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Loblaw Companies Limited

First Quarter Report to Shareholders

12 weeks ended March 25, 2023

2023 First Quarter Report to Shareholders

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 2023 unaudited interim period condensed consolidated financial statements and the accompanying notes ("interim financial statements") included in this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2022 and the related MD&A included in the Company's 2022 Annual Report - Financial Review ("2022 Annual Report").

The Company's first quarter 2023 interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting"("IFRS" or "GAAP"), as issued by the International Accounting Standards Board ("IASB"). These interim financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except when otherwise noted.

Management uses non-GAAP and other financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. The Company adjusts for these items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring. See Section 11 "Non-GAAP and Other Financial Measures" for more information on the Company's non-GAAP and other financial measures.

A glossary of terms used throughout this Quarterly Report can be found at the back of the Company's 2022 Annual Report.

The information in this MD&A is current to May 2, 2023, 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 implementations. 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 and Other Financial Measures". Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

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

Numerous risks and uncertainties could cause the Company’s actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the Company’s MD&A in the 2022 Annual Report, and the Company’s 2022 Annual Information Form (“AIF”) for the year ended December 31, 2022. Such risks and uncertainties include:

- changes in economic conditions, including inflation, levels of employment, costs of borrowing, household debt, political uncertainty and government regulation, the impact of natural disasters, war or acts of terrorism, pandemics, changes in interest rates, tax rates, or exchange rates, and access to consumer credit;
- failure to attract and retain colleagues may impact the Company’s ability to effectively operate and achieve financial performance goals;
- 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;
- 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;
- changes to any of the laws, rules, regulations or policies applicable to the Company’s business;
- 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 adapt to environmental and social risks, including failure to execute against the Company’s climate change and social equity initiatives;
- 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 effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- 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 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;
- failure to realize benefits from investments in the Company’s new IT systems and related processes;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink; and
- reliance on the performance and retention of third party service providers, including those associated with the Company’s supply chain and apparel business and located in both advanced and developing markets.

This is not an exhaustive list of the factors that may affect the Company’s forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company’s materials filed with the Canadian securities regulatory authorities (“securities regulators”) from time to time, including, without limitation, the section entitled "Risks" in the Company's 2022 AIF (for the year ended December 31, 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 25, 2023 and March 26, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	2022 (12 weeks)
Consolidated:		
Revenue growth	**6.0 %**	3.3 %
Operating income	**$ 769**	$ 738
Adjusted EBITDA[2]	**1,448**	1,343
Adjusted EBITDA margin[2]	**11.1 %**	11.0 %
Net earnings	**$ 437**	$ 473
Net earnings attributable to shareholders of the Company	**421**	440
Net earnings available to common shareholders of the Company[i]	**418**	437
Adjusted net earnings available to common shareholders of the Company[2]	**505**	459
Diluted net earnings per common share ($)	**$ 1.29**	$ 1.30
Adjusted diluted net earnings per common share[2] ($)	**$ 1.55**	$ 1.36
Cash and cash equivalents and short term investments	**$ 1,710**	$ 2,721
Cash flows from operating activities	**915**	863
Capital investments[ii]	**315**	186
Free cash flow[2]	**147**	313
Financial Measures:		
Retail debt to rolling year retail adjusted EBITDA[2]	**2.4 x**	2.6 x
Rolling year adjusted return on equity[2]	**20.4 %**	17.9 %
Rolling year adjusted return on capital[2]	**10.9 %**	10.1 %
Retail Segment:		
Food retail same-store sales growth	**3.1 %**	2.1 %
Drug retail same-store sales growth	**7.4 %**	5.2 %
Operating income	**$ 726**	$ 690
Adjusted gross profit[2]	**3,980**	3,743
Adjusted gross profit %[2]	**31.3 %**	31.1 %
Adjusted EBITDA[2]	**$ 1,390**	$ 1,285
Adjusted EBITDA margin[2]	**10.9 %**	10.7 %
Financial Services Segment:		
Earnings before income taxes	**$ 12**	$ 32
Annualized yield on average quarterly gross credit card receivables	**13.7 %**	13.2 %
Annualized credit loss rate on average quarterly gross credit card receivables	**3.7 %**	2.5 %

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

(ii) Capital investments is the sum of fixed asset additions and intangible asset additions as presented in the Company's consolidated statements of cash flows.

3. Consolidated Results of Operations

For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars except where otherwise indicated)	2023 (12 weeks)	2022 (12 weeks)	$ Change	% Change
Revenue	**$ 12,995**	$ 12,262	$ 733	6.0 %
Operating income	**769**	738	31	4.2 %
Adjusted EBITDA(2)	**1,448**	1,343	105	7.8 %
Adjusted EBITDA margin(2)	**11.1 %**	11.0 %		
Depreciation and amortization	**$ 675**	$ 631	$ 44	7.0 %
Net interest expense and other financing charges	**181**	142	39	27.5 %
Adjusted net interest expense and other financing charges(2)	**181**	153	28	18.3 %
Income taxes	**151**	123	28	22.8 %
Adjusted income taxes(2)	**182**	181	1	0.6 %
Effective tax rate	**25.7 %**	20.6 %		
Adjusted effective tax rate(2)	**25.8 %**	26.8 %		
Net earnings attributable to non-controlling interests	**$ 16**	$ 33	$ (17)	(51.5)%
Net earnings attributable to shareholders of the Company	**$ 421**	$ 440	$ (19)	(4.3)%
Net earnings available to common shareholders of the Company(i)	**418**	437	(19)	(4.3)%
Adjusted net earnings available to common shareholders of the Company(2)	**505**	459	46	10.0 %
Diluted net earnings per common share ($)	**$ 1.29**	$ 1.30	$ (0.01)	(0.8)%
Adjusted diluted net earnings per common share(2) ($)	**$ 1.55**	$ 1.36	$ 0.19	14.0 %
Diluted weighted average common shares outstanding (in millions)	**324.8**	336.7		

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

Loblaw's sales and earnings growth continued to reflect its focus on retail excellence. Drug Retail sales were led by continued strength in higher margin beauty and cough and cold products. Drug Retail sales growth rates were further magnified by lapping Omicron related lockdowns last year. Food Retail sales growth accelerated through the quarter, after lapping lockdown related benefits in the first part of 2022. This was the case in both Market and Discount stores, though the latter continued to outperform, benefiting from the heightened consumer focus on price. Total Retail gross margin increased due to higher sales growth in more profitable front-store sales in drug stores, offsetting a slight decline in Food Retail gross margin as costs continued to increase faster than prices. Higher sales and cost control leverage drove earnings in the quarter.

Net Earnings Available to Common Shareholders of the Company and Diluted Net Earnings Per Common Share
Net earnings available to common shareholders of the Company in the first quarter of 2023 were $418 million ($1.29 per common share). When compared to the first quarter of 2022, this represented a decrease of $19 million ($0.01 per common share). The decrease included an unfavourable change in adjusting items totaling $65 million, which were partially offset by the improvements in the underlying operating performance of $46 million as described below:

- the unfavourable change in adjusting items totaling $65 million ($0.20 per common share) was primarily due to the following:
  - the unfavourable impact of prior year recovery related to Glenhuron Bank Limited ("Glenhuron") of $42 million ($0.13 per common share);
  - the unfavourable impact of prior year restructuring and other related recoveries of $14 million ($0.04 per common share); and
  - the year-over year unfavourable change in fair value adjustment on fuel and foreign currency contracts of $13 million ($0.03 per common share).
- the improvement in underlying operating performance of $46 million ($0.13 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 selling, general and administrative expenses ("SG&A") and depreciation and amortization; and
  - the favourable impact from non-controlling interests;

  partially offset by,
  - the unfavourable increase in interest expense.
- diluted net earnings per common share also included the favourable impact from the repurchase of common shares over the last 12 months ($0.06 per common share).

Adjusted net earnings available to common shareholders of the Company[(2)] were $505 million, an increase of $46 million or 10.0% compared to the first quarter of 2022. Adjusted net earnings per common share[(2)] were $1.55, an increase of $0.19 or 14.0%. The increase includes the favourable impact from the repurchase of common shares.

