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Loblaw Companies Limited

First Quarter Report to Shareholders

12 weeks ended March 26, 2022

2022 First Quarter Report to Shareholders

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") should be read in conjunction with the Company's first quarter 2022 unaudited interim period condensed consolidated financial statements and the accompanying notes included in this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended January 1, 2022 and the related MD&A included in the Company's 2021 Annual Report - Financial Review ("2021 Annual Report").

The Company's first quarter 2022 unaudited interim period condensed consolidated financial statements and the accompanying notes have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. These unaudited interim period condensed consolidated 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 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 excludes additional 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 11 "Non-GAAP Financial Measures" for more information on the Company's non-GAAP financial measures.

A glossary of terms used throughout this Quarterly Report can be found at the back of the Company's 2021 Annual Report.

The information in this MD&A is current to May 3, 2022, unless otherwise noted.

1. Forward-Looking Statements

This Quarterly Report, including this 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 implementation. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, Section 5 "Liquidity and Capital Resources", Section 10 "Outlook" and Section 11 "Non-GAAP 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 2021 Annual Report, and the Company’s 2021 Annual Information Form (“AIF”) for the year ended January 1, 2022. Such risks and uncertainties include:

- 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 maintain an effective supply chain and consequently an appropriate assortment of available product at the store and digital retail level;
- duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the Company, as well as on vendor operations, consumer behaviour and the economy in general;
- failure to attract and retain talent for key roles that may impact the Company’s ability to effectively operate and achieve financial performance goals;
- failure to execute the Company’s e-commerce initiatives or to adapt its business model to shifts in the retail landscape caused by digital advances;
- failure to realize benefits from investments in the Company’s new IT systems and related processes;
- 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 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;
- adverse outcomes of legal and regulatory proceedings and related matters;
- failure to adapt to environmental and social risks, including failure to execute against the Company’s climate change and social equity initiatives;
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, political uncertainty, interest rates, currency exchange rates or derivative and commodity prices;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- 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;
- 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 Associates (as defined below); and
- changes to any of the laws, rules, regulations or policies applicable to the Company’s business.

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 2021 AIF (for the year ended January 1, 2022). Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company’s expectations only as of the date of this MD&A. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2. Key Financial Performance Indicators[1]

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

As at or for the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)		**2022 (12 weeks)**		2021 (12 weeks)
Consolidated:				
Revenue growth		**3.3 %**		0.6 %
Operating income	**$**	**738**	$	617
Adjusted EBITDA[2]		**1,343**		1,218
Adjusted EBITDA margin[2]		**11.0 %**		10.3 %
Net earnings	**$**	**473**	$	335
Net earnings attributable to shareholders of the Company		**440**		316
Net earnings available to common shareholders of the Company[i]		**437**		313
Adjusted net earnings available to common shareholders of the Company[2]		**459**		392
Diluted net earnings per common share ($)	**$**	**1.30**	$	0.90
Adjusted diluted net earnings per common share[2] ($)	**$**	**1.36**	$	1.13
Cash and cash equivalents and short term investments	**$**	**2,721**	$	1,775
Cash flows from operating activities		**863**		852
Free cash flow[2]		**313**		288
Financial Measures:				
Retail debt to rolling year retail adjusted EBITDA[2]		**2.6 x**		2.9 x
Rolling year adjusted return on equity[2]		**17.9 %**		14.2 %
Rolling year adjusted return on capital[2]		**10.1 %**		8.3 %
Retail Segment:				
Food retail same-store sales growth		**2.1 %**		0.1 %
Drug retail same-store sales growth/(decline)		**5.2 %**		(1.7)%
Operating income	**$**	**690**	$	553
Adjusted gross profit[2]		**3,743**		3,533
Adjusted gross profit %[2]		**31.1 %**		30.3 %
Adjusted EBITDA[2]	**$**	**1,285**	$	1,145
Adjusted EBITDA margin[2]		**10.7 %**		9.8 %
Financial Services Segment:				
Earnings before income taxes	**$**	**32**	$	48
Annualized yield on average quarterly gross credit card receivables		**13.2 %**		13.5 %
Annualized credit loss rate on average quarterly gross credit card receivables		**2.5 %**		3.0 %

(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.

3. Consolidated Results of Operations

For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)	**2022 (12 weeks)**	2021 (12 weeks)	$ Change	% Change
Revenue	**$ 12,262**	$ 11,872	$ 390	3.3 %
Operating income	**738**	617	121	19.6 %
Adjusted EBITDA(2)	**1,343**	1,218	125	10.3 %
Adjusted EBITDA margin(2)	**11.0 %**	10.3 %		
Depreciation and amortization	**$ 631**	$ 610	$ 21	3.4 %
Net interest expense and other financing charges	**142**	160	(18)	(11.3)%
Adjusted net interest expense and other financing charges(2)	**153**	160	(7)	(4.4)%
Income taxes	**123**	122	1	0.8 %
Adjusted income taxes(2)	**181**	151	30	19.9 %
Adjusted effective tax rate(2)	**26.8 %**	26.7 %		
Net earnings attributable to non-controlling interests	**$ 33**	$ 19	$ 14	73.7 %
Net earnings attributable to shareholders of the Company	**$ 440**	$ 316	$ 124	39.2 %
Net earnings available to common shareholders of the Company(i)	**437**	313	124	39.6 %
Adjusted net earnings available to common shareholders of the Company(2)	**459**	392	67	17.1 %
Diluted net earnings per common share ($)	**$ 1.30**	$ 0.90	$ 0.40	44.4 %
Adjusted diluted net earnings per common share(2) ($)	**$ 1.36**	$ 1.13	$ 0.23	20.4 %
Diluted weighted average common shares outstanding (in millions)	**336.7**	348.2		

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

Loblaw delivered another strong quarter in a retail environment experiencing fewer COVID-19 related restrictions and continued inflationary pressures. Drug Retail results were strong and drove margin expansion in the quarter, as front-store and prescription sales benefited from the loosening of social restrictions, and Pharmacy services continued to perform well. Food sales continued to benefit from higher than normal eat-at-home levels, and customers responded favourably to data-driven marketing promotions and *PC Optimum*™ loyalty program offers. The Company's Discount division performed very well, led by strong growth in the No Frills® hard-discount banner. The Market division performed well relative to the Canadian conventional grocery sector, but was impacted by the shift to discount.

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

Net earnings available to common shareholders of the Company in the first quarter of 2022 were $437 million ($1.30 per common share). When compared to the first quarter of 2021, this represented an increase of $124 million ($0.40 per common share). The increase included improvements in the underlying operating performance of $67 million and the favourable change in adjusting items totaling $57 million, as described below:

- the improvement in underlying operating performance of $67 million ($0.18 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 adjusted gross profit[2], partially offset by an increase in SG&A and in depreciation and amortization;

    partially offset by,

    - a decline in the Financial Services segment primarily due to the the year over year impact of the expected credit loss provision from lapping a larger prior year release of $20 million versus the current quarter release of $5 million. The decrease is also driven by the prior year reversal of certain commodity tax accrued.
- the favourable change in adjusting items totaling $57 million ($0.17 per common share) was primarily due to the following:
    - the favourable impact of the recovery related to Glenhuron Bank Limited of $42 million ($0.13 per common share);
    - the year-over year favourable impact of restructuring and other related costs of $17 million ($0.05 per common share); and
    - the year-over-year favourable change in fair value adjustment on fuel and foreign currency contracts of $5 million ($0.01 per common share);

    partially offset by,

    - the unfavourable impact of the prior year gain on the sale of non-operating properties of $4 million ($0.01 per common share); and
    - the unfavourable impact of the Lifemark Health Group transaction costs of $2 million ($0.01 per common share).
- diluted net earnings per common share also included the favourable impact of the repurchase of common shares over the last 12 months ($0.05 per common share).

Adjusted net earnings available to common shareholders of the Company[2] in the first quarter of 2022 were $459 million. When compared to the first quarter of 2021, this represented an increase of $67 million or 17.1%. Adjusted net earnings per common share[2] in the first quarter of 2022 was $1.36. When compared to the first quarter of 2021, this represented an increase of $0.23 or 20.4%.

Revenue

For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)		**2022 (12 weeks)**		2021 (12 weeks)		$ Change	% Change
Retail	**$**	**12,045**	$	11,670	$	375	3.2 %
Financial Services		**274**		253		21	8.3 %
Consolidation and Eliminations		**(57)**		(51)		(6)	(11.8)%
Revenue	**$**	**12,262**	$	11,872	$	390	3.3 %

Revenue was $12,262 million in the first quarter of 2022. When compared to the first quarter of 2021, this represented an increase of $390 million, or 3.3%. The increase was primarily driven by an increase in Retail segment sales of $375 million due to positive same-store sales growth and a net increase in Retail square footage and an increase in Financial Services segment sales of $21 million.

Operating Income Operating income was $738 million in the first quarter of 2022. When compared to the first quarter of 2021, this represented an increase of $121 million, or 19.6%. The increase included improvements in the underlying operating performance of $104 million and a favourable change in adjusting items totaling $17 million as described below:

- the improvement in underlying operating performance of $104 million was primarily due to the following:
  - an improvement in the underlying operating performance of the Retail Segment due to an increase in adjusted gross profit[2], partially offset by an increase in SG&A and depreciation and amortization;

  partially offset by,
  - a decline in the Financial Services segment primarily due to the the year over year impact of the expected credit loss provision from lapping a larger prior year release of $20 million versus the current quarter release of $5 million. The decrease is also driven by the prior year reversal of certain commodity tax accrued.
- the favourable change in adjusting items totaling $17 million was primarily due to the following:
  - the year-over-year favourable change in restructuring and other related costs of $19 million; and
  - the year-over-year favourable change in fair value adjustments on fuel and foreign currency contracts of $6 million;

  partially offset by,
  - the unfavourable impact of the prior year gain on the sale of non-operating properties of $5 million; and
  - the unfavourable impact of the Lifemark Health Group transaction costs of $3 million.

Adjusted EBITDA[2]

For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)		**2022 (12 weeks)**		2021 (12 weeks)		$ Change	% Change
Retail	**$**	**1,285**	$	1,145	$	140	12.2 %
Financial Services		**58**		73		(15)	(20.5)%
Adjusted EBITDA[2]	**$**	**1,343**	$	1,218	$	125	10.3 %

Adjusted EBITDA[2] was $1,343 million in the first quarter of 2022. When compared to the first quarter of 2021, this represented an increase of $125 million or 10.3%. The increase in adjusted EBITDA[2] was primarily due to an increase in the Retail segment of $140 million, partially offset by a decrease in the Financial Services segment of $15 million.

Depreciation and Amortization Depreciation and amortization was $631 million in the first quarter of 2022. When compared to the first quarter of 2021, this represented an increase of $21 million or 3.4%. The increase was primarily driven by an increase in depreciation of IT and leased assets. Included in depreciation and amortization is the amortization of intangible assets related to the acquisition of Shoppers Drug Mart of $117 million (2021 – $117 million).

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $142 million in the first quarter of 2022. When compared to the first quarter of 2021, this represented a decrease of $18 million or 11.3%. The decrease in net interest expense and other financing charges in the first quarter of 2022 was primarily driven by interest income related to Glenhuron Bank Limited ("Glenhuron") and a reduction in interest expense from lease liabilities.

Income Taxes

For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)	**2022** **(12 weeks)**	2021 (12 weeks)	$ Change	% Change
Income taxes	**$ 123**	$ 122	$ 1	0.8 %
Add (deduct) impact of the following:				
Tax impact of items included in adjusted earnings before taxes	**25**	29	(4)	(13.8)%
Recovery related to Glenhuron	**33**	—	33	100.0 %
Adjusted income taxes(2)	**$ 181**	$ 151	$ 30	19.9 %
Effective tax rate	**20.6 %**	26.7 %		
Adjusted effective tax rate(2)	**26.8 %**	26.7 %		

Income tax expense in the first quarter of 2022 was $123 million (2021 – $122 million) and the effective tax rate was 20.6% (2021 – 26.7%). The decrease to the effective tax rate was primarily attributable to the recovery of income taxes related to Glenhuron, as well as the impact of certain non-deductible items.

Adjusted income tax expense(2) in the first quarter of 2022 was $181 million (2021 – $151 million) and the adjusted effective tax rate(2) was 26.8% (2021 – 26.7%). The increase in the adjusted effective tax rate(2) was primarily attributable to the impact of certain non-deductible items.

The Company had been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of the Company that was wound up in 2013, should be treated, and taxed, as income in Canada. In 2021, the Supreme Court of Canada ("Supreme Court") ruled in favour of the Company on the Glenhuron matter. As a result of related assessments received during the first quarter of 2022, the Company has reversed in the quarter $35 million of previously recorded charges, of which $33 million is recorded as income tax recovery and $2 million is recorded as interest income. In addition, interest of $9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds.

