fair value loss of \$1 million (2024 – \$2 million fair value gain) which will be reclassified to net earnings over the life of the Eagle Series 2025-1 notes (2024 – Eagle Series 2024-1 notes). On a year-to-date basis, PC Bank entered into bond forward agreements with a notional value of \$250 million (2024 – \$275 million), and settled bond forward agreement with a notional value of \$200 million (2024 – \$175 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. In the second quarter of 2025 and year-to-date, a fair value gain of \$6 million (2024 – fair value loss of \$12 million) and a fair value loss of \$4 million (2024 – fair value loss of \$19 million), respectively, was recorded in other comprehensive income related to the energy hedge. The fair value of the derivative is included in other liabilities.

The Company also uses interest rate swaps, futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates on its underlying operations. These derivative instruments are not designated in a formal hedging relationship. For further details on the impact of these instruments during the second quarter of 2025 see Section 12 "Non-GAAP and Other Financial Measures" of the MD&A.

7. Results by Quarter

The Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks due to an accounting convention common in the retail industry. Fiscal years 2024 and 2023 below were all 52 weeks. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. When a fiscal year such as 2025 contains 53 weeks, the fourth quarter is 13 weeks in duration.

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

Summary of Consolidated Quarterly Results

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
	2025 (12 weeks)	2024 (12 weeks)	2025 (12 weeks)	2024 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2024 (16 weeks)	2023 (16 weeks)
(millions of Canadian dollars except where otherwise indicated)								
Revenue	\$ 14,672	\$ 13,947	\$ 14,135	\$ 13,581	\$ 14,948	\$ 14,531	\$ 18,538	\$ 18,265
Adjusted EBITDA⁽²⁾	1,840	1,713	1,591	1,544	1,698	1,633	2,069	1,926
Net earnings available to common shareholders of the Company	714	457	503	459	462	541	777	621
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	721	664	570	537	669	630	767	719
Net earnings per common share:								
Basic (\$)	\$ 2.39	\$ 1.49	\$ 1.68	\$ 1.48	\$ 1.53	\$ 1.73	\$ 2.55	\$ 1.97
Diluted (\$)	\$ 2.37	\$ 1.48	\$ 1.66	\$ 1.47	\$ 1.52	\$ 1.72	\$ 2.53	\$ 1.95
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 2.40	\$ 2.15	\$ 1.88	\$ 1.72	\$ 2.20	\$ 2.00	\$ 2.50	\$ 2.26
Food retail same-store sales growth	3.5 %	0.2 %	2.2 %	3.4 %	2.5 %	2.0 %	0.5 %	4.5 %
Drug retail same-store sales growth	4.1 %	1.5 %	3.8 %	4.0 %	1.3 %	4.6 %	2.9 %	4.6 %

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

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- macro-economic conditions impacting food and drug retail prices; and
- changes in net retail square footage. Over the past eight quarters, net retail square footage has increased by 1.3 million square feet to 72.5 million square feet.

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

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

- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the timing of holidays;
- cost savings from operating efficiencies and benefits from strategic initiatives;
- the favourable impact of the repurchase of common shares for cancellation; and
- the impact of adjusting items, as set out in Section 12 “Non-GAAP and Other Financial Measures”, including:
 - amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark;
 - fair value adjustment on fuel and foreign currency;
 - the *PC Optimum* loyalty program, including the revaluation of the loyalty liability;
 - fair value adjustment on non-operating properties;
 - the recoveries related to PC Bank commodity tax matters;
 - charges related to the settlement of class action lawsuits;
 - the sale of *Wellwise*; and
 - the gain on sale of non-operating properties.

8. Internal Control over Financial Reporting

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

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

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

Changes in Internal Control over Financial Reporting There were no changes in the Company's internal control over financial reporting in the second quarter of 2025 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

9. Enterprise Risks and Risk Management

A detailed full set of risks inherent in the Company's business are included in the Company's AIF for the year ended December 28, 2024 and the Company's MD&A in the Company's 2024 Annual Report, which are hereby incorporated by reference. The Company's 2024 Annual Report and AIF are available online on www.sedarplus.ca. Those risks and risk management strategies remain unchanged.