Revenue

For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	2022 (12 weeks)	$ Change	% Change
Retail	**$ 12,735**	$ 12,045	$ 690	5.7 %
Financial Services	**326**	274	52	19.0 %
Eliminations	**(66)**	(57)	(9)	(15.8)%
Revenue	**$ 12,995**	$ 12,262	$ 733	6.0 %

Revenue was $12,995 million in the first quarter of 2023. When compared to the first quarter of 2022, this represented an increase of $733 million, or 6.0%. The increase was primarily driven by an increase in Retail segment sales of $690 million due to positive same-store sales growth and Lifemark Health Group ("Lifemark") revenues. Furthermore, there was an increase in Financial Services segment sales of $52 million.

Operating Income Operating income was $769 million in the first quarter of 2023. When compared to the first quarter of 2022, this represented an increase of $31 million, or 4.2%. The increase was driven by an improvement in underlying operating performance of $58 million, partially offset by the unfavourable change in adjusting items totaling $27 million as described below:

- the improvement in underlying operating performance of $58 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.
- the unfavourable change in adjusting items totaling $27 million was primarily due to the following:
  - the year-over-year unfavourable change in fair value adjustments on fuel and foreign currency contracts of $17 million; and
  - the unfavourable impact of prior year restructuring and other related recoveries of $15 million.

Adjusted EBITDA(2)

For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	2022 (12 weeks)	$ Change	% Change
Retail	**$ 1,390**	$ 1,285	$ 105	8.2 %
Financial Services	**58**	58	—	— %
Adjusted EBITDA(2)	**$ 1,448**	$ 1,343	$ 105	7.8 %

Adjusted EBITDA(2) was $1,448 million in the first quarter of 2023. When compared to the first quarter of 2022, this represented an increase of $105 million or 7.8%. The increase was due to an increase in the Retail segment of $105 million.

Depreciation and Amortization Depreciation and amortization was $675 million, an increase of $44 million or 7.0% compared to the first quarter of 2022. The increase in depreciation and amortization in the first quarter of 2023 was primarily driven by an increase in depreciation of IT assets, leased assets, accelerated depreciation of $10 million (2022 – nil) due to the reassessment of the estimated useful life of certain IT assets and accelerated depreciation of $7 million (2022 – nil) as a result of network optimization. Depreciation and amortization in the first quarter of 2023 included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and Lifemark of $114 million (2022 – $117 million).

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $181 million, an increase of $39 million or 27.5% compared to the first quarter of 2022. The increase was primarily driven by prior year interest income related to Glenhuron, an increase in interest expense from borrowings related to credit card receivables, lease liabilities, long term debt, and independent funding trusts. This was partially offset by higher interest income on certain short term investments.

Income Taxes Income tax expense in the first quarter of 2023 was $151 million (2022 – $123 million) and the effective tax rate was 25.7% (2022 – 20.6%). The increase in the effective tax rate was primarily attributable to the recovery of income taxes related to Glenhuron in 2022, partially offset by the non-taxable portion of the gain from real estate dispositions during the first quarter. Adjusted income tax expense(2) in the first quarter of 2023 was $182 million (2022 – $181 million) and the adjusted effective tax rate(2) was 25.8% (2022 – 26.8%). The decrease in the adjusted effective tax rate was primarily attributable to the non-taxable portion of the gain from real estate dispositions during the first quarter.

Net Earnings Attributable To Non-Controlling Interests Net earnings attributable to non-controlling interests was $16 million, a decrease of $17 million or 51.5% compared to the first quarter of 2022. 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 decrease in non-controlling interests was primarily driven by a decline in franchisee earnings after profit sharing.

MD&A Footnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 144 of the Company's 2022 Annual Report.

(2) See Section 11 "Non-GAAP and Other Financial Measures", which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

4. Reportable Operating Segments Results of Operations

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

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

4.1 Retail Segment

For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	2022 (12 weeks)	$ Change	% Change
Sales	**$ 12,735**	$ 12,045	$ 690	5.7 %
Operating income	**726**	690	36	5.2 %
Adjusted gross profit(2)	**3,980**	3,743	237	6.3 %
Adjusted gross profit %(2)	**31.3 %**	31.1 %		
Adjusted EBITDA(2)	**$ 1,390**	$ 1,285	$ 105	8.2 %
Adjusted EBITDA margin(2)	**10.9 %**	10.7 %		
Depreciation and amortization	**$ 660**	$ 621	$ 39	6.3 %

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

For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**		2022 (12 weeks)	
	Sales	**Same-store sales**	Sales	Same-store sales
Food retail	**$ 9,011**	**3.1 %**	$ 8,682	2.1 %
Drug retail	**3,724**	**7.4 %**	3,363	5.2 %
Pharmacy and healthcare services	**1,924**	**4.7 %**	1,724	6.8 %
Front store	**1,800**	**10.3 %**	1,639	3.6 %

Sales Retail segment sales were $12,735 million in the first quarter of 2023, an increase of $690 million, or 5.7% compared to the first quarter of 2022, primarily driven by the following factors:

- Food retail same-store sales growth was 3.1% (2022 – 2.1%) for the quarter, including the negative impact of 1.1% related to the timing of New Year's Day. Food retail same-store sales were also negatively impacted by higher than normal eat-at-home levels in the prior year.
    - Sales growth in food was strong;
    - Sales decline in pharmacy was marginal;
    - The Consumer Price Index as measured by The Consumer Price Index for Food Purchased From Stores was 10.5% (2022 – 7.5%) which was generally in line with the Company's internal food inflation; and
    - Food Retail traffic increased and basket size decreased.
- Drug retail same-store sales growth was 7.4% (2022 – 5.2%) for the quarter.
    - Pharmacy and healthcare services same-store sales growth was 4.7% (2022 – 6.8%). Pharmacy and healthcare services same-store sales growth benefited from an increase in acute and chronic prescription volumes. The number of prescriptions dispensed decreased by 2.4% driven by a decline in COVID testing and vaccines (2022 – increased by 5.8%). On a same-store basis, the number of prescriptions dispensed decreased by 1.9% (2022 – increased by 5.8%) and the average prescription value increased by 6.0% (2022 – 0.4%);
    - Pharmacy and healthcare services sales include Lifemark revenues of $118 million. Lifemark revenues are excluded from same-store sales; and
    - Front store same-store sales growth was 10.3% (2022 – 3.6%). Front store same-store sales growth benefited from the economic re-opening and higher consumer spending.

In the last 12 months, 11 food and drug stores were opened, and 9 food and drug stores were closed, and net retail square footage has remained consistent at 71.1 million square feet.

Operating Income Operating income was $726 million in the first quarter of 2023, an increase of $36 million, or 5.2% compared to the first quarter of 2022. The increase was driven by an improvement in underlying operating performance of $63 million, partially offset by the unfavourable change in adjusting items totaling $27 million, as described below:

- the improvement in underlying operating performance of $63 million was primarily from an increase in adjusted gross profit[(2)], partially offset by an increase in SG&A and depreciation and amortization; and
- the unfavourable change in adjusting items totaling $27 million was primarily due to the following:
    - the year-over-year unfavourable change in fair value adjustments on fuel and foreign currency contracts of $17 million; and
    - the unfavourable impact of prior year restructuring and other related recoveries of $15 million.

Adjusted Gross Profit[(2)] Adjusted gross profit[(2)] was $3,980 million in the first quarter of 2023, an increase of $237 million, or 6.3% compared to 2022. Adjusted gross profit percentage[(2)] of 31.3% increased by 20 basis points when compared to the first quarter of 2022, primarily driven by growth in higher margin Drug Retail front store categories, partially offset by a slight decrease in Food Retail margins.

Adjusted EBITDA[(2)] Adjusted EBITDA[(2)] was $1,390 million in the first quarter of 2023, an increase of $105 million, or 8.2% compared to the first quarter of 2022. The increase was driven by an increase in adjusted gross profit[(2)] of $237 million, partially offset by an increase in SG&A of $132 million. SG&A as a percentage of sales was 20.3%, a favourable decrease of 10 basis points when compared to the first quarter of 2022. The favourable decrease of 10 basis points was primarily due to operating leverage from higher sales.