Net Earnings attributable to non-controlling interests Net Earnings attributable to non-controlling interests was $33 million in the first quarter of 2022. When compared to the first quarter of 2021, this represented an increase of $14 million or 73.7%. Non-controlling interests represent the share of earnings that relates to the Company's Food Retail franchisees and is impacted by the timing of when profit sharing with franchisees is agreed and finalized under the terms of the agreements. The increase in non-controlling interests was primarily driven by an improvement in franchisee earnings when compared to the first quarter of 2021.

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 stores and Associate-owned drug stores. The Retail segment also includes in-store pharmacies and other health and beauty products, apparel and other general merchandise and supports the *PC Optimum*™ Program. 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*™ Program, insurance brokerage services, and telecommunication services.

4.1 Retail Segment

For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)	2022 (12 weeks)	2021 (12 weeks)	$ Change	% Change
Sales	$ 12,045	$ 11,670	$ 375	3.2 %
Operating income	690	553	137	24.8 %
Adjusted gross profit[(2)]	3,743	3,533	210	5.9 %
Adjusted gross profit %[(2)]	31.1 %	30.3 %		
Adjusted EBITDA[(2)]	$ 1,285	$ 1,145	$ 140	12.2 %
Adjusted EBITDA margin[(2)]	10.7 %	9.8 %		
Depreciation and amortization	$ 621	$ 601	$ 20	3.3 %

For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)	2022 (12 weeks)		2021 (12 weeks)	
	Sales	Same-store sales	Sales	Same-store sales
Food retail	$ 8,682	2.1 %	$ 8,479	0.1 %
Drug retail	3,363	5.2 %	3,191	(1.7)%
Pharmacy	1,724	6.8 %	1,614	3.5 %
Front store	1,639	3.6 %	1,577	(6.4)%

Sales Retail segment sales were $12,045 million in the first quarter of 2022. When compared to the first quarter of 2021, this represented an increase of $375 million, or 3.2%, primarily driven by the following factors:

- Food retail same-store sales grew by 2.1% (2021 – 0.1%) for the quarter.
  - Sales growth in food was moderate;
  - Sales growth in pharmacy was modest;
  - The Consumer Price Index as measured by The Consumer Price Index for Food Purchased From Stores was 7.5% (2021 – 0.9%) which was slightly lower than the Company's internal food inflation.
    - Food Retail basket size decreased and traffic increased in the quarter when compared to the first quarter of 2021.
- Drug retail same-store sales grew by 5.2% (2021 – decreased by 1.7%). Pharmacy same-store sales growth benefited from strong sales in pharmacy related services. Front store same-store sales growth benefited from the continued economic re-opening.
  - Pharmacy same-store sales growth was 6.8% (2021 – 3.5%). The number of prescriptions dispensed increased by 5.8% (2021 – decreased by 0.5%). On a same-store basis, the number of prescriptions dispensed increased by 5.8% (2021 – decreased by 0.8%) and year-over-year, the average prescription value increased by 0.4% (2021 – 2.4%); and
  - Front store same-store sales increased by 3.6% (2021 – decreased by 6.4%).

In the last 12 months, 26 food and drug stores were opened, and 30 food and drug stores were closed, resulting in a net increase in Retail square footage of 0.1 million square feet, or 0.1%.

Operating Income Operating income was $690 million in the first quarter of 2022. When compared to the first quarter of 2021, this represented an increase of $137 million, or 24.8%. The increase in operating income was driven by improvements in underlying operating performance of $120 million and the favourable change in adjusting items totaling $17 million, as described below:

- the improvement in underlying operating performance of $120 million was driven by an increase in adjusted gross profit(2), partially offset by an increase in SG&A and depreciation and amortization; and
- the favourable change in adjusting items totaling $17 million which was primarily due to the following:
  - the year-over-year favourable change in restructuring and other related costs of $19 million; and
  - the year-over-year favourable impact of fair value adjustments on fuel and foreign currency contracts of $6 million;

  partially offset by;
  - the unfavourable impact of the prior year gain on the sale of non-operating properties of $5 million; and
  - the unfavourable impact of the Lifemark Health Group transaction costs of $3 million.

Adjusted Gross Profit(2) Adjusted gross profit(2) in the first quarter of 2022 was $3,743 million. When compared to the first quarter of 2021, this represented an increase of $210 million. Adjusted gross profit percentage(2) of 31.1% increased by 80 basis points when compared to the first quarter of 2021, driven by favourable changes in the Drug Retail sales mix, with underlying improvements in business initiatives across the Retail segment.

Adjusted EBITDA(2) Adjusted EBITDA(2) was $1,285 million in the first quarter of 2022. When compared to the first quarter of 2021, this represented an increase of $140 million. The increase was driven by a favourable increase in adjusted gross profit(2) of $210 million, partially offset by an unfavourable increase in SG&A of $70 million. SG&A as a percentage of sales was 20.4%, a decrease of 10 basis points. The favourable decrease of 10 basis points was primarily due to lower COVID-19 related expenses, partially offset by higher costs incurred in Drug Retail from providing pharmacy related services.

Depreciation and Amortization Depreciation and amortization in the first quarter of 2022 was $621 million. When compared to the first quarter of 2021, this represented an increase of $20 million, primarily driven by an increase in IT and leased assets. Included in depreciation and amortization was the amortization of intangibles assets related to the acquisition of Shoppers Drug Mart of $117 million (2021 – $117 million).

Lifemark Health Group During the quarter, the Company agreed to acquire Lifemark Health Group ("Lifemark") for aggregate cash consideration of $845 million. Lifemark is the leading provider of outpatient physiotherapy, massage therapy, occupational therapy, chiropractic, mental health, and other ancillary rehabilitation services through its more than 300 clinics across Canada. Regulatory approvals have been received and the transaction is expected to close on or about May 10, 2022.

4.2 Financial Services Segment

For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)	**2022** **(12 weeks)**	2021 (12 weeks)	$ Change	% Change
Revenue	**$ 274**	$ 253	$ 21	8.3 %
Earnings before income taxes	**32**	48	(16)	(33.3)%

(millions of Canadian dollars except where otherwise indicated)	**As at** **March 26, 2022**	As at March 27, 2021	$ Change	% Change
Average quarterly net credit card receivables	**$ 3,388**	$ 3,006	$ 382	12.7 %
Credit card receivables	**3,333**	2,902	431	14.9 %
Allowance for credit card receivables	**200**	217	(17)	(7.8)%
Annualized yield on average quarterly gross credit card receivables	**13.2 %**	13.5 %		
Annualized credit loss rate on average quarterly gross credit card receivables	**2.5 %**	3.0 %		

Revenue Revenue was $274 million in the first quarter of 2022. When compared to the first quarter of 2021, this represented an increase of $21 million. The increase was primarily driven by:

- higher interest income from growth in credit card receivables; and
- higher interchange income from an increase in customer spending;

partially offset by,

- lower sales attributable to *The Mobile Shop*™.

Earnings before income taxes Earnings before income taxes were $32 million in the first quarter of 2022. When compared to the first quarter of 2021, this represented a decrease of $16 million. The decrease was primarily driven by:

- the year over year impact of the expected credit loss provision from lapping a larger prior year release of $20 million versus the current quarter release of $5 million;
- prior year reversal of certain commodity tax accrued;
- higher customer acquisition costs; and
- higher loyalty program costs and operating costs;

partially offset by,

- higher revenue as described above; and
- lower contractual charge-offs.

Credit Card Receivables As at March 26, 2022, credit card receivables were $3,333 million. When compared to March 27, 2021, this represented an increase of $431 million. This increase was primarily driven by an increase in customer spending, partially offset by higher payment rates. The allowance for credit card receivables was $200 million, a decrease of $17 million compared to March 27, 2021.

5. Liquidity and Capital Resources

5.1 Cash Flows

Major Cash Flow Components

For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)	2022 (12 weeks)	2021 (12 weeks)	$ Change	% Change
Cash and cash equivalents, beginning of period	$ 1,976	$ 1,668	$ 308	18.5 %
Cash flows from (used in):				
Operating activities	$ 863	$ 852	$ 11	1.3 %
Investing activities	(410)	(153)	(257)	(168.0)%
Financing activities	(356)	(819)	463	56.5 %
Effect of foreign currency exchange rate changes on cash and cash equivalents	1	1	—	— %
Change in cash and cash equivalents	$ 98	$ (119)	$ 217	182.4 %
Cash and cash equivalents, end of period	$ 2,074	$ 1,549	$ 525	33.9 %

Cash Flows from Operating Activities Cash flows from operating activities were $863 million in the first quarter of 2022, an increase of $11 million when compared to the first quarter of 2021. The increase in cash flows from operating activities was primarily driven by higher cash earnings and net lower income taxes paid due to the recovery related to Glenhuron, partially offset by an unfavourable change in non-cash working capital and an increase in credit card receivables from a rise in customer spending.

Cash Flows used in Investing Activities Cash flows used in investing activities were $410 million in the first quarter of 2022, an increase of $257 million when compared to the first quarter of 2021. The increase in cash flows used in investing activities was primarily driven by an increase in short term investments.

Capital Investments and Store Activity

For the periods ended March 26, 2022 and March 27, 2021	2022 (12 weeks)	2021[(5)] (12 weeks)	% Change
Corporate square footage (in millions)	34.8	35.4	(1.7)%
Franchise square footage (in millions)	17.4	16.8	3.6 %
Associate-owned drug store square footage (in millions)	18.9	18.8	0.5 %
Total retail square footage (in millions)	71.1	71.0	0.1 %
Number of corporate stores	538	550	(2.2)%
Number of franchise stores	554	546	1.5 %
Number of Associate-owned drug stores	1,345	1,345	— %
Total number of stores	2,437	2,441	(0.2)%
Percentage of corporate real estate owned	7 %	7 %	
Percentage of franchise real estate owned	4 %	4 %	
Percentage of Associate-owned drug store real estate owned	1 %	1 %	
Average store size (square feet)			
Corporate	64,700	64,400	0.5 %
Franchise	31,400	30,800	1.9 %
Associate-owned drug store	14,100	14,000	0.7 %

Capital Investments Capital investments in the first quarter of 2022 were $186 million, a decrease of $17 million or 8.4% compared to the first quarter of 2021.

Cash Flows used in Financing Activities Cash flows used in financing activities in the first quarter of 2022 were $356 million, a decrease of $463 million when compared to the first quarter of 2021. The decrease in cash flows used in financing activities was primarily driven by higher repayment of short term debt in the prior year and fewer repurchases of common shares under the Company's Normal Course Issuer Bid ("NCIB") in the current year.

The Company's significant long term debt transactions are set out in Section 5.3 "Components of Total Debt".

Free Cash Flow[(2)]

				2022 (12 weeks)				2021 (12 weeks)
For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations[(i)]**	**Consolidated**	Retail	Financial Services	Eliminations[(i)]	Consolidated
Cash flows from operating activities	**$ 748**	**$ 103**	**$ 12**	**$ 863**	$ 581	$ 257	$ 14	$ 852
Less:								
Capital investments	**182**	**4**	**—**	**186**	197	6	—	203
Interest paid	**70**	**—**	**12**	**82**	72	—	14	86
Lease payments, net	**282**	**—**	**—**	**282**	275	—	—	275
Free cash flow[(2)]	**$ 214**	**$ 99**	**$ —**	**$ 313**	$ 37	$ 251	$ —	$ 288

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

Free cash flow[(2)] from the Retail segment in the first quarter of 2022 was $214 million, an increase of $177 million when compared to the first quarter of 2021. The increase in free cash flow[(2)] from the Retail segment was primarily driven by higher cash earnings and net lower income taxes paid due to the recovery related to Glenhuron, partially offset by an unfavourable change in non-cash working capital.

Free cash flow[(2)] from the Financial Services segment in the first quarter of 2022 was $99 million, a decrease of $152 million when compared to the first quarter of 2021. The decrease in free cash flow[(2)] from the Financial Services segment was primarily driven by an increase in credit card receivables from a rise in customer spending and higher income taxes paid.