10. Related Party Transactions

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

11. Outlook⁽³⁾

Loblaws will continue to execute on retail excellence while advancing its growth initiatives with the goal of delivering consistent operational and financial results in 2025. The Company's businesses remain well positioned to meet the everyday needs of Canadians.

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

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

12. Non-GAAP and Other Financial Measures

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

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

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

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

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

For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars)	2025 (12 weeks)				2024 (12 weeks)			
	Retail	Financial Services	Elimi- nations	Total	Retail	Financial Services	Elimi- nations	Total
Revenue	\$14,389	\$ 377	\$ (94)	\$14,672	\$ 13,658	\$ 367	\$ (78)	\$ 13,947
Cost of sales	9,781	42	—	9,823	9,288	38	—	9,326
Gross profit	\$ 4,608	\$ 335	\$ (94)	\$ 4,849	\$ 4,370	\$ 329	\$ (78)	\$ 4,621
Adjusted gross profit	\$ 4,608	\$ 335	\$ (94)	\$ 4,849	\$ 4,370	\$ 329	\$ (78)	\$ 4,621

For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars)	2025 (24 weeks)				2024 (24 weeks)			
	Retail	Financial Services	Elimi- nations	Total	Retail	Financial Services	Elimi- nations	Total
Revenue	\$28,226	\$ 750	\$ (169)	\$28,807	\$26,948	\$ 728	\$ (148)	\$27,528
Cost of sales	19,258	85	—	19,343	18,374	78	—	18,452
Gross profit	\$ 8,968	\$ 665	\$ (169)	\$ 9,464	\$ 8,574	\$ 650	\$ (148)	\$ 9,076
Adjusted gross profit	\$ 8,968	\$ 665	\$ (169)	\$ 9,464	\$ 8,574	\$ 650	\$ (148)	\$ 9,076

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.

	2025 (12 weeks)			2024 (12 weeks)		
	Retail	Financial Services	Total	Retail	Financial Services	Total
For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars)						
Net earnings attributable to shareholders of the Company			\$ 714			\$ 460
Add impact of the following:						
Non-controlling interests			43			38
Net interest expense and other financing charges			212			190
Income taxes			270			180
Operating income	\$ 1,170	\$ 69	\$ 1,239	\$ 815	\$ 53	\$ 868
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 9	\$ —	\$ 9	\$ 115	\$ —	\$ 115
Fair value adjustment on fuel and foreign currency contracts	2	—	2	2	—	2
Charges related to settlement of class action lawsuits	—	—	—	164	—	164
Gain on sale of non-operating property	(1)	—	(1)	—	—	—
Adjusting items	\$ 10	\$ —	\$ 10	\$ 281	\$ —	\$ 281
Adjusted operating income	\$ 1,180	\$ 69	\$ 1,249	\$ 1,096	\$ 53	\$ 1,149
Depreciation and amortization	588	12	600	668	11	679
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(9)	—	(9)	(115)	—	(115)
Adjusted EBITDA	\$ 1,759	\$ 81	\$ 1,840	\$ 1,649	\$ 64	\$ 1,713

Management's Discussion and Analysis

	2025 (24 weeks)			2024 (24 weeks)		
	Retail	Financial Services	Total	Retail	Financial Services	Total
For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars)						
Net earnings attributable to shareholders of the Company			\$ 1,217			\$ 922
Add impact of the following:						
Non-controlling interests			62			65
Net interest expense and other financing charges			410			384
Income taxes			456			358
Operating income	\$ 2,010	\$ 135	\$ 2,145	\$ 1,597	\$ 132	\$ 1,729
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 125	\$ —	\$ 125	\$ 229	\$ —	\$ 229
Fair value adjustment on fuel and foreign currency contracts	1	—	1	(5)	—	(5)
Charges related to settlement of class action lawsuits	—	—	—	164	—	164
Sale of <i>Wellwise</i>	(5)	—	(5)	—	—	—
Gain on sale of non-operating properties	(15)	—	(15)	—	—	—
Adjusting items	\$ 106	\$ —	\$ 106	\$ 388	\$ —	\$ 388
Adjusted operating income	\$ 2,116	\$ 135	\$ 2,251	\$ 1,985	\$ 132	\$ 2,117
Depreciation and amortization	1,279	26	1,305	1,345	24	1,369
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(125)	—	(125)	(229)	—	(229)
Adjusted EBITDA	\$ 3,270	\$ 161	\$ 3,431	\$ 3,101	\$ 156	\$ 3,257