Depreciation and Amortization Depreciation and amortization was $660 million in the first quarter of 2023, an increase of $39 million when compared to the first quarter of 2022. The increase in depreciation and amortization was primarily driven by an an increase in depreciation of IT assets, leased assets, accelerated depreciation of $10 million (2022 – nil) due to the reassessment of the estimated useful life of certain IT assets and accelerated depreciation of $7 million (2022 – nil) as a result of network optimization. Included in depreciation and amortization was and the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of $114 million (2022 – $117 million).

Network Optimization The Company recorded charges of $15 million associated with network optimization, which include accelerated depreciation of $7 million as described above, and other charges.

Real Estate Dispositions In the first quarter of 2023, the Company disposed of sixteen real estate properties for proceeds of $87 million (2022 – $13 million). Real estate disposition proceeds will be used to partially fund increased capital investments.

4.2 Financial Services Segment

For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars except where otherwise indicated)	2023 (12 weeks)	2022 (12 weeks)	$ Change	% Change
Revenue	$ 326	$ 274	$ 52	19.0 %
Earnings before income taxes	12	32	(20)	(62.5)%

(millions of Canadian dollars except where otherwise indicated)	As at March 25, 2023	As at March 26, 2022	$ Change	% Change
Average quarterly net credit card receivables	$ 3,851	$ 3,388	$ 463	13.7 %
Credit card receivables	3,748	3,333	415	12.5 %
Allowance for credit card receivables	212	200	12	6.0 %
Annualized yield on average quarterly gross credit card receivables	13.7 %	13.2 %		
Annualized credit loss rate on average quarterly gross credit card receivables	3.7 %	2.5 %		

Revenue Revenue was $326 million in the first quarter of 2023, an increase of $52 million compared to the first quarter of 2022. The increase was primarily driven by:

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

Earnings before income taxes Earnings before income taxes were $12 million in the first quarter of 2023, a decrease of $20 million compared to the first quarter of 2022. The decrease was primarily driven by:

- the year-over-year impact of the expected credit loss provision from lapping the prior year release of $5 million versus the current year increase of $6 million; and
- higher loyalty program costs, operating costs, contractual charge-off and funding costs from an increase in customer spending and the growth of the credit card portfolio;

partially offset by,

- higher revenue as described above.

Credit Card Receivables As at March 25, 2023, credit card receivables were $3,748 million, an increase of $415 million compared to March 26, 2022. This increase was primarily driven by growth in the active customer base and an increase in customer spending. The allowance for credit card receivables was $212 million, an increase of $12 million compared to March 26, 2022.

5. Liquidity and Capital Resources

5.1 Cash Flows

Major Cash Flow Components

For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars except where otherwise indicated)		2023 (12 weeks)		2022 (12 weeks)		$ Change	% Change
Cash and cash equivalents, beginning of period	**$**	**1,608**	$	1,976	$	(368)	(18.6)%
Cash flows from (used in):							
Operating activities	**$**	**915**	$	863	$	52	6.0 %
Investing activities		**(454)**		(410)		(44)	(10.7)%
Financing activities		**(906)**		(356)		(550)	(154.5)%
Effect of foreign currency exchange rate changes on cash and cash equivalents		**(1)**		1		(2)	(200.0)%
(Decrease) increase in cash and cash equivalents	**$**	**(446)**	$	98	$	(544)	(555.1)%
Cash and cash equivalents, end of period	**$**	**1,162**	$	2,074	$	(912)	(44.0)%

Cash Flows from Operating Activities Cash flows from operating activities were $915 million in the first quarter of 2023, an increase of $52 million compared to the first quarter of 2022. The increase in cash flows from operating activities was primarily driven by higher payments from cardholders and higher cash earnings, partially offset by net lower income taxes paid in 2022 due to the recovery of cash taxes related to Glenhuron.

Cash Flows used in Investing Activities Cash flows used in investing activities were $454 million in the first quarter of 2023, an increase of $44 million compared to the first quarter of 2022. The increase in cash flows used in investing activities was primarily driven by an increase in investments in fixed and intangible assets, partially offset by higher proceeds from disposal of assets.

Capital Investments and Store Activity

As at March 25, 2023 and March 26, 2022	2023 (12 weeks)	2022 (12 weeks)	% Change
Corporate square footage (in millions)	**34.9**	34.8	0.3 %
Franchise square footage (in millions)	**17.2**	17.4	(1.1)%
Associate-owned drug store square footage (in millions)	**19.0**	18.9	0.5 %
Total retail square footage (in millions)	**71.1**	71.1	— %
Number of corporate stores(i)	**548**	541	1.3 %
Number of franchise stores	**551**	554	(0.5)%
Number of Associate-owned drug stores	**1,343**	1,345	(0.1)%
Total number of stores	**2,442**	2,440	0.1 %
Average store size (square feet)			
Corporate(i)	**63,700**	64,300	(0.9)%
Franchise	**31,200**	31,400	(0.6)%
Associate-owned drug store	**14,100**	14,100	— %

(i) Comparative figures for the number of corporate stores has been restated to conform with current year presentation, which separately counts in-store health clinics.

Capital Investments Capital investments in the first quarter of 2023 were $315 million, an increase of $129 million or 69.4%, compared to the first quarter of 2022.

Cash Flows used in Financing Activities Cash flows used in financing activities were $906 million in the first quarter of 2023, an increase of $550 million compared to the first quarter of 2022. The increase in cash flows used in financing activities was primarily driven by higher repurchases of common shares in the current year and a decrease in bank indebtedness.

Free Cash Flow[(2)]

	2023 (12 weeks)				2022 (12 weeks)			
For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations[(i)]**	**Total**	Retail	Financial Services	Eliminations[(i)]	Total
Cash flows from (used in) operating activities	**$ 652**	**$ 237**	**$ 26**	**$ 915**	$ 748	$ 103	$ 12	$ 863
Less:								
Capital investments[(ii)]	**306**	**9**	**—**	**315**	182	4	—	186
Interest paid	**80**	**—**	**26**	**106**	70	—	12	82
Lease payments, net	**347**	**—**	**—**	**347**	282	—	—	282
Free cash flow[(2)]	**$ (81)**	**$ 228**	**$ —**	**$ 147**	$ 214	$ 99	$ —	$ 313

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

(ii) Capital investments are the sum of fixed asset additions and intangible asset additions as presented in the Company's condensed consolidated statements of cash flows.

Free cash flow[(2)] used in the Retail segment in the first quarter of 2023 was $81 million, an increase of $295 million when compared to the first quarter of 2022. The increase was primarily driven by net higher income taxes paid in the current year due to the recovery of cash taxes related to Glenhuron in the prior year, partially offset by higher cash earnings. Higher capital investments also negatively impacted Retail segment free cash flow compared to the same periods in 2022.

Free cash flow[(2)] from the Financial Services segment in the first quarter of 2023 was $228 million, an increase of $129 million compared to the first quarter of 2022. The increase was primarily driven by higher payments from cardholders, and lower 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®* notes and Guaranteed Investment Certificates ("GICs").

The following table presents total debt by reportable operating segment:

			As at March 25, 2023			As at March 26, 2022			As at December 31, 2022
(millions of Canadian dollars)	**Retail**	**Financial Services**	**Total**	Retail	Financial Services	Total	Retail	Financial Services	Total
Bank indebtedness	**$ 25**	**$ —**	**$ 25**	$ 250	$ —	$ 250	$ 8	$ —	$ 8
Demand deposits from customers	**—**	**131**	**131**	—	87	87	—	125	125
Short term debt(i)	**—**	**600**	**600**	—	400	400	—	700	700
Long term debt due within one year	**—**	**708**	**708**	573	454	1,027	—	727	727
Long term debt	**4,853**	**2,178**	**7,031**	4,297	1,919	6,216	4,866	2,190	7,056
Certain other liabilities(ii)	**240**	**—**	**240**	133	—	133	153	—	153
Total debt excluding lease liabilities	**$ 5,118**	**$ 3,617**	**$ 8,735**	$ 5,253	$ 2,860	$ 8,113	$ 5,027	$ 3,742	$ 8,769
Lease liabilities due within one year	**1,409**	**—**	**1,409**	1,361	—	1,361	1,401	—	1,401
Lease liabilities	**7,782**	**—**	**7,782**	7,469	—	7,469	7,714	—	7,714
Total debt including total lease liabilities	**$14,309**	**$ 3,617**	**$17,926**	$14,083	$2,860	$16,943	$14,142	$3,742	$17,884

(i) During the first quarter in 2023, PC Bank recorded a $100 million net reduction of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

(ii) As at March 25, 2023, certain other liabilities include financial liabilities of $160 million related to the sale and leaseback of retail properties to Choice Properties Real Estate Investment Trust (March 26, 2022 — $59 million, December 31, 2022 — $73 million).