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 Company manages its capital structure on a segmented basis to ensure that each of the reportable operating segments is employing a capital structure that is appropriate for the industry in which it operates. The following table presents total debt, as monitored by management, by reportable operating segment:

	As at March 26, 2022			As at March 27, 2021			As at January 1, 2022		
(millions of Canadian dollars)	**Retail**	**Financial Services**	**Total**	Retail	Financial Services	Total	Retail	Financial Services	Total
Bank indebtedness	**$ 250**	**$ —**	**$ 250**	$ 282	$ —	$ 282	$ 52	$ —	$ 52
Demand deposits from customers	**—**	**87**	**87**	—	36	36	—	75	75
Short term debt	**—**	**400**	**400**	—	300	300	—	450	450
Long term debt due within one year	**573**	**454**	**1,027**	—	576	576	570	432	1,002
Long term debt	**4,297**	**1,919**	**6,216**	4,814	1,633	6,447	4,297	1,914	6,211
Certain other liabilities[i]	**133**	**—**	**133**	117	—	117	131	—	131
Total debt excluding lease liabilities	**$5,253**	**$ 2,860**	**$ 8,113**	$ 5,213	$ 2,545	$ 7,758	$5,050	$ 2,871	$ 7,921
Lease liabilities due within one year	**1,361**	**—**	**1,361**	1,341	—	1,341	1,297	—	1,297
Lease liabilities	**7,469**	**—**	**7,469**	7,580	—	7,580	7,542	—	7,542
Total debt including total lease liabilities	**$14,083**	**$ 2,860**	**$16,943**	$14,134	$ 2,545	$16,679	$13,889	$ 2,871	$16,760

(i) As at March 26, 2022, certain other liabilities include financial liabilities of $59 million related to the sale of retail properties to Choice Properties Real Estate Investment Trust (March 27, 2021 — $46 million; January 1, 2022 — $57 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 monitors the Retail segment's debt to retail adjusted EBITDA[2] ratio as a measure of the leverage being employed.

	As at March 26, 2022	As at March 27, 2021	As at January 1, 2022
Retail debt to rolling year retail adjusted EBITDA[2]	**2.6 x**	2.9 x	2.6 x

The Retail debt to rolling year retail adjusted EBITDA[2] ratio as at March 26, 2022 decreased compared to March 27, 2021, primarily due to an improvement in rolling year adjusted EBITDA[2]. The Retail debt to rolling year adjusted EBITDA[2] ratio as at March 26, 2022 was flat compared to January 1, 2022.

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

Covenants and Regulatory Requirements The Company is required to comply with certain financial covenants for various debt instruments. As at March 26, 2022 and throughout the first quarter, the Company was in compliance with such covenants. As at March 26, 2022 and throughout the first quarter, PC Bank has met all applicable regulatory requirements.

5.3 Components of Total Debt

Debentures There were no debentures issued or repaid in the first quarters of 2022 and 2021.

Committed Credit Facility The Company has a $1.0 billion committed credit facility with a maturity date of October 7, 2023, provided by a syndicate of lenders. This committed credit facility contains certain financial covenants. As at March 26, 2022, there were no amounts drawn under this facility (March 27, 2021 and January 1, 2022 – no amounts were drawn).

Independent Securitization Trusts The Company, through PC Bank, participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors a co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle* and Other Independent Securitization Trusts, in accordance with its financing requirements.

The following table summarizes the amounts securitized to independent securitization trusts:

(millions of Canadian dollars)	**As at March 26, 2022**	As at March 27, 2021	As at January 1, 2022
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust*®	**$ 1,350**	$ 1,050	$ 1,350
Securitized to Other Independent Securitization Trusts	**400**	300	450
Total securitized to independent securitization trusts	**$ 1,750**	$ 1,350	$ 1,800

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at March 26, 2022 and throughout the quarter.

Independent Funding Trusts As at March 26, 2022, the independent funding trusts had drawn $573 million (March 27, 2021 – $514 million; January 1, 2022 – $570 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts. As at March 26, 2022, the Company provided a credit enhancement of $64 million (March 27, 2021 and January 1, 2022 – $64 million) for the benefit of the independent funding trusts representing not less than 10% (March 27, 2021 and January 1, 2022 – not less than 10%) of the principal amount of loans outstanding.

The revolving committed credit facility that is the source of funding to the independent funding trusts has a maturity date of May 27, 2022. Subsequent to the end of the first quarter of 2022, the Company extended the maturity date to April 14, 2025 with all other terms and conditions remaining substantially the same.

Guaranteed Investment Certificates The following table summarizes PC Bank's GICs activity, before commissions, in 2022 and 2021:

(millions of Canadian dollars)	**2022 (12 weeks)**	2021 (12 weeks)
Balance, beginning of period	**$ 996**	$ 1,185
GICs issued	**34**	1
GICs matured	**(7)**	(27)
Balance, end of period	**$ 1,023**	$ 1,159

As at March 26, 2022, $204 million in GICs were recorded as long term debt due within one year (March 27, 2021 – $576 million; January 1, 2022 – $182 million).

5.4 Financial Condition

Rolling Year Adjusted Return on Equity(2) and Rolling Year Adjusted Return on Capital(2)

	As at March 26, 2022	As at March 27, 2021	As at January 1, 2022
Rolling year adjusted return on equity(2)	**17.9 %**	14.2 %	17.3 %
Rolling year adjusted return on capital(2)	**10.1 %**	8.3 %	9.8 %

Rolling year adjusted return on equity(2) as at March 26, 2022 increased compared to March 27, 2021 and January 1, 2022, primarily due to an increase in the underlying operating performance of both the Retail segment and Financial Services segment on a rolling four quarter basis.

Rolling year adjusted return on capital(2) as at March 26, 2022 increased compared to March 27, 2021 and January 1, 2022, primarily due to an increase in tax-effected adjusted operating income(2) on a rolling four quarter basis.

5.5 Credit Ratings

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

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

5.6 Share Capital

Common Shares (authorized – unlimited) Common shares issued are fully paid and have no par value. The activities in the common shares issued and outstanding during the periods were as follows:

	2022 (12 weeks)		2021 (12 weeks)	
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	**333,527,369**	**$ 6,643**	347,361,480	$ 6,837
Issued for settlement of stock options	**733,355**	**49**	124,674	8
Purchased and cancelled	**(1,339,251)**	**(54)**	(5,371,864)	(106)
Issued and outstanding, end of period	**332,921,473**	**$ 6,638**	342,114,290	$ 6,739
Shares held in trust, beginning of period	**(595,495)**	**$ (12)**	(672,784)	$ (13)
Purchased for future settlement of RSUs and PSUs	**(252,000)**	**(5)**	—	—
Released for settlement of RSUs and PSUs	**437,338**	**9**	431,095	8
Shares held in trust, end of period	**(410,157)**	**$ (8)**	(241,689)	$ (5)
Issued and outstanding, net of shares held in trust, end of period	**332,511,316**	**$ 6,630**	341,872,601	$ 6,734
Weighted average outstanding, net of shares held in trust	**333,048,536**		345,890,274	

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

	2022(i)	2021
Dividends declared per share ($)		
Common Share	**$ 0.365**	$ 0.335
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125

(i) The first quarter dividends for 2022 of $0.365 per share declared on Common Shares had a payment date of April 1, 2022. The first quarter dividends for 2022 of $0.33125 per share declared on Second Preferred Shares, Series B had a payment date of March 31, 2022.

(millions of Canadian dollars)	2022	2021
Dividends declared		
Common Share	**$ 122**	$ 118
Second Preferred Share, Series B	**3**	3
Total dividends declared	**$ 125**	$ 121

Subsequent to the end of the first quarter of 2022, the Board of Directors declared a quarterly dividend of $0.405 per common share, payable on July 1, 2022 to shareholders of record on June 15, 2022 and a quarterly dividend of $0.33125 per share on the Second Preferred Shares, Series B payable on June 30, 2022 to shareholders of record on June 15, 2022.

Normal Course Issuer Bid Activities under the Company's NCIB during the periods were as follows:

(millions of Canadian dollars except where otherwise indicated)	2022	2021
Common shares repurchased under the NCIB for cancellation (number of shares)(i)	**1,339,251**	5,371,864
Cash consideration paid(ii)	**$ 125**	$ 321
Premium charged to retained earnings(iii)	**244**	244
Reduction in common share capital(iv)	**54**	106
Common shares repurchased under the NCIB and held in trust (number of shares)	**252,000**	—
Cash consideration paid	**$ 28**	$ —
Premium charged to retained earnings	**23**	—
Reduction in common share capital	**5**	—

(i) Common shares repurchased and cancelled as at March 26, 2022 do not include the shares that may be repurchased subsequent to the end of the quarter under the automatic share repurchase plan, as described below.

(ii) $23 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the first quarter of 2022 was paid in the second quarter of 2022.

(iii) Includes $126 million related to the automatic share purchase plan, as described below.

(iv) Includes $24 million related to the automatic share purchase plan, as described below.

In the second quarter of 2021, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 17,106,459 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares. As at March 26, 2022, the Company had purchased 11,615,273 common shares for cancellation under its current NCIB.

During 2020, the TSX accepted an amendment to the Company's NCIB. The amendment permitted the Company to purchase its common shares from George Weston Limited ("Weston") under its NCIB, pursuant to an automatic disposition plan agreement among the Company's broker, the Company and Weston, in order for Weston to maintain its proportionate ownership interest in the Company. The maximum number of common shares that may be purchased pursuant to the NCIB will be reduced by the number of common shares purchased from Weston.

During the first quarter of 2022, 1,339,251 common shares (2021 – 5,371,864) were purchased under the NCIB program for cancellation, for aggregate consideration of $148 million (2021 – $350 million), including 201,851 common shares (2021 – 2,778,077) purchased from Weston, for aggregate consideration of $22 million (2021 – $181 million).

During the first quarter of 2022, the Company entered into 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.

5.7 Off-Balance Sheet Arrangements

The Company uses off-balance sheet arrangements including letters of credit, guarantees and cash collateralization in connection with certain obligations. There were no significant changes to these off-balance sheet arrangements during the first quarter of 2022. For a discussion of the Company's significant off-balance sheet arrangements see Section 7.7 "Off-Balance Sheet Arrangements" of the Company's 2021 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 manage its anticipated exposure to fluctuations in interest rates on future debt issuances and in exchange rates on its underlying operations and anticipated fixed asset purchases. These derivative instruments are designated as cash flow hedges.

Bond Forwards During the first quarter of 2022, PC Bank entered into bond forward agreements with a total notional value of $65 million (2021 – $75 million) to hedge its exposure to interest rate fluctuations against the future issuance of debt instruments. The Company has assessed that these hedge agreements were effective as at the quarter-end and has included any fluctuations relating to the bond forwards in other comprehensive income.

Foreign Exchange Forwards During the first quarter of 2022, PC Bank entered into foreign exchange forward agreements with a notional value of USD $23 million (2021 – USD $39 million) to hedge its exposure on certain USD payables, of which USD $10 million (2021 – USD $10 million) matured before the end of the quarter. The Company has assessed that these hedge agreements were effective as at the quarter-end and has included any fluctuations relating to the foreign exchange forwards in other comprehensive income.

During the first quarter of 2022, the Company entered into foreign exchange forwards. The purpose of these forward exchange forwards was to hedge the risk that the future cash flows of an anticipated fixed asset purchase transaction will fluctuate because of changes in foreign exchange rates. The Company concluded that these hedges were effective and accordingly, the gains or losses on these foreign exchange forwards are recognized in other comprehensive income. Upon settlement of these foreign exchange forwards, the accumulated other comprehensive income will be included in the initial cost of the fixed asset.

The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates on its underlying operations. These derivative instruments are not designated in a formal hedging relationship. For further details on the impact of these instruments during the first quarter of 2022 see Section 11 "Non-GAAP Financial Measures" of the MD&A.

7. Results by Quarter

Under an accounting convention common in the retail industry, the Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks. Fiscal year 2021 was 52 weeks and fiscal year 2020 was 53 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 2020 contains 53 weeks, the fourth quarter is 13 weeks in duration.

Summary of Consolidated Quarterly Results The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period condensed consolidated financial statements for each of the eight most recently completed quarters:

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2022** **(12 weeks)**	**2021** **(12 weeks)**	2021 (12 weeks)	2020[4] (13 weeks)	2021 (16 weeks)	2020[4] (16 weeks)	2021 (12 weeks)	2020[4] (12 weeks)
Revenue	**$12,262**	**$11,872**	$12,757	$13,286	$16,050	$15,671	$12,491	$11,957
Adjusted EBITDA[2]	**1,343**	**1,218**	1,324	1,313	1,674	1,518	1,371	1,008
Net earnings available to common shareholders of the Company	**437**	**313**	744	345	431	342	375	169
Adjusted net earnings available to common shareholders of the Company[2]	**459**	**392**	515	431	540	459	464	260
Net earnings per common share:								
Basic ($)	**$ 1.31**	**$ 0.91**	$ 2.23	$ 0.98	$ 1.28	$ 0.96	$ 1.10	$ 0.47
Diluted ($)	**$ 1.30**	**$ 0.90**	$ 2.20	$ 0.98	$ 1.27	$ 0.96	$ 1.09	$ 0.47
Adjusted diluted net earnings per common share [2] ($)	**$ 1.36**	**$ 1.13**	$ 1.52	$ 1.22	$ 1.59	$ 1.28	$ 1.35	$ 0.72
Food retail same-store sales growth/ (decline)	**2.1 %**	**0.1 %**	1.1 %	8.6 %	0.2 %	6.9 %	(0.1)%	10.0 %
Drug retail same-store sales growth/ (decline)	**5.2 %**	**(1.7)%**	7.9 %	3.7 %	4.4 %	6.1 %	9.6 %	(1.1)%

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

- COVID-19 pandemic related impacts;
- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the impact of the 53rd week in the fourth quarter of fiscal year 2020;
- 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 increased by 0.5 million square feet to 71.1 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:

- COVID-19 pandemic related impacts;
- seasonality, which was greatest in the fourth quarter and least in the first quarter;
- the impact of the 53rd week in the fourth quarter of fiscal year 2020;
- the timing of holidays;
- cost savings from operating efficiencies and benefits from strategic initiatives; and
- the impact of adjusting items, as set out in Section 11 "Non-GAAP Financial Measures", including:
  - Lifemark transaction costs;
  - restructuring and other related charges;
  - the recovery relating to Glenhuron;
  - fair value adjustment on non-operating properties;
  - fair value adjustment on fuel and foreign currency; and
  - the gain and loss on sale of non-operating properties.