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

Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark The acquisition of Shoppers Drug Mart in 2014 included approximately \$6,050 million of definite life intangible assets, which are being amortized over their estimated useful lives. In 2024, the annual amortization associated with the acquired intangibles was \$479 million. The annual amortization will decrease to approximately \$130 million in 2025, of which \$110 million and \$6 million was recorded in the first and second quarters of 2025, respectively. Annual amortization will be approximately \$30 million in 2026 and thereafter.

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

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

Charges related to settlement of class action lawsuits On July 24, 2024, the Company and Weston entered into binding Minutes of Settlement and on January 31, 2025, the Company and Weston entered into a Settlement Agreement to resolve nationwide class action lawsuits against them relating to their role in an industry-wide price-fixing arrangement involving certain packaged bread products. In the second quarter of 2024, charges of \$164 million were recorded in SG&A, relating to the Company's portion of the total settlement and related costs. The Settlement Agreement was approved by the Ontario Superior Court of Justice in May 2025 and if approved by the court in Quebec, it will resolve all of the consumers' claims against the Company and Weston relating to this matter.

Sale of Wellwise In the fourth quarter of 2024, the Company entered into an agreement with a third party to sell all of the shares of its *Wellwise* business, including 42 *Wellwise* locations, for cash proceeds and recorded a net fair value write-down of \$23 million in the Retail segment in SG&A. The transaction closed in the first quarter of 2025 and the Company recorded a gain of \$5 million in the Retail segment in SG&A.

Gain on sale of non-operating properties In the second quarter of 2025, the Company recorded a gain related to the sale of a non-operating property to a third party of \$1 million (2024 – nil). Year-to-date, the Company recorded a gain related to the sale of non-operating properties of \$15 million (2024 – nil).

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

For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars)	2025 (12 weeks)	2024 (12 weeks)	2025 (24 weeks)	2024 (24 weeks)
Net interest expense and other financing charges	\$ 212	\$ 190	\$ 410	\$ 384
Adjusted net interest expense and other financing charges	\$ 212	\$ 190	\$ 410	\$ 384

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 14, 2025 and June 15, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)	2024 (12 weeks)	2025 (24 weeks)	2024 (24 weeks)
Adjusted operating income ⁽ⁱ⁾	\$ 1,249	\$ 1,149	\$ 2,251	\$ 2,117
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	212	190	410	384
Adjusted earnings before taxes	\$ 1,037	\$ 959	\$ 1,841	\$ 1,733
Income taxes	\$ 270	\$ 180	\$ 456	\$ 358
Add impact of the following:				
Tax impact of items included in adjusted earnings before taxes ⁽ⁱⁱ⁾	3	74	32	103
Adjusted income taxes	\$ 273	\$ 254	\$ 488	\$ 461
Effective tax rate	26.3 %	26.5 %	26.3 %	26.6 %
Adjusted effective tax rate	26.3 %	26.5 %	26.5 %	26.6 %

(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 14, 2025 and June 15, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)	2024 (12 weeks)	2025 (24 weeks)	2024 (24 weeks)
Net earnings attributable to shareholders of the Company	\$ 714	\$ 460	\$ 1,217	\$ 922
Prescribed dividends on preferred shares in share capital	—	(3)	—	(6)
Net earnings available to common shareholders of the Company	\$ 714	\$ 457	\$ 1,217	\$ 916
Net earnings attributable to shareholders of the Company	\$ 714	\$ 460	\$ 1,217	\$ 922
Adjusting items (refer to the following table)	7	207	74	285
Adjusted net earnings attributable to shareholders of the Company	\$ 721	\$ 667	\$ 1,291	\$ 1,207
Prescribed dividends on preferred shares in share capital	—	(3)	—	(6)
Adjusted net earnings available to common shareholders of the Company	\$ 721	\$ 664	\$ 1,291	\$ 1,201
Diluted weighted average common shares outstanding (millions)	300.9	308.8	301.8	310.6