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

	As at March 25, 2023	As at March 26, 2022	As at December 31, 2022
Retail debt to rolling year retail adjusted EBITDA(2)	**2.4 x**	2.6 x	2.4 x

The Retail debt to rolling year retail adjusted EBITDA(2) ratio as at March 25, 2023 decreased compared to March 26, 2022, primarily due to an improvement in rolling year adjusted EBITDA(2). The Retail debt to rolling year retail adjusted EBITDA(2)) ratio as at March 25, 2023 remained consistent with the ratio as at December 31, 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 25, 2023 and throughout the first quarter, the Company was in compliance with such covenants. As at March 25, 2023 and throughout the first quarter, PC Bank has met all applicable regulatory requirements.

5.3 Financial Condition

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

	As at March 25, 2023	As at March 26, 2022	As at December 31, 2022
Rolling year adjusted return on equity[(2)]	**20.4 %**	17.9 %	20.2 %
Rolling year adjusted return on capital[(2)]	**10.9 %**	10.1 %	10.8 %

Rolling year adjusted return on equity[(2)] as at March 25, 2023 increased compared to March 26, 2022 and December 31, 2022, primarily due to an improvement in the underlying operating performance of the Retail segment on a rolling four quarter basis.

Rolling year adjusted return on capital[(2)] as at March 25, 2023 increased compared to March 26, 2022 and December 31, 2022, primarily due to an improvement in tax-effected adjusted operating income[(2)] on a rolling four quarter basis.

5.4 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

5.5 Dividends and Share Repurchases

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

	March 25, 2023[(i)] (12 weeks)	March 26, 2022 (12 weeks)
Dividends declared per share ($)		
Common Share	**$ 0.405**	$ 0.365
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125

(i) The Common Share dividends declared in the first quarter of 2023 of $0.405 per share had a payment date of April 1, 2023. The Second Preferred Shares, Series B dividends declared in the first quarter of 2023 of $0.33125 per share had a payment date of March 31, 2023.

Subsequent to the end of the first quarter of 2023, the Board of Directors declared a quarterly dividend of $0.446 per common share, payable on July 1, 2023 to shareholders of record on June 15, 2023 and a quarterly dividend of $0.33125 per share on the Second Preferred Shares, Series B payable on June 30, 2023 to shareholders of record on June 15, 2023.

During the first quarter of 2023, 3,258,266 common shares (2022 – 1,339,251) were purchased under the Normal Course Issuer Bid ("NCIB") program for cancellation, for aggregate consideration of $383 million (2022 – $148 million), including 1,601,915 common shares (2022 – 201,851) purchased from George Weston Ltd., for aggregate consideration of $188 million (2022 – $22 million).

For additional information please refer to Note 10 "Share Capital" of the Company's first quarter 2023 interim financial statements.

5.6 Off-Balance Sheet Arrangements

The Company uses off-balance sheet arrangements including letters of credit, guarantees and cash collateralization in connection with certain obligations. There were no significant changes to these off-balance sheet arrangements during the first quarter of 2023. For a discussion of the Company's significant off-balance sheet arrangements see Section 7.7 "Off-Balance Sheet Arrangements" of the Company's 2022 Annual Report.

6. Financial Derivative Instruments

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

During the first quarter of 2023, PC Bank entered into bond forward agreements with total notional value of $135 million (2022 – $65 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 had included any fluctuations relating to the bond forwards in other comprehensive income.

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 2023 see Section 11 "Non-GAAP and Other Financial Measures" of the MD&A.

7. Results by Quarter

The Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks due to an accounting convention common in the retail industry. Fiscal years 2022 and 2021 were both 52 weeks. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration.

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

Summary of Consolidated Quarterly Results

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	**2022 (12 weeks)**	2022 (12 weeks)	2021 (12 weeks)	2022 (16 weeks)	2021 (16 weeks)	2022 (12 weeks)	2021 (12 weeks)
Revenue	**$12,995**	**$12,262**	$14,007	$12,757	$17,388	$16,050	$12,847	$12,491
Adjusted EBITDA[(2)]	**1,448**	**1,343**	1,493	1,324	1,846	1,674	1,499	1,371
Net earnings available to common shareholders of the Company	**418**	**437**	529	744	556	431	387	375
Adjusted net earnings available to common shareholders of the Company[(2)]	**505**	**459**	575	515	663	540	566	464
Net earnings per common share:								
Basic ($)	**$ 1.30**	**$ 1.31**	$ 1.63	$ 2.23	$ 1.71	$ 1.28	$ 1.17	$ 1.10
Diluted ($)	**$ 1.29**	**$ 1.30**	$ 1.62	$ 2.20	$ 1.69	$ 1.27	$ 1.16	$ 1.09
Adjusted diluted net earnings per common share[(2)] ($)	**$ 1.55**	**$ 1.36**	$ 1.76	$ 1.52	$ 2.01	$ 1.59	$ 1.69	$ 1.35
Food retail same-store sales growth (decline)	**3.1 %**	**2.1 %**	8.4 %	1.1 %	6.9 %	0.2 %	0.9 %	(0.1)%
Drug retail same-store sales growth	**7.4 %**	**5.2 %**	8.7 %	7.9 %	7.7 %	4.4 %	5.6 %	9.6 %

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 timing of holidays;
- macro-economic conditions impacting food and drug retail prices; and
- changes in net retail square footage. Over the past eight quarters, net retail square footage has increased by 0.1 million square feet to 71.1 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 timing of holidays;
- cost savings from operating efficiencies and benefits from strategic initiatives;
- the 2021 reversal of certain commodity taxes accrued;
- the favourable impact of the repurchase of common shares for cancellation; and
- the impact of adjusting items, as set out in Section 11 "Non-GAAP and Other Financial Measures", including:
  - fair value adjustment on fuel and foreign currency;
  - the gain and loss on sale of non-operating properties;
  - Lifemark transaction costs;
  - charge related to PC Bank commodity tax matter;
  - restructuring and other related recoveries and costs;
  - fair value adjustment on non-operating properties; and
  - the recovery relating to Glenhuron.

8. Internal Control over Financial Reporting

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

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

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 2023 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

9. Enterprise Risks and Risk Management

A detailed full set of risks inherent in the Company's business are included in the Company's AIF for the year ended December 31, 2022 and the Company's MD&A in the Company's 2022 Annual Report, which are hereby incorporated by reference. The Company's 2022 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 while advancing its growth initiatives in 2023. The Company's businesses remain well placed to service the everyday needs of Canadians. However, the Company cannot predict the precise impacts of global economic uncertainties, including the inflationary environment, on its 2023 financial results.

For the full-year 2023, the Company continues to expect:

- its Retail business to grow earnings faster than sales;
- adjusted net earnings per common share[2] growth in the low double digits;
- to increase investments in our store network and distribution centres by investing a net amount of $1.6 billion in capital expenditures, which reflects gross capital investments of approximately $2.1 billion offset by approximately $500 million of proceeds from real estate dispositions; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

11. Non-GAAP and Other Financial Measures

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

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

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

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

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

				2023 (12 weeks)				2022 (12 weeks)
For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations**	**Total**	Retail	Financial Services	Eliminations	Total
Revenue	**$ 12,735**	**$ 326**	**$ (66)**	**$ 12,995**	$ 12,045	$ 274	$ (57)	$ 12,262
Cost of sales	**8,755**	**33**	**—**	**8,788**	8,302	33	—	8,335
Gross profit	**$ 3,980**	**$ 293**	**$ (66)**	**$ 4,207**	$ 3,743	$ 241	$ (57)	$ 3,927
Adjusted gross profit	**$ 3,980**	**$ 293**	**$ (66)**	**$ 4,207**	$ 3,743	$ 241	$ (57)	$ 3,927

MD&A Footnotes

(3) To be read in conjunction with Section 1 "Forward-Looking Statements".