8. Internal Control over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis 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 International Financial Reporting Standards ("IFRS" or "GAAP").

In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in Internal Control over Financial Reporting There were no changes in the Company's internal control over financial reporting in the first quarter of 2022 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 January 1, 2022 and the Company's MD&A in the Company's 2021 Annual Report, which are hereby incorporated by reference. The Company's 2021 Annual Report and AIF are available online on www.sedar.com. Those risks and risk management strategies remain unchanged.

10. Outlook[(3)]

Loblaw will continue to execute on retail excellence in its core grocery and pharmacy businesses while advancing its growth initiatives in 2022. In the third year of the pandemic, the Company's businesses remain well placed to service the everyday needs of Canadians. However, the Company cannot predict the precise impacts of COVID-19 and the current industry volatility on its 2022 financial results. Loblaw anticipates that in the first half of 2022 sales will benefit from the continued impact of the pandemic and elevated industry-wide inflation. As societies and economies reopen and the Company starts to lap elevated 2021 inflationary prices and COVID-19 related pharmacy services, year on year revenue growth will be more challenged.

The Company continues to expect:

- its Retail business to grow earnings faster than sales;
- Earnings per Common Share growth in the low double digits, with higher growth in the first half of the year;
- to invest approximately $1.4 billion in capital expenditures, net of proceeds from property disposals, reflecting incremental store and distribution network investments; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

11. Non-GAAP Financial Measures

The Company uses the following non-GAAP 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; and adjusted return on capital. The Company believes these non-GAAP 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 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 excludes additional 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 merchandise inventories sold 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.

				2022 (12 weeks)				2021 (12 weeks)
For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$ 12,045**	**$ 274**	**$ (57)**	**$ 12,262**	$ 11,670	$ 253	$ (51)	$ 11,872
Cost of merchandise inventories sold	**8,302**	**33**	**—**	**8,335**	8,137	37	—	8,174
Gross profit	**$ 3,743**	**$ 241**	**$ (57)**	**$ 3,927**	$ 3,533	$ 216	$ (51)	$ 3,698
Adjusted gross profit	**$ 3,743**	**$ 241**	**$ (57)**	**$ 3,927**	$ 3,533	$ 216	$ (51)	$ 3,698

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.

			2022 (12 weeks)			2021 (12 weeks)
For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Consolidated**	Retail	Financial Services	Consolidated
Net earnings attributable to shareholders of the Company			**$ 440**			$ 316
Add impact of the following:						
Non-controlling interests			**33**			19
Net interest expense and other financing charges			**142**			160
Income taxes			**123**			122
Operating income	**$ 690**	**$ 48**	**$ 738**	$ 553	$ 64	$ 617
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 117**	**$ —**	**$ 117**	$ 117	$ —	$ 117
Lifemark transaction costs	**3**	**—**	**3**	—	—	—
Gain on sale of non-operating properties	**—**	**—**	**—**	(5)	—	(5)
Fair value adjustment on fuel and foreign currency contracts	**(14)**	**—**	**(14)**	(8)	—	(8)
Restructuring and other related costs	**(15)**	**—**	**(15)**	4	—	4
Adjusting Items	**$ 91**	**$ —**	**$ 91**	$ 108	$ —	$ 108
Adjusted operating income	**$ 781**	**$ 48**	**$ 829**	$ 661	$ 64	$ 725
Depreciation and amortization	**621**	**10**	**631**	601	9	610
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(117)**	**—**	**(117)**	(117)	—	(117)
Adjusted EBITDA	**$ 1,285**	**$ 58**	**$ 1,343**	$ 1,145	$ 73	$ 1,218

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

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

Restructuring and other related costs The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Only restructuring activities that are publicly announced related to these initiatives are considered adjusting items.

In the first quarter of 2022, the Company recorded approximately $15 million (2021 – charges of $4 million) of restructuring and other related recoveries in connection to the previously announced closure of two distribution centres in Laval and Ottawa. The Company disposed of one of the distribution centres for proceeds of $26 million and recognized a gain of $19 million, which was partially offset by $4 million of restructuring and other related charges. The Company is investing to build a modern and efficient expansion to its Cornwall distribution centre to serve its food and drug retail businesses in Ontario and Quebec. Volumes from the distribution centre in Laval were transferred to Cornwall and the Company will record any remaining restructuring costs in the second quarter of 2022 related to these closures.

Lifemark transaction costs In connection with the agreement to acquire Lifemark Health Group, in the first quarter of 2022 the Company recorded $3 million of acquisition costs in operating income.

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.

Gain/loss on sale of non-operating properties In the first quarter of 2021, the Company disposed of non-operating properties to a third party and recorded a gain of $5 million related to the sale.

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

For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars)	**2022 (12 weeks)**	2021 (12 weeks)
Net interest expense and other financing charges	**$ 142**	$ 160
Add (deduct) impact of the following:		
Recovery related to Glenhuron	**11**	—
Adjusted net interest expense and other financing charges	**$ 153**	$ 160

Recovery related to Glenhuron The Company has reversed in the quarter $35 million of previously recorded charges, of which $33 million is recorded as income tax recovery and $2 million is recorded as interest income. In addition, interest of $9 million, before taxes was recorded in respect of interest income earned on expected cash tax refunds.

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 (recovery)/expense and other financing charges.

For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)	**2022 (12 weeks)**	2021 (12 weeks)
Adjusted operating income[i]	**$ 829**	$ 725
Adjusted net interest expense and other financing charges[i]	**153**	160
Adjusted earnings before taxes	**$ 676**	$ 565
Income taxes	**$ 123**	$ 122
Add (deduct) impact of the following:		
Tax impact of items included in adjusted earnings before taxes[ii]	**25**	29
Recovery related to Glenhuron	**33**	—
Adjusted income taxes	**$ 181**	$ 151
Effective tax rate	**20.6 %**	26.7 %
Adjusted effective tax rate	**26.8 %**	26.7 %

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

Recovery related to Glenhuron The Company has reversed in the quarter $35 million of previously recorded charges, of which $33 million is recorded as income tax recovery and $2 million is recorded as interest income. In addition, interest of $9 million, before taxes was recorded in respect of interest income earned on expected cash tax refunds.

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

For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)	**2022** **(12 weeks)**	2021 (12 weeks)
Net earnings attributable to shareholders of the Company	**$ 440**	$ 316
Prescribed dividends on preferred shares in share capital	**(3)**	(3)
Net earnings available to common shareholders of the Company	**$ 437**	$ 313
Net earnings attributable to shareholders of the Company	**$ 440**	$ 316
Adjusting items (refer to the following table)	**22**	79
Adjusted net earnings attributable to shareholders of the Company	**$ 462**	$ 395
Prescribed dividends on preferred shares in share capital	**(3)**	(3)
Adjusted net earnings attributable to shareholders of the Company	**$ 459**	$ 392
Diluted weighted average common shares outstanding (millions)	**336.7**	348.2

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.

	2022 (12 weeks)		2021 (12 weeks)	
For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars/Canadian dollars)	**Net Earnings Available to Common Shareholders of the Company**	**Diluted Net Earnings Per Common Share**	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share
As reported	**$ 437**	**$ 1.30**	$ 313	$ 0.90
Add (deduct) impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 87**	**$ 0.25**	$ 86	$ 0.25
Lifemark transaction costs	**2**	**0.01**	—	—
Gain on sale of non-operating properties	**—**	**—**	(4)	(0.01)
Fair value adjustment on fuel and foreign currency contracts	**(11)**	**(0.03)**	(6)	(0.02)
Restructuring and other related costs	**(14)**	**(0.04)**	3	0.01
Recovery related to Glenhuron	**(42)**	**(0.13)**	—	—
Adjusting items	**$ 22**	**$ 0.06**	$ 79	$ 0.23
Adjusted	**$ 459**	**$ 1.36**	$ 392	$ 1.13

Free Cash Flow[(2)] The following table reconciles, by reportable operating segments, free cash flow to cash flows from operating activities as reported in the consolidated statements of cash flows for the periods ended as indicated. The Company believes that free cash flow is the appropriate measure in assessing the Company's cash available for additional financing and investing activities.

	2022 (12 weeks)				2021 (12 weeks)			
For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**[(i)]	**Consolidated**	Retail	Financial Services	Eliminations[(i)]	Consolidated
Cash flows from operating activities	**$ 748**	**$ 103**	**$ 12**	**$ 863**	$ 581	$ 257	$ 14	$ 852
Less:								
Capital investments	**182**	**4**	**—**	**186**	197	6	—	203
Interest paid	**70**	**—**	**12**	**82**	72	—	14	86
Lease payments, net	**282**	**—**	**—**	**282**	275	—	—	275
Free cash flow[(2)]	**$ 214**	**$ 99**	**$ —**	**$ 313**	$ 37	$ 251	$ —	$ 288

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

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 "5.4 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 "5.4 Financial Condition" of this MD&A.

Non-GAAP 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 and years ended as indicated.

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2022** **(12 weeks)**	**2021** **(12 weeks)**	2021 (12 weeks)	2020[(4)] (13 weeks)	2021 (16 weeks)	2020[(4)] (16 weeks)	2021 (12 weeks)	2020[(4)] (12 weeks)
Net earnings attributable to shareholders of the Company	**$ 440**	**$ 316**	$ 747	$ 348	$ 434	$ 345	$ 378	$ 172
Add (deduct) impact of the following:								
Non-controlling interests	**33**	**19**	(28)	46	54	15	56	(10)
Net interest (recovery)/ expense and other financing charges	**142**	**160**	(29)	166	203	228	161	176
Income taxes	**123**	**122**	15	142	172	130	157	66
Operating income	**$ 738**	**$ 617**	$ 705	$ 702	$ 863	$ 718	$ 752	$ 404
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 117**	**$ 117**	$ 117	$ 117	$ 155	$ 155	$ 117	$ 118
Lifemark transaction costs	**3**	**—**	—	—	—	—	—	—
Fair value adjustment on non-operating properties	**—**	**—**	(2)	9	—	—	—	—
Gain on sale of non-operating properties	**—**	**(5)**	—	(8)	(7)	(1)	—	—
Fair value adjustment on fuel and foreign currency contracts	**(14)**	**(8)**	6	(7)	(8)	—	(3)	(3)
Restructuring and other related costs	**(15)**	**4**	(8)	8	9	6	8	9
Adjusting items	**$ 91**	**$ 108**	$ 113	$ 119	$ 149	$ 160	$ 122	$ 124
Adjusted operating income	**$ 829**	**$ 725**	$ 818	$ 821	$ 1,012	$ 878	$ 874	$ 528
Depreciation and amortization	**631**	**610**	623	609	817	795	614	598
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(117)**	**(117)**	(117)	(117)	(155)	(155)	(117)	(118)
Adjusted EBITDA	**$ 1,343**	**$ 1,218**	$ 1,324	$ 1,313	$ 1,674	$ 1,518	$ 1,371	$ 1,008

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes the amortization of intangible assets, acquired with Shoppers Drug Mart, 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 and years ended as indicated.