Management's Discussion and Analysis

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

	2025 (12 weeks)		2024 (12 weeks)		2025 (24 weeks)		2024 (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
For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars/Canadian dollars)								
As reported	\$ 714	\$ 2.37	\$ 457	\$ 1.48	\$ 1,217	\$ 4.03	\$ 916	\$ 2.95
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 6	\$ 0.02	\$ 84	\$ 0.27	\$ 92	\$ 0.30	\$ 168	\$ 0.54
Fair value adjustment on fuel and foreign currency contracts	2	0.01	2	0.01	1	0.01	(4)	(0.01)
Charges related to settlement of class action lawsuits	—	—	121	0.39	—	—	121	0.39
Sale of <i>Wellwise</i>	—	—	—	—	(5)	(0.02)	—	—
Gain on sale of non-operating properties	(1)	—	—	—	(14)	(0.04)	—	—
Adjusting items	\$ 7	\$ 0.03	\$ 207	\$ 0.67	\$ 74	\$ 0.25	\$ 285	\$ 0.92
Adjusted	\$ 721	\$ 2.40	\$ 664	\$ 2.15	\$ 1,291	\$ 4.28	\$ 1,201	\$ 3.87

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 14, 2025 and June 15, 2024 (millions of Canadian dollars)	2025 (12 weeks)				2024 (12 weeks)			
	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total
Cash flows from (used in) operating activities	\$ 1,505	\$ (166)	\$ 24	\$ 1,363	\$ 1,410	\$ (32)	\$ 23	\$ 1,401
Less:								
Capital investments ⁽ⁱⁱ⁾	403	6	—	409	489	6	—	495
Interest paid ⁽ⁱ⁾	71	—	24	95	73	—	23	96
Lease payments, net	391	—	—	391	373	—	—	373
Free cash flow	\$ 640	\$ (172)	\$ —	\$ 468	\$ 475	\$ (38)	\$ —	\$ 437

For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars)	2025 (24 weeks)				2024 (24 weeks)			
	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total
Cash flows from operating activities	\$ 1,949	\$ 323	\$ 44	\$ 2,316	\$ 1,872	\$ 339	\$ 46	\$ 2,257
Less:								
Capital investments ⁽ⁱⁱ⁾	639	16	—	655	866	16	—	882
Interest paid ⁽ⁱ⁾	158	—	44	202	150	—	46	196
Lease payments, net	776	—	—	776	740	—	—	740
Free cash flow	\$ 376	\$ 307	\$ —	\$ 683	\$ 116	\$ 323	\$ —	\$ 439

(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	
	2025 (12 weeks)	2024 (12 weeks)	2025 (12 weeks)	2024 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2024 (16 weeks)	2023 (16 weeks)
(millions of Canadian dollars except where otherwise indicated)								
Net earnings attributable to shareholders of the Company	\$ 714	\$ 460	\$ 503	\$ 462	\$ 469	\$ 544	\$ 780	\$ 624
Add (deduct) impact of the following:								
Non-controlling interests	43	38	19	27	(1)	16	40	25
Net interest expense and other financing charges	212	190	198	194	199	195	238	234
Income taxes	270	180	186	178	185	188	263	182
Operating income	\$ 1,239	\$ 868	\$ 906	\$ 861	\$ 852	\$ 943	\$ 1,321	\$ 1,065
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 9	\$ 115	\$ 116	\$ 114	\$ 115	\$ 115	\$ 155	\$ 154
Fair value adjustment on fuel and foreign currency contracts	2	2	(1)	(7)	—	14	—	(6)
PC Optimum loyalty program	—	—	—	—	129	—	—	—
Fair value adjustment on non-operating properties	—	—	—	—	3	9	—	—
Recoveries related to PC Bank commodity tax matters	—	—	—	—	—	(13)	(155)	—
Charges related to settlement of class action lawsuits	—	164	—	—	—	—	—	—
Sale of Wellwise	—	—	(5)	—	23	—	—	—
Gain on sale of non-operating properties	(1)	—	(14)	—	(3)	—	—	(13)
Adjusting items	\$ 10	\$ 281	\$ 96	\$ 107	\$ 267	\$ 125	\$ —	\$ 135
Adjusted operating income	\$ 1,249	\$ 1,149	\$ 1,002	\$ 968	\$ 1,119	\$ 1,068	\$ 1,321	\$ 1,200
Depreciation and amortization	600	679	705	690	694	680	903	880
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(9)	(115)	(116)	(114)	(115)	(115)	(155)	(154)
Adjusted EBITDA ⁽ⁱ⁾	\$ 1,840	\$ 1,713	\$ 1,591	\$ 1,544	\$ 1,698	\$ 1,633	\$ 2,069	\$ 1,926