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.

			2023 (12 weeks)			2022 (12 weeks)
For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Total**	Retail	Financial Services	Total
Net earnings attributable to shareholders of the Company			**$ 421**			$ 440
Add (deduct) impact of the following:						
Non-controlling interests			**16**			33
Net interest expense and other financing charges			**181**			142
Income taxes			**151**			123
Operating income	**$ 726**	**$ 43**	**$ 769**	$ 690	$ 48	$ 738
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 114**	**$ —**	**$ 114**	$ 117	$ —	$ 117
Fair value adjustment on fuel and foreign currency contracts	**3**	**—**	**3**	(14)	—	(14)
Loss on sale of non-operating properties	**1**	**—**	**1**	—	—	—
Lifemark transaction costs	**—**	**—**	**—**	3	—	3
Restructuring and other related recoveries	**—**	**—**	**—**	(15)	—	(15)
Adjusting items	**$ 118**	**$ —**	**$ 118**	$ 91	$ —	$ 91
Adjusted operating income	**$ 844**	**$ 43**	**$ 887**	$ 781	$ 48	$ 829
Depreciation and amortization	**660**	**15**	**675**	621	10	631
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(114)**	**—**	**(114)**	(117)	—	(117)
Adjusted EBITDA	**$ 1,390**	**$ 58**	**$ 1,448**	$ 1,285	$ 58	$ 1,343

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

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

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

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.

Loss on sale of non-operating properties In the first quarter of 2023, the Company recorded a loss related to the sale of non-operating properties of $1 million (2022 – nil).

Lifemark transaction costs In connection with the acquisition of Lifemark during 2022, the Company recorded acquisition costs of $3 million in operating income in the first quarter of 2022.

Restructuring and other related (recoveries) 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 2023, the Company did not record any restructuring and other related recoveries or charges (2022 – recovery of $15 million). The recoveries recognized in 2022 were mainly in connection to the previously announced closure of two distribution centres in Laval and Ottawa. The Company invested to build a modern and efficient expansion to its Cornwall distribution centre to serve its food and drug retail businesses in Ontario and Quebec and volumes have been transferred.

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 25, 2023 and March 26, 2022 (millions of Canadian dollars)		**2023** **(12 weeks)**		2022 (12 weeks)
Net interest expense and other financing charges	**$**	**181**	$	142
Add: Recovery related to Glenhuron		**—**		11
Adjusted net interest expense and other financing charges	**$**	**181**	$	153

Recovery related to Glenhuron 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 reversed $35 million of previously recorded charges, of which $2 million was recorded as interest income and $33 million was recorded as an income tax recovery, and an additional $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 expense and other financing charges.

For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars except where otherwise indicated)		**2023** **(12 weeks)**		2022 (12 weeks)
Adjusted operating income(i)	**$**	**887**	$	829
Adjusted net interest expense and other financing charges(i)		**181**		153
Adjusted earnings before taxes	**$**	**706**	$	676
Income taxes	**$**	**151**	$	123
Add impact of the following:				
Tax impact of items included in adjusted earnings before taxes(ii)		**31**		25
Recovery related to Glenhuron		**—**		33
Adjusted income taxes	**$**	**182**	$	181
Effective tax rate		**25.7 %**		20.6 %
Adjusted effective tax rate		**25.8 %**		26.8 %

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

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

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

For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	2022 (12 weeks)
Net earnings attributable to shareholders of the Company	**$ 421**	$ 440
Prescribed dividends on preferred shares in share capital	**(3)**	(3)
Net earnings available to common shareholders of the Company	**$ 418**	$ 437
Net earnings attributable to shareholders of the Company	**$ 421**	$ 440
Adjusting items (refer to the following table)	**87**	22
Adjusted net earnings attributable to shareholders of the Company	**$ 508**	$ 462
Prescribed dividends on preferred shares in share capital	**(3)**	(3)
Adjusted net earnings available to common shareholders of the Company	**$ 505**	$ 459
Diluted weighted average common shares outstanding (millions)	**324.8**	336.7

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.

	2023 (12 weeks)		2022 (12 weeks)	
For the periods ended March 25, 2023 and March 26, 2022 (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	**$ 418**	**$ 1.29**	$ 437	$ 1.30
Add (deduct) impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 84**	**$ 0.26**	$ 87	$ 0.25
Fair value adjustment on fuel and foreign currency contracts	**2**	**—**	(11)	(0.03)
Loss on sale of non-operating properties	**1**	**—**	—	—
Lifemark transaction costs	**—**	**—**	2	0.01
Restructuring and other related recoveries	**—**	**—**	(14)	(0.04)
Recovery related to Glenhuron	**—**	**—**	(42)	(0.13)
Adjusting items	**$ 87**	**$ 0.26**	$ 22	$ 0.06
Adjusted	**$ 505**	**$ 1.55**	$ 459	$ 1.36

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

				2023 (12 weeks)				2022 (12 weeks)
For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars)	**Retail**	**Financial Services**	**Eliminations(i)**	**Total**	Retail	Financial Services	Eliminations(i)	Total
Cash flows from (used in) operating activities	**$ 652**	**$ 237**	**$ 26**	**$ 915**	$ 748	$ 103	$ 12	$ 863
Less:								
Capital investments(ii)	**306**	**9**	**—**	**315**	182	4	—	186
Interest paid	**80**	**—**	**26**	**106**	70	—	12	82
Lease payments, net	**347**	**—**	**—**	**347**	282	—	—	282
Free cash flow(2)	**$ (81)**	**$ 228**	**$ —**	**$ 147**	$ 214	$ 99	$ —	$ 313

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

(ii) Capital investments are the sum of fixed asset additions and intangible asset additions as presented in the Company's condensed consolidated statements of cash flows.

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

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

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

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

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

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	**2022 (12 weeks)**	2022 (12 weeks)	2021 (12 weeks)	2022 (16 weeks)	2021 (16 weeks)	2022 (12 weeks)	2021 (12 weeks)
Net earnings attributable to shareholders of the Company	**$ 421**	**$ 440**	$ 532	$ 747	$ 559	$ 434	$ 390	$ 378
Add (deduct) impact of the following:								
Non-controlling interests	**16**	**33**	(14)	(28)	16	54	38	56
Net interest (recovery)/ expense and other financing charges	**181**	**142**	172	(29)	217	203	152	161
Income taxes	**151**	**123**	181	15	199	172	162	157
Operating income	**$ 769**	**$ 738**	$ 871	$ 705	$ 991	$ 863	$ 742	$ 752
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 114**	**$ 117**	$ 115	$ 117	$ 151	$ 155	$ 114	$ 117
Fair value adjustment on fuel and foreign currency contracts	**3**	**(14)**	11	6	(6)	(8)	4	(3)
Loss (Gain) on sale of non-operating properties	**1**	**—**	(50)	—	(3)	(7)	(4)	—
Charge related to PC Bank commodity tax matter	**—**	**—**	—	—	—	—	111	—
Lifemark transaction costs	**—**	**3**	—	—	—	—	13	—
Fair value adjustment on non-operating properties	**—**	**—**	(6)	(2)	—	—	—	—
Restructuring and other related (recoveries) costs	**—**	**(15)**	—	(8)	—	9	—	8
Adjusting items	**$ 118**	**$ 91**	$ 70	$ 113	$ 142	$ 149	$ 238	$ 122
Adjusted operating income	**$ 887**	**$ 829**	$ 941	$ 818	$ 1,133	$ 1,012	$ 980	$ 874
Depreciation and amortization	**675**	**631**	667	623	864	817	633	614
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**(114)**	**(117)**	(115)	(117)	(151)	(155)	(114)	(117)
Adjusted EBITDA(i)	**$ 1,448**	**$ 1,343**	$ 1,493	$ 1,324	$ 1,846	$ 1,674	$ 1,499	$ 1,371