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2022 (12 weeks)**	**2021 (12 weeks)**	2021 (12 weeks)	2020[(4)] (13 weeks)	2021 (16 weeks)	2020[(4)] (16 weeks)	2021 (12 weeks)	2020[(4)] (12 weeks)
As reported	**$ 437**	**$ 313**	$ 744	$ 345	$ 431	$ 342	$ 375	$ 169
Add (deduct) impact of the following[(i)]:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 87**	**$ 86**	$ 87	$ 86	$ 113	$ 113	$ 86	$ 87
Lifemark transaction costs	**2**	**—**	—	—	—	—	—	—
Fair value adjustment on non-operating properties	**—**	**—**	(1)	7	—	—	—	—
Gain on sale of non-operating properties	**—**	**(4)**	—	(7)	(6)	(1)	—	—
Fair value adjustment on fuel and foreign currency contracts	**(11)**	**(6)**	4	(5)	(6)	—	(2)	(2)
Restructuring and other related costs	**(14)**	**3**	(6)	5	8	5	5	6
Recovery related to Glenhuron	**(42)**	**—**	(313)	—	—	—	—	—
Adjusting items	**$ 22**	**$ 79**	$ (229)	$ 86	$ 109	$ 117	$ 89	$ 91
Adjusted[(i)]	**$ 459**	**$ 392**	$ 515	$ 431	$ 540	$ 459	$ 464	$ 260

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

(millions of Canadian dollars except where otherwise indicated)	**First Quarter**		Fourth Quarter		Third Quarter		Second Quarter	
	2022 **(12 weeks)**	**2021** **(12 weeks)**	2021 (12 weeks)	2020[4] (13 weeks)	2021 (16 weeks)	2020[4] (16 weeks)	2021 (12 weeks)	2020[4] (12 weeks)
As reported	**$ 1.30**	**$ 0.90**	$ 2.20	$ 0.98	$ 1.27	$ 0.96	$ 1.09	$ 0.47
Add (deduct) impact of the following[i]:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 0.25**	**$ 0.25**	$ 0.25	$ 0.23	$ 0.33	$ 0.31	$ 0.25	$ 0.25
Lifemark transaction costs	**0.01**	**—**	—	—	—	—	—	—
Fair value adjustment on non-operating properties	**—**	**—**	—	0.02	—	—	—	—
Gain on sale of non-operating properties	**—**	**(0.01)**	—	(0.02)	(0.02)	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**(0.03)**	**(0.02)**	0.01	(0.01)	(0.02)	—	—	(0.01)
Restructuring and other related costs	**(0.04)**	**0.01**	(0.02)	0.02	0.03	0.01	0.01	0.01
Recovery related to Glenhuron	**(0.13)**	**—**	(0.92)	—	—	—	—	—
Adjusting items	**$ 0.06**	**$ 0.23**	$ (0.68)	$ 0.24	$ 0.32	$ 0.32	$ 0.26	$ 0.25
Adjusted[i]	**$ 1.36**	**$ 1.13**	$ 1.52	$ 1.22	$ 1.59	$ 1.28	$ 1.35	$ 0.72
Diluted weighted average common shares outstanding (millions)	**336.7**	**348.2**	338.1	353.8	340.1	358.0	342.9	359.5

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

12. Additional Information

Additional information about the Company has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at sedar.com and with OSFI as the primary regulator for the Company's subsidiary, PC Bank.

May 3, 2022
Toronto, Canada

MD&A Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 147 of the Company's 2021 Annual Report.
(2) See Section 11 "Non-GAAP Financial Measures", which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.
(3) To be read in conjunction with Section 1 "Forward-Looking Statements".
(4) Certain figures have been restated due to the non-GAAP financial measures policy change, effective in the first quarter of 2021.
(5) Certain figures have been restated to conform with current year presentation.

Financial Results

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**March 26, 2022 (12 weeks)**	March 27, 2021 (12 weeks)
Revenue	**$ 12,262**	$ 11,872
Cost of merchandise inventories sold	**8,335**	8,174
Selling, general and administrative expenses	**3,189**	3,081
Operating income	**$ 738**	$ 617
Net interest expense and other financing charges (note 3)	**142**	160
Earnings before income taxes	**$ 596**	$ 457
Income taxes (note 4)	**123**	122
Net earnings	**$ 473**	$ 335
Attributable to:		
Shareholders of the Company (note 5)	**$ 440**	$ 316
Non-controlling interests	**33**	19
Net earnings	**$ 473**	$ 335
Net earnings per common share ($) (note 5)		
Basic	**$ 1.31**	$ 0.91
Diluted	**$ 1.30**	$ 0.90
Weighted average common shares outstanding (millions) (note 5)		
Basic	**333.0**	345.9
Diluted	**336.7**	348.2

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	**March 26, 2022 (12 weeks)**	March 27, 2021 (12 weeks)
Net earnings	**$ 473**	$ 335
Other comprehensive income, net of taxes		
Items that are or may be subsequently reclassified to profit or loss:		
Gains on cash flow hedges (note 16)	**$ 1**	$ 2
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial gains (note 15)	**11**	68
Other comprehensive income	**$ 12**	$ 70
Total comprehensive income, net of taxes	**$ 485**	$ 405
Attributable to:		
Shareholders of the Company	**$ 452**	$ 386
Non-controlling interests	**33**	19
Total comprehensive income, net of taxes	**$ 485**	$ 405

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	**Total Share Capital**	**Retained Earnings**	**Contributed Surplus**	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total Equity**
Balance as at January 1, 2022	$ 6,631	$ 221	**$6,852**	**$4,591**	**$ 116**	$ 39	$ (29)	$ 4	**$ 14**	**$ 164**	**$11,737**
Net earnings	$ —	$ —	**$ —**	**$ 440**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 33**	**$ 473**
Other comprehensive income	—	—	**—**	**11**	**—**	—	1	—	**1**	**—**	**12**
Total comprehensive income	$ —	$ —	**$ —**	**$ 451**	**$ —**	$ —	$ 1	$ —	**$ 1**	**$ 33**	**$ 485**
Common shares purchased and cancelled (note 13)	(54)	—	**(54)**	**(244)**	**—**	—	—	—	**—**	**—**	**(298)**
Net effect of equity-based compensation (notes 13 and 14)	49	—	**49**	**—**	**(21)**	—	—	—	**—**	**—**	**28**
Shares purchased and held in trust (note 13)	(5)	—	**(5)**	**(23)**	**—**	—	—	—	**—**	**—**	**(28)**
Shares released from trust (notes 13 and 14)	9	—	**9**	**21**	**—**	—	—	—	**—**	**—**	**30**
Dividends declared per common share – $0.365 (note 13)	—	—	**—**	**(122)**	**—**	—	—	—	**—**	**—**	**(122)**
Dividends declared per preferred share – $0.33125 (note 13)	—	—	**—**	**(3)**	**—**	—	—	—	**—**	**—**	**(3)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	—	**—**	**(57)**	**(57)**
	$ (1)	$ —	**$ (1)**	**$ 80**	**$ (21)**	$ —	$ 1	$ —	**$ 1**	**$ (24)**	**$ 35**
Balance as at March 26, 2022	$ 6,630	$ 221	**$ 6,851**	**$ 4,671**	**$ 95**	$ 39	$ (28)	$ 4	**$ 15**	**$ 140**	**$11,772**

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	**Total Share Capital**	**Retained Earnings**	**Contributed Surplus**	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	**Accumulated Other Comprehensive Income**	**Non-Controlling Interests**	**Total Equity**
Balance as at January 2, 2021	$ 6,824	$ 221	**$7,045**	**$3,813**	**$ 109**	$ 39	$ (34)	$ 16	**$ 21**	**$ 131**	**$ 11,119**
Net earnings	$ —	$ —	**$ —**	**$ 316**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 19**	**$ 335**
Other comprehensive income	—	—	**—**	**68**	**—**	—	2	—	**2**	**—**	**70**
Total comprehensive income	$ —	$ —	**$ —**	**$ 384**	**$ —**	$ —	$ 2	$ —	**$ 2**	**$ 19**	**$ 405**
Common shares purchased and cancelled (note 13)	(106)	—	**(106)**	**(244)**	**—**	—	—	—	**—**	**—**	**(350)**
Net effect of equity-based compensation (notes 13 and 14)	8	—	**8**	**—**	**(8)**	—	—	—	**—**	**—**	**—**
Shares released from trust (notes 13 and 14)	8	—	**8**	**15**	**—**	—	—	—	**—**	**—**	**23**
Dividends declared per common share – $0.335 (note 13)	—	—	**—**	**(118)**	**—**	—	—	—	**—**	**—**	**(118)**
Dividends declared per preferred share – $0.33125 (note 13)	—	—	**—**	**(3)**	**—**	—	—	—	**—**	**—**	**(3)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	—	**—**	**(43)**	**(43)**
	$ (90)	$ —	**$ (90)**	**$ 34**	**$ (8)**	$ —	$ 2	$ —	**$ 2**	**$ (24)**	**$ (86)**
Balance as at March 27, 2021	$ 6,734	$ 221	**$6,955**	**$3,847**	**$ 101**	$ 39	$ (32)	$ 16	**$ 23**	**$ 107**	**$11,033**

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	**As at March 26, 2022**	As at March 27, 2021	As at January 1, 2022
Assets			
Current assets			
Cash and cash equivalents (note 6)	**$ 2,074**	$ 1,549	$ 1,976
Short term investments (note 6)	**647**	226	464
Accounts receivable	**911**	883	947
Credit card receivables (note 7)	**3,333**	2,902	3,443
Inventories (note 8)	**5,288**	5,232	5,166
Income tax recoverable (note 4)	**128**	—	301
Prepaid expenses and other assets	**371**	205	249
Assets held for sale (note 9)	**101**	99	91
Total current assets	**$ 12,853**	$ 11,096	$ 12,637
Fixed assets	**5,340**	5,459	5,447
Right-of-use assets	**7,129**	7,197	7,175
Investment properties	**101**	128	111
Intangible assets	**6,282**	6,761	6,402
Goodwill	**3,952**	3,948	3,949
Deferred income tax assets	**88**	109	91
Other assets (note 10)	**868**	550	802
Total assets	**$ 36,613**	$ 35,248	$ 36,614
Liabilities			
Current liabilities			
Bank indebtedness	**$ 250**	$ 282	$ 52
Trade payables and other liabilities	**5,391**	4,986	5,433
Loyalty liability	**218**	209	190
Provisions	**92**	79	111
Income taxes payable	**35**	63	153
Demand deposits from customers	**87**	36	75
Short term debt (note 7)	**400**	300	450
Long term debt due within one year (note 11)	**1,027**	576	1,002
Lease liabilities due within one year	**1,361**	1,341	1,297
Associate interest	**418**	339	433
Total current liabilities	**$ 9,279**	$ 8,211	$ 9,196
Provisions	**113**	136	114
Long term debt (note 11)	**6,216**	6,447	6,211
Lease liabilities	**7,469**	7,580	7,542
Deferred income tax liabilities	**1,317**	1,371	1,346
Other liabilities (note 12)	**447**	470	468
Total liabilities	**$ 24,841**	$ 24,215	$ 24,877
Equity			
Share capital (note 13)	**$ 6,851**	$ 6,955	$ 6,852
Retained earnings	**4,671**	3,847	4,591
Contributed surplus (note 14)	**95**	101	116
Accumulated other comprehensive income	**15**	23	14
Total equity attributable to shareholders of the Company	**$ 11,632**	$ 10,926	$ 11,573
Non-controlling interests	**140**	107	164
Total equity	**$ 11,772**	$ 11,033	$ 11,737
Total liabilities and equity	**$ 36,613**	$ 35,248	$ 36,614

Contingent Liabilities (note 17). Subsequent Events (note 20).

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	**March 26, 2022 (12 weeks)**	March 27, 2021 (12 weeks)
Operating activities		
Net earnings	**$ 473**	$ 335
Add (deduct):		
Income taxes (note 4)	**123**	122
Net interest expense and other financing charges (note 3)	**142**	160
Depreciation and amortization	**631**	610
Asset impairments, net of recoveries	**3**	1
Change in allowance for credit card receivables (note 7)	**(5)**	(20)
Change in provisions	**(20)**	2
Change in non-cash working capital	**(511)**	(405)
Change in gross credit card receivables (note 7)	**115**	227
Income taxes paid	**(97)**	(184)
Interest received	**13**	1
Interest received from finance leases	**1**	1
Other	**(5)**	2
Cash flows from operating activities	**$ 863**	$ 852
Investing activities		
Fixed asset purchases	**$ (105)**	$ (121)
Intangible asset additions	**(81)**	(81)
Change in short term investments (note 6)	**(183)**	43
Proceeds from disposal of assets	**41**	16
Lease payments received from finance leases	**3**	2
Other	**(85)**	(12)
Cash flows used in investing activities	**$ (410)**	$ (153)
Financing activities		
Change in bank indebtedness	**$ 198**	$ 196
Change in short term debt (note 7)	**(50)**	(275)
Change in demand deposits from customers	**12**	12
Long term debt (note 11)		
Issued	**37**	3
Repayments	**(7)**	(27)
Interest paid	**(82)**	(86)
Cash rent paid on lease liabilities - Interest	**(75)**	(81)
Cash rent paid on lease liabilities - Principal	**(210)**	(196)
Common share capital		
Issued (note 14)	**43**	7
Purchased and held in trust (note 13)	**(28)**	—
Purchased and cancelled (note 13)	**(125)**	(321)
Proceeds from other financing (note 18)	**2**	—
Other	**(71)**	(51)
Cash flows used in financing activities	**$ (356)**	$ (819)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 1**	$ 1
Change in cash and cash equivalents	**$ 98**	$ (119)
Cash and cash equivalents, beginning of period	**1,976**	1,668
Cash and cash equivalents, end of period	**$ 2,074**	$ 1,549

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Note 1. Nature and Description of the Reporting Entity

Loblaw Companies Limited is a Canadian public company incorporated in 1956 and is Canada's food and pharmacy leader, and the nation's largest retailer. Loblaw Companies Limited provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, financial services, and wireless mobile products and services. Its registered office is located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S7. Loblaw Companies Limited and its subsidiaries are together referred to, in these unaudited interim period condensed consolidated financial statements, as the “Company” or “Loblaw”.