(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	
	2025 (12 weeks)	2024 (12 weeks)	2025 (12 weeks)	2024 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2024 (16 weeks)	2023 (16 weeks)
(millions of Canadian dollars except where otherwise indicated)								
As reported	\$ 714	\$ 457	\$ 503	\$ 459	\$ 462	\$ 541	\$ 777	\$ 621
Add (deduct) impact of the following ⁽ⁱ⁾ :								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 6	\$ 84	\$ 86	\$ 84	\$ 84	\$ 85	\$ 115	\$ 113
Fair value adjustment on fuel and foreign currency contracts	2	2	(1)	(6)	—	10	—	(4)
PC Optimum loyalty program	—	—	—	—	94	—	—	—
Fair value adjustment on non-operating properties	—	—	—	—	3	6	—	—
Recoveries related to PC Bank commodity tax matters	—	—	—	—	—	(12)	(125)	—
Charges related to settlement of class action lawsuits	—	121	—	—	—	—	—	—
Sale of Wellwise	—	—	(5)	—	29	—	—	—
Gain on sale of non-operating properties	(1)	—	(13)	—	(3)	—	—	(11)
Adjusting items	\$ 7	\$ 207	\$ 67	\$ 78	\$ 207	\$ 89	\$ (10)	\$ 98
Adjusted⁽ⁱ⁾	\$ 721	\$ 664	\$ 570	\$ 537	\$ 669	\$ 630	\$ 767	\$ 719

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

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
	2025 (12 weeks)	2024 (12 weeks)	2025 (12 weeks)	2024 (12 weeks)	2024 (12 weeks)	2023 (12 weeks)	2024 (16 weeks)	2023 (16 weeks)
(millions of Canadian dollars except where otherwise indicated)								
As reported	\$ 2.37	\$ 1.48	\$ 1.66	\$ 1.47	\$ 1.52	\$ 1.72	\$ 2.53	\$ 1.95
Add (deduct) impact of the following ⁽ⁱ⁾ :								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 0.02	\$ 0.27	\$ 0.28	\$ 0.27	\$ 0.27	\$ 0.27	\$ 0.38	\$ 0.35
Fair value adjustment on fuel and foreign currency contracts	0.01	0.01	—	(0.02)	—	0.03	—	(0.01)
PC Optimum loyalty program	—	—	—	—	0.31	—	—	—
Fair value adjustment on non-operating properties	—	—	—	—	0.01	0.02	—	—
Recoveries related to PC Bank commodity tax matters	—	—	—	—	—	(0.04)	(0.41)	—
Charges related to settlement of class action lawsuits	—	0.39	—	—	—	—	—	—
Sale of <i>Wellwise</i>	—	—	(0.02)	—	0.10	—	—	—
Gain on sale of non-operating properties	—	—	(0.04)	—	(0.01)	—	—	(0.03)
Adjusting items	\$ 0.03	\$ 0.67	\$ 0.22	\$ 0.25	\$ 0.68	\$ 0.28	\$ (0.03)	\$ 0.31
Adjusted⁽ⁱ⁾	\$ 2.40	\$ 2.15	\$ 1.88	\$ 1.72	\$ 2.20	\$ 2.00	\$ 2.50	\$ 2.26
Diluted weighted average common shares outstanding (millions)	300.9	308.8	302.6	311.9	304.4	314.9	306.9	318.4

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

13. Additional Information

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

July 23, 2025

Toronto, Canada

MD&A Endnotes

- (1) For financial definitions and ratios refer to the Glossary of Terms section included within the Company's 2024 Annual Report.
- (2) See Section 12 "Non-GAAP and Other Financial Measures", which includes the reconciliation of such non-GAAP and other measures to the most directly comparable GAAP measures.
- (3) To be read in conjunction with Section 1 "Forward-Looking Statements".