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

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

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
(millions of Canadian dollars except where otherwise indicated)	**2023 (12 weeks)**	**2022 (12 weeks)**	2022 (12 weeks)	2021 (12 weeks)	2022 (16 weeks)	2021 (16 weeks)	2022 (12 weeks)	2021 (12 weeks)
As reported	**$ 418**	**$ 437**	$ 529	$ 744	$ 556	$ 431	$ 387	$ 375
Add (deduct) impact of the following[(i)]:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 84**	**$ 87**	$ 83	$ 87	$ 112	$ 113	$ 83	$ 86
Fair value adjustment on fuel and foreign currency contracts	**2**	**(11)**	8	4	(4)	(6)	3	(2)
Loss (Gain) on sale of non-operating properties	**1**	**—**	(41)	—	(1)	(6)	(3)	—
Charge related to PC Bank commodity tax matter	**—**	**—**	—	—	—	—	86	—
Lifemark transaction costs	**—**	**2**	—	—	—	—	10	—
Restructuring and other related (recoveries) costs	**—**	**(14)**	—	(6)	—	8	—	5
Fair value adjustment on non-operating properties	**—**	**—**	(4)	(1)	—	—	—	—
Recovery related to Glenhuron	**—**	**(42)**	—	(313)	—	—	—	—
Adjusting items	**$ 87**	**$ 22**	$ 46	$ (229)	$ 107	$ 109	$ 179	$ 89
Adjusted[(i)]	**$ 505**	**$ 459**	$ 575	$ 515	$ 663	$ 540	$ 566	$ 464

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

(millions of Canadian dollars except where otherwise indicated)	First Quarter 2023 (12 weeks)	First Quarter 2022 (12 weeks)	Fourth Quarter 2022 (12 weeks)	Fourth Quarter 2021 (12 weeks)	Third Quarter 2022 (16 weeks)	Third Quarter 2021 (16 weeks)	Second Quarter 2022 (12 weeks)	Second Quarter 2021 (12 weeks)
As reported	**$ 1.29**	**$ 1.30**	$ 1.62	$ 2.20	$ 1.69	$ 1.27	$ 1.16	$ 1.09
Add (deduct) impact of the following[(i)]:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	**$ 0.26**	**$ 0.25**	$ 0.25	$ 0.25	$ 0.34	$ 0.33	$ 0.25	$ 0.25
Fair value adjustment on fuel and foreign currency contracts	**—**	**(0.03)**	0.03	0.01	(0.02)	(0.02)	0.01	—
Gain on sale of non-operating properties	**—**	**—**	(0.13)	—	—	(0.02)	(0.01)	—
Charge related to PC Bank commodity tax matter	**—**	**—**	—	—	—	—	0.25	—
Lifemark transaction costs	**—**	**0.01**	—	—	—	—	0.03	—
Fair value adjustment on non-operating properties	**—**	**—**	(0.01)	—	—	—	—	—
Restructuring and other related recoveries	**—**	**(0.04)**	—	(0.02)	—	0.03	—	0.01
Recovery related to Glenhuron	**—**	**(0.13)**	—	(0.92)	—	—	—	—
Adjusting items	**$ 0.26**	**$ 0.06**	$ 0.14	$ (0.68)	$ 0.32	$ 0.32	$ 0.53	$ 0.26
Adjusted[(i)]	**$ 1.55**	**$ 1.36**	$ 1.76	$ 1.52	$ 2.01	$ 1.59	$ 1.69	$ 1.35
Diluted weighted average common shares outstanding (millions)	**324.8**	**336.7**	327.4	338.1	329.6	340.1	334.4	342.9

(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 2, 2023
Toronto, Canada

Financial Results

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**March 25, 2023 (12 weeks)**	March 26, 2022 (12 weeks)
Revenue	**$ 12,995**	$ 12,262
Cost of sales	**8,788**	8,335
Selling, general and administrative expenses	**3,438**	3,189
Operating income	**$ 769**	$ 738
Net interest expense and other financing charges (note 3)	**181**	142
Earnings before income taxes	**$ 588**	$ 596
Income taxes (note 4)	**151**	123
Net earnings	**$ 437**	$ 473
Attributable to:		
Shareholders of the Company (note 5)	**$ 421**	$ 440
Non-controlling interests	**16**	33
Net earnings	**$ 437**	$ 473
Net earnings per common share ($) (note 5)		
Basic	**$ 1.30**	$ 1.31
Diluted	**$ 1.29**	$ 1.30
Weighted average common shares outstanding (millions) (note 5)		
Basic	**321.5**	333.0
Diluted	**324.8**	336.7

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

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	**March 25, 2023 (12 weeks)**	March 26, 2022 (12 weeks)
Net earnings	**$ 437**	$ 473
Other comprehensive income, net of taxes		
Items that are or may be subsequently reclassified to profit or loss:		
Gains on cash flow hedges (note 12)	**$ 3**	$ 1
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial gains (note 11)	**99**	11
Other comprehensive income, net of taxes	**$ 102**	$ 12
Total comprehensive income	**$ 539**	$ 485
Attributable to:		
Shareholders of the Company	**$ 523**	$ 452
Non-controlling interests	**16**	33
Total comprehensive income	**$ 539**	$ 485

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 December 31, 2022	$ 6,465	$ 221	**$ 6,686**	**$ 4,461**	**$ 122**	$ 41	$ (15)	$ 4	**$ 30**	**$ 157**	**$ 11,456**
Net earnings	$ —	$ —	**$ —**	**$ 421**	**$ —**	$ —	$ —	$ —	**$ —**	**$ 16**	**$ 437**
Other comprehensive income	—	—	**—**	**99**	**—**	—	3	—	**3**	**—**	**102**
Total comprehensive income	$ —	$ —	**$ —**	**$ 520**	**$ —**	$ —	$ 3	$ —	**$ 3**	**$ 16**	**$ 539**
Common shares purchased and cancelled (note 10)	(42)	—	**(42)**	**(200)**	**—**	—	—	—	**—**	**—**	**(242)**
Effect of equity-based compensation (note 10)	16	—	**16**	**—**	**(23)**	—	—	—	**—**	**—**	**(7)**
Shares released from trust (note 10)	10	—	**10**	**23**	**—**	—	—	—	**—**	**—**	**33**
Dividends declared per common share – $0.405 (note 10)	—	—	**—**	**(131)**	**—**	—	—	—	**—**	**—**	**(131)**
Dividends declared per preferred share – $0.33125 (note 10)	—	—	**—**	**(3)**	**—**	—	—	—	**—**	**—**	**(3)**
Net distribution to non-controlling interests	—	—	**—**	**—**	**—**	—	—	—	**—**	**(15)**	**(15)**
	$ (16)	$ —	**$ (16)**	**$ 209**	**$ (23)**	$ —	$ 3	$ —	**$ 3**	**$ 1**	**$ 174**
Balance as at March 25, 2023	$ 6,449	$ 221	**$ 6,670**	**$ 4,670**	**$ 99**	$ 41	$ (12)	$ 4	**$ 33**	**$ 158**	**$ 11,630**

(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 10)	(54)	—	**(54)**	**(244)**	**—**	—	—	—	**—**	**—**	**(298)**
Effect of equity-based compensation (note 10)	49	—	**49**	**—**	**(21)**	—	—	—	**—**	**—**	**28**
Shares purchased and held in trust (note 10)	(5)	—	**(5)**	**(23)**	**—**	—	—	—	**—**	**—**	**(28)**
Shares released from trust (note 10)	9	—	**9**	**21**	**—**	—	—	—	**—**	**—**	**30**
Dividends declared per common share – $0.365 (note 10)	—	—	**—**	**(122)**	**—**	—	—	—	**—**	**—**	**(122)**
Dividends declared per preferred share – $0.33125 (note 10)	—	—	**—**	**(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**