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

The Company has two reportable operating segments: Retail and Financial Services (see note 19).

The Company’s business is affected by seasonality and timing of holidays, relative to the Company’s interim periods. Accordingly, quarterly performance is not necessarily indicative of annual performance. Historically, the Company has earned more revenue in the fourth quarter relative to the preceding quarters in the Company’s fiscal year.

Note 2. Significant Accounting Policies

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company’s 2021 audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements. These unaudited interim period condensed consolidated financial statements are presented in Canadian dollars.

Statement of Compliance These unaudited interim period condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board. These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company’s 2021 audited annual consolidated financial statements and accompanying notes.

These unaudited interim period condensed consolidated financial statements were approved for issuance by the Company’s Board of Directors (“Board”) on May 3, 2022.

Note 3. Net Interest Expense and Other Financing Charges

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

(millions of Canadian dollars)	**March 26, 2022 (12 weeks)**	March 27, 2021 (12 weeks)
Interest expense and other financing charges		
Lease liabilities	**$ 75**	$ 81
Long term debt	**65**	66
Borrowings related to credit card receivables	**10**	9
Post-employment and other long term employee benefits (note 15)	**—**	2
Independent funding trusts	**3**	3
Financial liabilities (note 18)	**1**	1
Bank indebtedness	**1**	—
	$ 155	$ 162
Interest income		
Accretion income	**$ (1)**	$ (1)
Short term interest income	**(1)**	(1)
	$ (2)	$ (2)
Recovery related to Glenhuron Bank Limited (note 4)	**$ (11)**	$ —
Net interest expense and other financing charges	**$ 142**	$ 160

Note 4. Income Taxes

Income tax expense in the first quarter of 2022 was $123 million (2021 – $122 million) and the effective tax rate was 20.6% (2021 – 26.7%). The decrease to the effective tax rate was primarily attributable to the recovery of income taxes related to Glenhuron Bank Limited ("Glenhuron") and the impact of certain non-deductible items.

The Company had been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of the Company that was wound up in 2013, should be treated, and taxed, as income in Canada. In 2021, the Supreme Court of Canada ("Supreme Court") ruled in favour of the Company on the Glenhuron matter. As a result of related assessments received during the first quarter of 2022, the Company has reversed in the quarter $35 million of previously recorded charges, of which $33 million is recorded as income tax recovery and $2 million is recorded as interest income. In addition, interest of $9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds (see note 17).

Note 5. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	March 26, 2022 (12 weeks)	March 27, 2021 (12 weeks)
Net earnings attributable to shareholders of the Company	$ 440	$ 316
Dividends on Preferred Shares in equity (note 13)	(3)	(3)
Net earnings available to common shareholders	$ 437	$ 313
Weighted average common shares outstanding (in millions) (note 13)	333.0	345.9
Dilutive effect of equity-based compensation (in millions)	3.0	1.3
Dilutive effect of certain other liabilities (in millions)	0.7	1.0
Diluted weighted average common shares outstanding (in millions)	336.7	348.2
Basic net earnings per common share ($)	$ 1.31	$ 0.91
Diluted net earnings per common share ($)	$ 1.30	$ 0.90

In the first quarter of 2022, 1,146,441 (2021 – 4,877,627) potentially dilutive instruments were excluded from the computation of diluted net earnings per common share as they were anti-dilutive.

Note 6. Cash and Cash Equivalents and Short Term Investments

The components of cash and cash equivalents and short term investments were as follows:

Cash and Cash Equivalents

(millions of Canadian dollars)	As at March 26, 2022	As at March 27, 2021	As at January 1, 2022
Cash	$ 718	$ 709	$ 849
Cash equivalents			
Government treasury bills	617	387	560
Bankers' acceptances	716	446	543
Corporate commercial paper	2	7	3
Guaranteed investment certificates	21	—	21
Total cash and cash equivalents	$ 2,074	$ 1,549	$ 1,976

Short Term Investments

(millions of Canadian dollars)	As at March 26, 2022	As at March 27, 2021	As at January 1, 2022
Government treasury bills	$ 614	$ 160	$ 361
Bankers' acceptances	30	40	97
Corporate commercial paper	—	—	1
Guaranteed investment certificates	3	26	5
Total short term investments	$ 647	$ 226	$ 464

Note 7. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	**As at March 26, 2022**	As at March 27, 2021	As at January 1, 2022
Gross credit card receivables	**$ 3,533**	$ 3,119	$ 3,648
Allowance for credit card receivables	**(200)**	(217)	(205)
Credit card receivables	**$ 3,333**	$ 2,902	$ 3,443
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust®* (note 11)	**$ 1,350**	$ 1,050	$ 1,350
Securitized to Other Independent Securitization Trusts	**400**	300	450
Total securitized to independent securitization trusts	**$ 1,750**	$ 1,350	$ 1,800

The Company, through President's Choice Bank ("PC Bank"), participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors a co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle Credit Card Trust® ("Eagle")* and Other Independent Securitization Trusts, in accordance with its financing requirements.

The associated liability of *Eagle* is recorded in long term debt (see note 11). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt.

During the first quarter in 2022, PC Bank recorded a $50 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

As at March 26, 2022, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was $36 million (March 27, 2021 – $27 million; January 1, 2022 – $41 million), which represented 9% (March 27, 2021 – 9%; January 1, 2022 – 9%) of the securitized credit card receivables amount.

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at March 26, 2022 and throughout the quarter.

Note 8. Inventories

For inventories recorded as at March 26, 2022, the Company recorded an inventory provision of $68 million (March 27, 2021 – $41 million; January 1, 2022 – $67 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of merchandise inventories sold. There were no reversals of previously recorded write-downs of inventories during the first quarters of 2022 and 2021.

Note 9. Assets Held for Sale

The Company classifies certain assets, primarily land and buildings, that it intends to dispose of in the next 12 months, as assets held for sale. These assets were either originally used in the Company's retail business segment or held in investment properties. In the first quarter of 2022, the Company recorded a gain of $19 million (2021 – net gain of $5 million) from the sale of these assets. No fair value changes or impairment charges were recognized on assets held for sale in the first quarters of 2022 and 2021.

Note 10. Other Assets

The components of other assets were as follows:

(millions of Canadian dollars)		As at March 26, 2022		As at March 27, 2021		As at January 1, 2022
Sundry investments and other receivables	**$**	**63**	$	40	$	54
Accrued benefit plan asset		**440**		216		463
Finance lease receivable		**85**		90		78
Investment accounted for under the equity method		**73**		61		73
Other(i)		**207**		143		134
Total other assets	**$**	**868**	$	550	$	802

(i) Includes $31 million related to the Venture Fund as at March 26, 2022 (March 27, 2021 – $10 million; January 1, 2022 – $29 million) (see note 18).

Note 11. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)		As at March 26, 2022		As at March 27, 2021		As at January 1, 2022
Debentures	**$**	**4,312**	$	4,314	$	4,313
Guaranteed investment certificates		**1,023**		1,159		996
Independent securitization trusts (note 7)		**1,350**		1,050		1,350
Independent funding trusts		**573**		514		570
Transaction costs and other		**(15)**		(14)		(16)
Total long term debt	**$**	**7,243**	$	7,023	$	7,213
Long term debt due within one year		**1,027**		576		1,002
Long term debt	**$**	**6,216**	$	6,447	$	6,211

The Company is required to comply with certain financial covenants for various debt instruments. As at March 26, 2022 and throughout the quarter, the Company was in compliance with the financial covenants.

Debentures There were no debentures issued or repaid in the first quarters of 2022 and 2021.

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions, for the periods ended March 26, 2022 and March 27, 2021:

(millions of Canadian dollars)		March 26, 2022 (12 weeks)		March 27, 2021 (12 weeks)
Balance, beginning of period	**$**	**996**	$	1,185
GICs issued		**34**		1
GICs matured		**(7)**		(27)
Balance, end of period	**$**	**1,023**	$	1,159

Independent Funding Trusts The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts in the amount of $64 million (March 27, 2021 and January 1, 2022 – $64 million), representing not less than 10% (March 27, 2021 and January 1, 2022 – not less than 10%) of the principal amount of loans outstanding.

The revolving committed credit facility that is the source of funding to the independent funding trusts has a maturity date of May 27, 2022. Subsequent to the end of the first quarter of 2022, the Company extended the maturity date to April 14, 2025 with all other terms and conditions remaining substantially the same.

Committed Credit Facility The Company has a $1.0 billion committed credit facility with a maturity date of October 7, 2023, provided by a syndicate of lenders. This committed credit facility contains certain financial covenants. As at March 26, 2022, there were no amounts drawn under this facility (March 27, 2021 and January 1, 2022 – no amounts were drawn).

Long Term Debt Due Within One Year The following table summarizes long term debt due within one year:

(millions of Canadian dollars)	**As at March 26, 2022**	As at March 27, 2021	As at January 1, 2022
Guaranteed investment certificates	**$ 204**	$ 576	$ 182
Independent securitization trusts	**250**	—	250
Independent funding trusts	**573**	—	570
Long term debt due within one year	**$ 1,027**	$ 576	$ 1,002

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

(millions of Canadian dollars)	**March 26, 2022 (12 weeks)**	March 27, 2021 (12 weeks)
Long term debt, beginning of period	**$ 7,213**	$ 7,046
Long term debt issuances(i)	**$ 37**	$ 3
Long term debt repayments	**(7)**	(27)
Total cash flow from/(used in) long term debt financing activities	**$ 30**	$ (24)
Other non-cash changes	**$ —**	$ 1
Long term debt, end of period	**$ 7,243**	$ 7,023

(i) Includes net movements from the independent funding trusts, which are revolving debt instruments.

Note 12. Other Liabilities

The components of other liabilities were as follows:

(millions of Canadian dollars)	**As at March 26, 2022**	As at March 27, 2021	As at January 1, 2022
Net defined benefit plan obligation	**$ 266**	$ 294	$ 289
Other long term employee benefit obligation	**115**	118	115
Financial liabilities (note 18)	**56**	43	54
Equity-based compensation liabilities (note 14)	**3**	3	3
Other	**7**	12	7
Total other liabilities	**$ 447**	$ 470	$ 468

Note 13. Share Capital

Common Shares (authorized – unlimited) Common shares issued are fully paid and have no par value. The activities in the common shares issued and outstanding during the periods were as follows:

	March 26, 2022 (12 weeks)		March 27, 2021 (12 weeks)	
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	**333,527,369**	**$ 6,643**	347,361,480	$ 6,837
Issued for settlement of stock options (note 14)	**733,355**	**49**	124,674	8
Purchased and cancelled	**(1,339,251)**	**(54)**	(5,371,864)	(106)
Issued and outstanding, end of period	**332,921,473**	**$ 6,638**	342,114,290	$ 6,739
Shares held in trust, beginning of period	**(595,495)**	**$ (12)**	(672,784)	$ (13)
Purchased for future settlement of RSUs and PSUs	**(252,000)**	**(5)**	—	—
Released for settlement of RSUs and PSUs (note 14)	**437,338**	**9**	431,095	8
Shares held in trust, end of period	**(410,157)**	**$ (8)**	(241,689)	$ (5)
Issued and outstanding, net of shares held in trust, end of period	**332,511,316**	**$ 6,630**	341,872,601	$ 6,734
Weighted average outstanding, net of shares held in trust (note 5)	**333,048,536**		345,890,274	

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

	March 26, 2022 (12 weeks)	March 27, 2021 (12 weeks)
Dividends declared per share ($)		
Common Share	**$ 0.365**	$ 0.335
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125

(i) The first quarter dividends for 2022 of $0.365 per share declared on Common Shares had a payment date of April 1, 2022. The first quarter dividends for 2022 of $0.33125 per share declared on Second Preferred Shares, Series B had a payment date of March 31, 2022.

(millions of Canadian dollars)	**March 26, 2022 (12 weeks)**	March 27, 2021 (12 weeks)
Dividends declared		
Common Share	**$ 122**	$ 118
Second Preferred Share, Series B (note 5)	**3**	3
Total dividends declared	**$ 125**	$ 121

Subsequent to the end of the first quarter of 2022, the Board declared a quarterly dividend of $0.405 per common share, payable on July 1, 2022 to shareholders of record on June 15, 2022 and a quarterly dividend of $0.33125 per share on the Second Preferred Shares, Series B payable on June 30, 2022 to shareholders of record on June 15, 2022.