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

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	As at March 25, 2023	As at March 26, 2022	As at December 31, 2022
Assets			
Current assets			
Cash and cash equivalents	**$ 1,162**	$ 2,074	$ 1,608
Short term investments	**548**	647	326
Accounts receivable	**1,248**	911	1,199
Credit card receivables (note 7)	**3,748**	3,333	3,954
Inventories	**5,735**	5,288	5,855
Income tax recoverable	**—**	128	—
Prepaid expenses and other assets	**360**	371	353
Assets held for sale	**74**	101	81
Total current assets	**$ 12,875**	$ 12,853	$ 13,376
Fixed assets (note 8)	**5,669**	5,340	5,696
Right-of-use assets	**7,474**	7,129	7,409
Investment properties	**60**	101	60
Intangible assets	**6,384**	6,282	6,505
Goodwill	**4,329**	3,952	4,323
Deferred income tax assets	**82**	88	86
Other assets (note 11)	**861**	868	692
Total assets	**$ 37,734**	$ 36,613	$ 38,147
Liabilities			
Current liabilities			
Bank indebtedness	**$ 25**	$ 250	$ 8
Trade payables and other liabilities	**5,676**	5,391	6,218
Loyalty liability	**191**	218	180
Provisions	**101**	92	110
Income taxes payable	**198**	35	195
Demand deposits from customers	**131**	87	125
Short term debt	**600**	400	700
Long term debt due within one year (note 9)	**708**	1,027	727
Lease liabilities due within one year	**1,409**	1,361	1,401
Associate interest	**404**	418	434
Total current liabilities	**$ 9,443**	$ 9,279	$ 10,098
Provisions	**112**	113	109
Long term debt (note 9)	**7,031**	6,216	7,056
Lease liabilities	**7,782**	7,469	7,714
Deferred income tax liabilities	**1,221**	1,317	1,279
Other liabilities (notes 11 and 14)	**515**	447	435
Total liabilities	**$ 26,104**	$ 24,841	$ 26,691
Equity			
Share capital (note 10)	**$ 6,670**	$ 6,851	$ 6,686
Retained earnings	**4,670**	4,671	4,461
Contributed surplus	**99**	95	122
Accumulated other comprehensive income	**33**	15	30
Total equity attributable to shareholders of the Company	**$ 11,472**	$ 11,632	$ 11,299
Non-controlling interests	**158**	140	157
Total equity	**$ 11,630**	$ 11,772	$ 11,456
Total liabilities and equity	**$ 37,734**	$ 36,613	$ 38,147

Contingent Liabilities (note 13).
See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	**March 25, 2023 (12 weeks)**	March 26, 2022 (12 weeks)
Operating activities		
Net earnings	**$ 437**	$ 473
Add (deduct):		
Income taxes (note 4)	**151**	123
Net interest expense and other financing charges (note 3)	**181**	142
Depreciation and amortization	**675**	631
Asset impairments, net of recoveries	**—**	3
Change in allowance for credit card receivables (note 7)	**6**	(5)
Change in provisions	**(6)**	(20)
Change in non-cash working capital (note 6)	**(464)**	(511)
Change in gross credit card receivables (note 7)	**200**	115
Income taxes paid	**(237)**	(97)
Interest received	**5**	13
Interest received from finance leases	**1**	1
Other	**(34)**	(5)
Cash flows from operating activities	**$ 915**	$ 863
Investing activities		
Fixed asset purchases	**$ (223)**	$ (105)
Intangible asset additions	**(92)**	(81)
Purchases of short term investments	**(222)**	(183)
Proceeds from disposal of assets (notes 8 and 14)	**107**	41
Lease payments received from finance leases	**4**	3
Other	**(28)**	(85)
Cash flows used in investing activities	**$ (454)**	$ (410)
Financing activities		
Increase in bank indebtedness	**$ 17**	$ 198
Decrease in short term debt (note 7)	**(100)**	(50)
Increase in demand deposits from customers	**6**	12
Long term debt (note 9)		
Issued	**1**	37
Repayments	**(45)**	(7)
Interest paid	**(106)**	(82)
Cash rent paid on lease liabilities - Interest	**(83)**	(75)
Cash rent paid on lease liabilities - Principal	**(268)**	(210)
Common share capital		
Issued	**15**	43
Purchased and held in trust (note 10)	**—**	(28)
Purchased and cancelled (note 10)	**(383)**	(125)
Proceeds from financial liabilities (note 14)	**86**	2
Other	**(46)**	(71)
Cash flows used in financing activities	**$ (906)**	$ (356)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ (1)**	$ 1
(Decrease) increase in cash and cash equivalents	**$ (446)**	$ 98
Cash and cash equivalents, beginning of period	**1,608**	1,976
Cash and cash equivalents, end of period	**$ 1,162**	$ 2,074

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 and healthcare services, health and beauty products, 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 2S5. 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 15).

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 2022 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 2022 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 2, 2023.

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 25, 2023 (12 weeks)**	March 26, 2022 (12 weeks)
Interest expense and other financing charges		
Lease liabilities	**$ 83**	$ 75
Long term debt	**74**	65
Borrowings related to credit card receivables	**19**	10
Post-employment and other long term employee benefits (note 11)	**3**	—
Independent funding trusts	**10**	3
Financial liabilities (note 14)	**2**	1
Bank indebtedness	**—**	1
	$ 191	$ 155
Interest income		
Accretion income	**$ (1)**	$ (1)
Short term interest income	**(9)**	(1)
	$ (10)	$ (2)
Recovery related to Glenhuron Bank Limited	**$ —**	$ (11)
Net interest expense and other financing charges	**$ 181**	$ 142

Note 4. Income Taxes

Income tax expense in the first quarter of 2023 was $151 million (2022 – $123 million) and the effective income tax rate was 25.7% (2022 – 20.6%). The increase in the effective income tax rate was primarily attributable to the recovery of income taxes related to Glenhuron Bank Limited ("Glenhuron") in 2022 partially offset by the non-taxable portion of the gain from real estate dispositions (see note 8).

Note 5. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**March 25, 2023 (12 weeks)**	March 26, 2022 (12 weeks)
Net earnings attributable to shareholders of the Company	**$ 421**	$ 440
Dividends on preferred shares in equity	**(3)**	(3)
Net earnings available to common shareholders	**$ 418**	$ 437
Weighted average common shares outstanding (note 10)	**321.5**	333.0
Dilutive effect of equity-based compensation	**2.6**	3.0
Dilutive effect of certain other liabilities	**0.7**	0.7
Diluted weighted average common shares outstanding	**324.8**	336.7
Basic net earnings per common share ($)	**$ 1.30**	$ 1.31
Diluted net earnings per common share ($)	**$ 1.29**	$ 1.30

In the first quarter of 2023, 698,879 (March 26, 2022 – 1,146,441) potentially dilutive instruments were excluded from the computation of diluted net earnings per common share as they were anti-dilutive.

Note 6. Change in Non-cash Working Capital

(millions of Canadian dollars)	**March 25, 2023 (12 weeks)**	March 26, 2022 (12 weeks)
Change in:		
Accounts receivable	**$ (58)**	$ 31
Prepaid expenses and other assets	**(35)**	(56)
Inventories	**120**	(122)
Trade payables and other liabilities	**(523)**	(294)
Other	**32**	(70)
Change in non-cash working capital	**$ (464)**	$ (511)

Note 7. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	**As at March 25, 2023**	As at March 26, 2022	As at December 31, 2022
Gross credit card receivables	**$ 3,960**	$ 3,533	$ 4,160
Allowance for credit card receivables	**(212)**	(200)	(206)
Credit card receivables	**$ 3,748**	$ 3,333	$ 3,954
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust®* (note 9)	**$ 1,350**	$ 1,350	$ 1,350
Securitized to Other Independent Securitization Trusts	**600**	400	700
Total securitized to independent securitization trusts	**$ 1,950**	$ 1,750	$ 2,050

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 9). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt.

As at March 25, 2023, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was $54 million (March 26, 2022 – $36 million; December 31, 2022 – $63 million), which represented 9% (March 26, 2022 – 9%; December 31, 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 25, 2023 and throughout the first quarter of 2023.