Normal Course Issuer Bid Activities under the Company's Normal Course Issuer Bid ("NCIB") during the periods were as follows:

(millions of Canadian dollars except where otherwise indicated)		**March 26, 2022 (12 weeks)**		March 27, 2021 (12 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)[i]		**1,339,251**		5,371,864
Cash consideration paid[ii]	**$**	**125**	$	321
Premium charged to retained earnings[iii]		**244**		244
Reduction in common share capital[iv]		**54**		106
Common shares repurchased under the NCIB and held in trust (number of shares)		**252,000**		—
Cash consideration paid	**$**	**28**	$	—
Premium charged to retained earnings		**23**		—
Reduction in common share capital		**5**		—

(i) Common shares repurchased and cancelled as at March 26, 2022 do not include the shares that may be repurchased subsequent to the end of the quarter under the automatic share repurchase plan, as described below.

(ii) $23 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the first quarter of 2022 was paid in the second quarter of 2022.

(iii) Includes $126 million related to the automatic share purchase plan, as described below.

(iv) Includes $24 million related to the automatic share purchase plan, as described below.

In the second quarter of 2021, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 17,106,459 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares. As at March 26, 2022, the Company had purchased 11,615,273 common shares for cancellation under its current NCIB.

During 2020, the TSX accepted an amendment to the Company's NCIB. The amendment permitted the Company to purchase its common shares from Weston under its NCIB, pursuant to an automatic disposition plan agreement among the Company's broker, the Company and Weston, in order for Weston to maintain its proportionate ownership interest in the Company. The maximum number of common shares that may be purchased pursuant to the NCIB will be reduced by the number of common shares purchased from Weston.

During the first quarter of 2022, 1,339,251 common shares (2021 – 5,371,864) were purchased under the NCIB program for cancellation, for aggregate consideration of $148 million (2021 – $350 million), including 201,851 common shares (2021 – 2,778,077) purchased from Weston, for aggregate consideration of $22 million (2021 – $181 million).

During the first quarter of 2022, the Company entered into an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at March 26, 2022, an obligation to repurchase shares of $150 million was recognized under the ASPP in trade payables and other liabilities.

Note 14. Equity-Based Compensation

The Company's equity-based compensation expense, which includes Stock Option, Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), Director Deferred Share Unit ("DSU") and Executive Deferred Share Unit ("EDSU") plans was $17 million for the first quarter of 2022 (2021 – $17 million). The expense was recognized in selling, general and administrative expenses.

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

(millions of Canadian dollars)	**As at March 26, 2022**	As at March 27, 2021	As at January 1, 2022
Other liabilities (note 12)	**$ 3**	$ 3	$ 3
Contributed surplus	**95**	101	116

The following are details related to the equity-based compensation plans of the Company:

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

(number of options)	**March 26, 2022 (12 weeks)**	March 27, 2021 (12 weeks)
Outstanding options, beginning of period	**6,431,449**	7,259,645
Granted	**1,112,762**	1,714,053
Exercised (note 13)	**(733,355)**	(124,674)
Forfeited/Cancelled	**(69,652)**	(24,629)
Outstanding options, end of period	**6,741,204**	8,824,395

During the first quarter of 2022, the Company granted stock options with a weighted average exercise price of $99.33 (2021 – $62.67). In addition, the Company issued common shares on the exercise of stock options with a weighted average share price during the first quarter of 2022 of $108.54 (2021 – $65.87) and received cash consideration of $43 million (2021 – $7 million).

The fair value of stock options granted during the first quarter of 2022 was $20 million (2021 – $15 million). The assumptions used to measure the fair value of options granted during 2022 and 2021 under the Black-Scholes valuation model at date of grant were as follows:

	March 26, 2022 (12 weeks)	March 27, 2021 (12 weeks)
Expected dividend yield	**1.4 %**	2.1 %
Expected share price volatility	**18.4% – 20.9%**	18.6% – 20.3%
Risk-free interest rate	**1.6%**	0.6% – 1.0%
Expected life of options	**3.7 – 6.2 years**	3.8 – 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at March 26, 2022 was 11.0% (March 27, 2021 – 9.0%).

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

(number of awards)	**March 26, 2022 (12 weeks)**	March 27, 2021 (12 weeks)
Restricted share units, beginning of period	**799,345**	894,272
Granted	**181,322**	278,117
Settled	**(210,577)**	(234,437)
Forfeited	**(7,630)**	(5,446)
Restricted share units, end of period	**762,460**	932,506

The fair value of RSUs granted during the first quarter of 2022 was $18 million (2021 – $17 million).

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

(number of awards)	**March 26, 2022 (12 weeks)**	March 27, 2021 (12 weeks)
Performance share units, beginning of period	**616,417**	666,400
Granted	**220,344**	245,874
Settled	**(234,069)**	(196,658)
Forfeited	**(6,801)**	(14,288)
Performance share units, end of period	**595,891**	701,328

The fair value of PSUs granted during the first quarter of 2022 was $16 million (2021 – $15 million).

Settlement of Awards from Shares Held in Trust During the first quarter of 2022, the Company settled RSUs and PSUs totaling 444,646 (2021 – 431,095), of which 203,872 (2021 – 234,437) and 233,466 (2021 – 196,658) were settled through the trusts established for settlement of each of the RSU and PSU plans (see note 13).

The settlements in the first quarter of 2022 resulted in a $21 million (2021 – $15 million) increase to retained earnings and a $9 million (2021 – $8 million) increase to common share capital.

Note 15. Post-Employment and Other Long Term Employee Benefits

The costs and actuarial gains related to the Company's post-employment and other long term employee benefits during the periods were as follows:

(millions of Canadian dollars)	**March 26, 2022 (12 weeks)**	March 27, 2021 (12 weeks)
Post-employment benefit costs recognized in operating income(i)	**$ 43**	$ 45
Other long term employee benefits costs recognized in operating income(ii)	**8**	8
Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 3)	**—**	2
Actuarial gains before income taxes recognized in other comprehensive income	**15**	92

(i) Includes costs related to the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates.
(ii) Includes costs related to the Company's long term disability plans.

The actuarial gains recognized in the first quarters of 2022 and 2021 were primarily driven by an increase in discount rates, partially offset by lower than expected returns on assets.

Note 16. Financial Instruments

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

				As at March 26, 2022				As at March 27, 2021				As at January 1, 2022
(millions of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Fair value through other comprehensive income:												
Certain long term investments and other assets(i)	**$ 95**	**$ —**	**$ —**	**$ 95**	$ 117	$ —	$ —	$ 117	$ 96	$ —	$ —	$ 96
Derivatives included in prepaid expenses and other assets	**—**	**9**	**—**	**9**	—	1	—	1	—	1	—	1
Fair value through profit and loss:												
Certain other assets(i)	**—**	**—**	**31**	**31**	—	—	10	10	—	—	29	29
Derivatives included in prepaid expenses and other assets	**14**	**—**	**2**	**16**	5	—	3	8	3	2	—	5
Financial liabilities												
Amortized cost:												
Long term debt	**$ —**	**$7,617**	**$ —**	**$7,617**	$ —	$8,026	$ —	$8,026	$ —	$8,106	$ —	$8,106
Certain other liabilities(i)	**—**	**—**	**59**	**59**	—	—	49	49	—	—	57	57
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	**—**	**8**	**—**	**8**	—	—	—	—	—	1	—	1
Fair value through profit and loss:												
Derivatives included in trade payables and other liabilities	**—**	**1**	**—**	**1**	—	7	—	7	—	—	1	1

(i) Certain other assets, certain long term investments and other assets, and certain other liabilities are included in the consolidated balance sheets in other assets and other liabilities, respectively.

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

During the first quarter of 2022, the Company recognized a loss of $1 million (2021 – loss of $1 million) in operating income on financial instruments designated as amortized cost. In addition, during the first quarter of 2022, a net gain of $16 million (2021 – net gain of $4 million) was recorded in earnings before income taxes related to financial instruments required to be classified as fair value through profit or loss.

Embedded Derivatives The Company's level 3 financial instruments classified as fair value through profit or loss consist of embedded derivatives on purchase orders placed in neither Canadian dollars nor the functional currency of the vendor. These derivatives are valued using a market approach based on the differential in exchange rates and timing of settlement. The significant unobservable input used in the fair value measurement is the cost of purchase orders. Significant increases (decreases) in any one of the inputs could result in a significantly higher (lower) fair value measurement.

During the first quarter of 2022, a gain of $3 million (2021 – nominal loss) was recorded in operating income related to these derivatives. In addition, a corresponding $2 million asset was included in prepaid expense and other assets as at March 26, 2022 (March 27, 2021 – $3 million asset; January 1, 2022 – $1 million million liability). As at March 26, 2022, a 1% increase (decrease) in foreign currency exchange rates would result in a gain (loss) in fair value of $1 million.

Securities Investments PC Bank holds investments which are considered part of the liquid securities required to be held to meet its Liquidity Coverage Ratio. As at March 26, 2022, the fair value through other comprehensive income securities of $95 million (March 27, 2021 – $117 million; January 1, 2022 – $96 million) was included in short term investments and other assets on the consolidated balance sheets. During the first quarter of 2022, PC Bank recorded an unrealized fair value loss of $1 million (2021 – nominal unrealized fair value loss) in other comprehensive income related to these investments.

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

			March 26, 2022
(millions of Canadian dollars)	Net asset/ (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Foreign Exchange Forwards[(i)]	$ (8)	$ (8)	$ —
Bond Forwards[(ii)]	7	9	(1)
Interest Rate Swaps[(iii)]	2	1	—
Total derivatives designated as cash flow hedges	$ 1	$ 2	$ (1)
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	$ (1)	$ —	$ (4)
Other Non-Financial Derivatives	14	—	17
Total derivatives not designated in a formal hedging relationship	$ 13	$ —	$ 13
Total derivatives	**$ 14**	**$ 2**	**$ 12**

(i) PC Bank uses foreign exchange forwards, with a notional value of $32 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in trade payables and other liabilities. During the first quarter of 2022, the Company entered into foreign exchange forwards, as described below.

(ii) PC Bank uses bond forwards, with a notional value of $185 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in prepaid expenses and other assets.

(iii) PC Bank uses interest rate swaps, with notional value of $225 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in prepaid expenses and other assets.

During the first quarter of 2022, the Company entered into foreign exchange forwards. The purpose of these forward exchange forwards was to hedge the risk that the future cash flows of an anticipated fixed asset purchase transaction will fluctuate because of changes in foreign exchange rates. The Company concluded that these hedges were effective and accordingly, the gains or losses on these foreign exchange forwards are recognized in other comprehensive income. Upon settlement of these foreign exchange forwards, the accumulated other comprehensive income will be included in the initial cost of the fixed asset.

(millions of Canadian dollars)		Net asset/ (liability) fair value		Gain/(loss) recorded in OCI		Gain/(loss) recorded in operating income
						March 27, 2021
Derivatives designated as cash flow hedges						
Bond Forwards[(i)]	$	1	$	2	$	(2)
Total derivatives designated as cash flow hedges	$	1	$	2	$	(2)
Derivatives not designated in a formal hedging relationship						
Foreign Exchange and Other Forwards	$	(7)	$	—	$	(4)
Other Non-Financial Derivatives		5		—		8
Total derivatives not designated in a formal hedging relationship	$	(2)	$	—	$	4
Total derivatives	$	(1)	$	2	$	2

(i) PC Bank uses bond forwards, with a notional value of $100 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in prepaid expenses and other assets.

Note 17. Contingent Liabilities

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

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

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

Shoppers Drug Mart has been served with an Amended Statement of Claim in a class action proceeding that has been filed in the Ontario Superior Court of Justice ("Superior Court") by two licensed Associates, claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement, in the amount of $500 million. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who are parties to Shoppers Drug Mart's 2002 and 2010 forms of the Associate Agreement. On July 9, 2013, the Superior Court certified as a class proceeding portions of the action. The Superior Court imposed a class closing date based on the date of certification. New Associates after July 9, 2013 are not members of the class. The Company believes this claim is without merit and is vigorously defending it. The Company does not currently have any significant accruals or provisions for this matter recorded in the unaudited interim period condensed consolidated financial statements.

In 2017, the Company and Weston announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits have been commenced against the Company and Weston as well as a number of other major grocery retailers and another bread wholesaler. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Weston believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's cash balances far exceed any realistic damages scenario and therefore it does not anticipate any impacts on its dividend, dividend policy or share buyback plan. The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2022 or prior on the basis that a reliable estimate of the liability cannot be determined at this time. The Company will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated and will record an amount in the period at the earlier of when a reliable estimate of liability can be determined or the matter is ultimately resolved. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Weston will not face criminal charges or penalties.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including the Company and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks unquantified damages for the expenses incurred by the federal government, provinces, and territories of Canada in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in Canada. During the second quarter of 2021, the claim against Loblaw Companies Limited was discontinued. In May 2019, two further opioid-related class actions were commenced in each of Ontario and Quebec against a large group of defendants, including Sanis Health Inc. In February 2022, the plaintiff and Sanis Health Inc. agreed to settle the Quebec action for a nominal amount, with no admission of liability and for the express purpose of avoiding the delays, disruption, and expenses associated with the litigation. The settlement requires the approval of the court, which is pending. In December 2019, a further opioid-related class action was commenced in British Columbia against a large group of defendants, including Sanis Health Inc., Shoppers Drug Mart Inc. and the Company. The allegations in the Ontario, Quebec, and the civil British Columbia class actions are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that these May 2019 and December 2019 claims seek recovery of damages on behalf of opioid users directly. In April 2021, the Company, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with another opioid-related class action that was started in Alberta against multiple defendants. The claim seeks damages on behalf of municipalities and local governments in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. In September 2021, the Company, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with a class action started in Saskatchewan by Peter Ballantyne Cree Nation and Lac La Ronge Indian Band on behalf of all Indigenous, Metis, First Nation and Inuit communities and governments in Canada to recover costs they have incurred as a result of the opioid crisis, including healthcare costs, policing costs and societal costs. The Company believes these proceedings are without merit and is vigorously defending them. The Company does not currently have any significant accruals or provisions for these matters recorded in the unaudited interim period condensed consolidated financial statements.

The Company had been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of the Company that was wound up in 2013, should be treated, and taxed, as income in Canada. In 2021, the Supreme Court ruled in favour of the Company on the Glenhuron matter. As a result of related reassessments received during the first quarter of 2022, the Company has reversed in the quarter $35 million of previously recorded charges, of which $33 million is recorded as income tax recovery and $2 million is recorded as interest income.

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

Note 18. Related Party Transactions

Venture Fund During 2020, Loblaw, Weston and a wholly owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington ("Venture Fund"). The wholly owned subsidiary of Wittington is the general partner of the Venture Fund, which hired an external fund manager to oversee the Venture Fund. The purpose of the Venture Fund is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have a 33% interest in the Venture Fund. The Company has a total capital commitment of $33 million over a 10-year period. To date, the Company has invested $16 million in the Venture Fund, of which $1 million was invested in the first quarter of 2022 (2021 – $3 million) (see note 10).

Disposition of Properties to Choice Properties Real Estate Investment Trust ("Choice Properties") During the first quarter of 2022, the Company disposed of a property to Choice Properties for proceeds of $26 million and recognized a gain of $19 million. This property was not leased back by the Company. There were no dispositions of properties to Choice Properties in the first quarter of 2021.

Financial Liabilities During the first quarter of 2022, the Company disposed of one retail property to Choice Properties for total proceeds of $2 million. The property was leased back by the Company. This transaction did not meet the criteria for sale of asset in accordance with IFRS 15, "Revenue from Contracts with Customers" as the Company did not relinquish control of the property under the terms of the leases. Total proceeds were recognized as financial liabilities. As at March 26, 2022, $3 million (March 27, 2021 – $3 million; January 1, 2022 – $3 million) was recorded in trade payables and other liabilities and $56 million (March 27, 2021 – $43 million; January 1, 2022 – $54 million) was recorded in other liabilities (see note 12) for all properties sold to date that did not meet the criteria for sale of asset. During the first quarter of 2022, $1 million (2021 – $1 million) of interest expense was recognized in net interest expense and other financing charges (see note 3) and $1 million (2021 – nominal) of repayment was made on the financial liabilities to Choice Properties.

Note 19. Segment Information

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. The Retail segment also includes in-store pharmacies and other health and beauty products, apparel and other general merchandise and supports the *PC Optimum*™ Program. 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*™ Program, insurance brokerage services, and telecommunication services.

The Company's chief operating decision maker evaluates segment performance on the basis of adjusted EBITDA[(2)] and adjusted operating income[(2)], as reported to internal management, on a periodic basis.

Information for each reportable operating segment is included below:

	March 26, 2022 (12 weeks)				March 27, 2021 (12 weeks)			
(millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations[(i)]**	**Total**	Retail	Financial Services	Eliminations[(i)]	Total
Revenue[(ii)]	**$12,045**	**$ 274**	**$ (57)**	**$ 12,262**	$ 11,670	$ 253	$ (51)	$ 11,872
Operating income	$ 690	$ 48	$ —	$ 738	$ 553	$ 64	$ —	$ 617
Net interest expense and other financing charges	126	16	—	142	144	16	—	160
Earnings before income taxes	**$ 564**	**$ 32**	**$ —**	**$ 596**	$ 409	$ 48	$ —	$ 457
Operating income	**$ 690**	**$ 48**	**$ —**	**$ 738**	$ 553	$ 64	$ —	$ 617
Depreciation and amortization	621	10	—	631	601	9	—	610
Adjusting items	91	—	—	91	108	—	—	108
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(117)	—	—	(117)	(117)	—	—	(117)
Adjusted EBITDA	$ 1,285	$ 58	$ —	$ 1,343	$ 1,145	$ 73	$ —	$ 1,218
Depreciation and amortization[(iii)]	504	10	—	514	484	9	—	493
Adjusted operating income	**$ 781**	**$ 48**	**$ —**	**$ 829**	$ 661	$ 64	$ —	$ 725

(i) Eliminations includes the reclassification of revenue related to PC® Mastercard® loyalty awards in the Financial Services segment.

(ii) Included in Financial Services revenue is $118 million (2021 – $108 million) of interest income.

(iii) Depreciation and amortization for the calculation of adjusted EBITDA[(2)] excludes $117 million (2021 – $117 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

The Company's revenue, by type of goods or services, is reconciled to the Company's segment revenue:

(millions of Canadian dollars)	**March 26, 2022 (12 weeks)**	March 27, 2021 (12 weeks)
Food retail	**$ 8,682**	$ 8,479
Drug retail		
Pharmacy	**$ 1,724**	$ 1,614
Front store	**1,639**	1,577
	$ 3,363	$ 3,191
Retail total	**$ 12,045**	$ 11,670
Financial Services	**274**	253
Eliminations(i)	**(57)**	(51)
Total	**$ 12,262**	$ 11,872

(i) Eliminations include the reclassification of revenue related to PC® Mastercard® loyalty awards in the Financial Services segment.

(millions of Canadian dollars)	**As at March 26, 2022**	As at March 27, 2021	As at January 1, 2022
Total assets			
Retail	**$ 31,900**	$ 31,018	$ 31,613
Financial Services	**4,713**	4,230	5,001
	$ 36,613	$ 35,248	$ 36,614

(millions of Canadian dollars)	**March 26, 2022 (12 weeks)**	March 27, 2021 (12 weeks)
Additions to fixed assets and intangible assets		
Retail(i)	**$ 182**	$ 197
Financial Services	**4**	6
	$ 186	$ 203

(i) In the first quarter of 2022, there were no additions to fixed assets in the retail segment related to prepayments that were made in 2021 and transferred from other assets. In the first quarter of 2021, additions to fixed assets in the retail segment included prepayments that were made in 2020 and transferred from other assets of $1 million.

Note 20. Subsequent Events

During the first quarter of 2022, the Company agreed to acquire Lifemark Health Group ("Lifemark") for aggregate cash consideration of $845 million. Lifemark is the leading provider of outpatient physiotherapy, massage therapy, occupational therapy, chiropractic, mental health, and other ancillary rehabilitation services through its more than 300 clinics across Canada. Regulatory approvals have been received and the transaction is expected to close on or about May 10, 2022.

Financial Summary[1]

As at or for the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)	2022 (12 weeks)	2021 (12 weeks)
Consolidated Results of Operations		
Revenue	**$ 12,262**	$ 11,872
Revenue growth	**3.3 %**	0.6 %
Operating income	**$ 738**	$ 617
Adjusted EBITDA[2]	**1,343**	1,218
Adjusted EBITDA margin[2]	**11.0 %**	10.3 %
Net interest expense and other financing charges	**$ 142**	$ 160
Adjusted net interest expense and other financing charges[2]	**153**	160
Net earnings	**473**	335
Net earnings attributable to shareholders of the Company	**440**	316
Net earnings available to common shareholders of the Company	**437**	313
Adjusted net earnings available to common shareholders of the Company[2]	**459**	392
Consolidated Per Common Share ($)		
Diluted net earnings	**$ 1.30**	$ 0.90
Adjusted diluted net earnings[2]	**$ 1.36**	$ 1.13
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents and short term investments	**$ 2,721**	$ 1,775
Cash flows from operating activities	**863**	852
Capital investments	**186**	203
Free cash flow[2]	**313**	288
Financial Measures		
Retail debt to rolling year retail adjusted EBITDA[2]	**2.6 x**	2.9 x
Rolling year adjusted return on equity[2]	**17.9 %**	14.2 %
Rolling year adjusted return on capital[2]	**10.1 %**	8.3 %

Financial Summary[1]

As at or for the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)	**2022 (12 weeks)**	2021[3] (12 weeks)
Retail Results of Operations		
Sales	**$ 12,045**	$ 11,670
Operating income	**690**	553
Adjusted gross profit[2]	**3,743**	3,533
Adjusted gross profit %[2]	**31.1 %**	30.3 %
Adjusted EBITDA[2]	**$ 1,285**	$ 1,145
Adjusted EBITDA margin[2]	**10.7 %**	9.8 %
Depreciation and amortization	**$ 621**	$ 601
Retail Operating Statistics		
Food retail same-store sales growth	**2.1 %**	0.1 %
Drug retail same-store sales growth (decline)	**5.2 %**	(1.7)%
Total retail square footage (in millions)	**71.1**	71.0
Number of corporate stores	**538**	550
Number of franchise stores	**554**	546
Number of Associate-owned drug stores	**1,345**	1,345
Financial Services Results of Operations		
Revenue	**$ 274**	$ 253
Earnings before income taxes	**32**	48
Financial Services Operating Measures and Statistics		
Average quarterly net credit card receivables	**$ 3,388**	$ 3,006
Credit card receivables	**3,333**	2,902
Allowance for credit card receivables	**200**	217
Annualized yield on average quarterly gross credit card receivables	**13.2 %**	13.5 %
Annualized credit loss rate on average quarterly gross credit card receivables	**2.5 %**	3.0 %

Financial Results and Financial Summary Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 147 of the Company's 2021 Annual Report - Financial Review.

(2) See Section 11 "Non-GAAP Financial Measures" of the Company's Management's Discussion and Analysis for the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

(3) Certain figures have been restated to conform with current year presentation.

Corporate Profile

Loblaw Companies Limited ("Loblaw") is Canada's food and pharmacy leader, and the nation's largest retailer. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, financial services and wireless mobile products and services. With more than 2,400 corporate, franchised and Associate-owned locations, Loblaw, its franchisees and associate-owners employ more than 190,000 full- and part-time employees, making it one of Canada's largest private sector employers.

Loblaw's purpose - *Live Life Well®* - puts first the needs and well-being of Canadians who make one billion transactions annually in the company's stores. Loblaw is positioned to meet and exceed those needs in many ways: convenient locations; more than 1,050 grocery stores that span the value spectrum from discount to specialty; full-service pharmacies at nearly 1,400 *Shoppers Drug Mart®* and *Pharmaprix®* locations and close to 500 Loblaw locations; *PC Financial®* services; affordable *Joe Fresh®* fashion and family apparel; and four of Canada's top-consumer brands in *Life Brand®*, *Farmer's Market™*, *no name®* and *President's Choice®*.

Trademarks

Loblaw Companies Limited and its subsidiaries own a number of trademarks. Several subsidiaries are licensees of additional trademarks. These trademarks are the exclusive property of Loblaw Companies Limited or the licensor and where used in this report, are in italics.

Shareholder Information

Registrar and Transfer Agent

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Toronto, Canada	Toll free fax: 1-888-453-0330
M5J 2Y1	International direct dial: (514) 982-7555

To change your address or eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

Investor Relations

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Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, President's Choice Bank. The Company holds an analyst call shortly following the release of its quarterly results. These calls are archived in the "Investors" section of the Company's website at loblaw.ca.

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on May 4, 2022 at 10:00 a.m. (ET).

To access via tele-conference, please dial (416) 764-8688 or (888) 390-0546. The playback will be made available approximately two hours after the event at (416) 764-8677 or (888) 390-0541, access code: 356227#. To access via audio webcast, please go to the "Investor" section of loblaw.ca. Pre-registration will be available.

Full details about the conference call and webcast are available on the Loblaw Companies Limited website at loblaw.ca.

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