Note 8. Real Estate Dispositions

In the first quarter of 2023, the Company disposed of sixteen real estate properties for proceeds of $87 million (2022 – $13 million). These properties were subsequently leased back by the Company. One additional property was disposed of to Choice Properties Real Estate Investment Trust ("Choice Properties") (see note 14).

Note 9. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	**As at March 25, 2023**	As at March 26, 2022	As at December 31, 2022
Debentures	**$ 4,310**	$ 4,312	$ 4,311
Guaranteed investment certificates	**1,536**	1,023	1,567
Independent securitization trusts (note 7)	**1,350**	1,350	1,350
Independent funding trusts	**560**	573	574
Transaction costs and other	**(17)**	(15)	(19)
Total long term debt	**$ 7,739**	$ 7,243	$ 7,783
Long term debt due within one year	**708**	1,027	727
Long term debt	**$ 7,031**	$ 6,216	$ 7,056

Note 10. 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 were as follows:

	March 25, 2023 (12 weeks)		March 26, 2022 (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	**324,062,608**	**$ 6,489**	333,527,369	$ 6,643
Issued for settlement of stock options	**243,473**	**16**	733,355	49
Purchased and cancelled	**(3,258,266)**	**(42)**	(1,339,251)	(54)
Issued and outstanding, end of period	**321,047,815**	**$ 6,463**	332,921,473	$ 6,638
Shares held in trust, beginning of period	**(1,222,278)**	**$ (24)**	(595,495)	$ (12)
Purchased for future settlement of RSUs and PSUs	**—**	**—**	(252,000)	(5)
Released for settlement of RSUs and PSUs	**488,593**	**10**	437,338	9
Shares held in trust, end of period	**(733,685)**	**$ (14)**	(410,157)	$ (8)
Issued and outstanding, net of shares held in trust, end of period	**320,314,130**	**$ 6,449**	332,511,316	$ 6,630
Weighted average outstanding, net of shares held in trust (note 5)	**321,469,315**		333,048,536	

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

	March 25, 2023[(i)] (12 weeks)	March 26, 2022 (12 weeks)
Dividends declared per share ($)		
Common Share	**$ 0.405**	$ 0.365
Second Preferred Share, Series B	**$ 0.33125**	$ 0.33125

(i) The Common Share dividends declared in the first quarter of 2023 of $0.405 per share had a payment date of April 1, 2023. The Second Preferred Shares, Series B dividends declared in the first quarter of 2023 of $0.33125 per share had a payment date of March 31, 2023.

Subsequent to the end of the first quarter of 2023, the Board declared a quarterly dividend of $0.446 per common share, payable on July 1, 2023 to shareholders of record on June 15, 2023 and a quarterly dividend of $0.33125 per share on the Second Preferred Shares, Series B payable on June 30, 2023 to shareholders of record on June 15, 2023.

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 25, 2023 (12 weeks)**	March 26, 2022 (12 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)[i]	**3,258,266**	1,339,251
Cash consideration paid	**$ 383**	$ 125
Premium charged to retained earnings[ii]	**200**	244
Reduction in common share capital[iii]	**42**	54
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 25, 2023 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) Includes $49 million related to the automatic share purchase plan, as described below.

(iii) Includes $10 million related to the automatic share purchase plan, as described below.

In the second quarter of 2022, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 16,647,384 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. As at March 26, 2023, the Company had purchased 12,867,986 common shares for cancellation under its current NCIB. The Company is still permitted to purchase its common shares from Weston under its NCIB, pursuant to an automatic disposition plan agreement among the Company's broker, the Company and Weston, in order for Weston to maintain its proportionate ownership interest in the Company. The maximum number of common shares that may be purchased pursuant to the NCIB will be reduced by the number of common shares purchased from Weston.

During the first quarter of 2023, 3,258,266 common shares (2022 – 1,339,251) were purchased under the NCIB program for cancellation, for aggregate consideration of $383 million (2022 – $148 million), including 1,601,915 common shares (2022 – 201,851) purchased from Weston, for aggregate consideration of $188 million (2022 – $22 million).

From time to time, the Company participates in an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at March 25, 2023, an obligation to repurchase shares of $59 million was recognized under the ASPP in trade payables and other liabilities.

Note 11. Post-Employment and Other Long Term Employee Benefits

The net cost recognized in earnings before income taxes for the Company's post-employment and other long-term benefit plans during the periods was as follows:

(millions of Canadian dollars)	**March 25, 2023 (12 weeks)**	March 26, 2022 (12 weeks)
Current service cost		
Post-employment benefit costs(i)	**$ 36**	$ 43
Other long term employee benefit costs(ii)	**9**	8
Net interest cost on net defined benefit plan obligations	**3**	—
Total post-employment defined benefit cost	**$ 48**	$ 51

(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) losses recognized in other comprehensive income net of taxes for defined benefit plans during the periods were as follows:

(millions of Canadian dollars)	**March 25, 2023 (12 weeks)**	March 26, 2022 (12 weeks)
(Return) loss on plan assets, excluding amounts included in net interest expense and other financing charges	**$ (84)**	$ 390
Actuarial losses (gains) from changes in financial assumptions(i)	**90**	(406)
Change in liability arising from asset ceiling(i)	**(140)**	1
Total net actuarial gains recognized in other comprehensive income before income taxes	**$ (134)**	$ (15)
Income tax expenses on actuarial gains	**35**	4
Actuarial gains, net of income tax expenses	**$ (99)**	$ (11)

(i) The actuarial losses from changes in financial assumptions and the change in liability arising from asset ceiling were primarily driven by a decrease in discount rates.

The assets and liabilities of the defined benefit plans and long term disability plans were as follows:

(millions of Canadian dollars)	**As at March 25, 2023**	As at March 26, 2022	As at December 31, 2022
Other assets			
Accrued benefit plan asset	**$ 181**	$ 440	$ 52
Other liabilities			
Net defined benefit plan obligation	**233**	266	237
Other long term employee benefit obligation	**109**	115	106

Note 12. 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 25, 2023				As at March 26, 2022				As at December 31, 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:												
Long term securities	**$247**	**$ —**	**$ —**	**$ 247**	$ 95	$ —	$ —	$ 95	$246	$ —	$ —	$ 246
Derivatives included in prepaid expenses and other assets	**—**	**12**	**—**	**12**	—	9	—	9	—	6	—	6
Fair value through profit and loss:												
Certain other assets(i)	**—**	**—**	**54**	**54**	—	—	31	31	—	—	60	60
Security deposits	**2**	**—**	**—**	**2**	—	—	—	—	—	—	—	—
Derivatives included in prepaid expenses and other assets	**—**	**11**	**—**	**11**	14	—	2	16	1	13	—	14
Financial liabilities												
Amortized cost:												
Long term debt	**$ —**	**$7,955**	**$ —**	**$7,955**	$ —	$7,617	$ —	$7,617	$ —	$7,865	$ —	$7,865
Certain other liabilities(ii)	**—**	**—**	**159**	**159**	—	—	59	59	—	—	78	78
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	**—**	**—**	**—**	**—**	—	8	—	8	—	—	—	—
Fair value through profit and loss:												
Derivatives included in trade payables and other liabilities	**1**	**—**	**2**	**3**	—	1	—	1	—	—	3	3

(i) Certain other assets relate primarily to Venture Fund I (see note 14).

(ii) Certain other liabilities relate primarily to financial liabilities associated with properties that did not meet the criteria for sale (see note 14).

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

During the first quarter of 2023, the Company recognized a gain of $1 million (2022 – loss of $1 million) in operating income on financial instruments designated as amortized cost. In addition, a net loss of $4 million (2022 – net gain of $16 million) was recorded in earnings before income taxes related to financial instruments required to be classified as fair value through profit and loss.

Securities Investments PC Bank holds investments which are considered part of the liquid securities required to be held to meet its Liquidity Coverage Ratio. During the first quarter of 2023, PC Bank recorded an unrealized fair value gain of $1 million (2022 – $1 million 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 mitigate the impact of increases in interest rates and manage its anticipated exposure to exchange rates on its underlying operations and anticipated fixed asset purchases. 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 in the unaudited interim period condensed consolidated balance sheets and the net realized and unrealized gains (losses) before income taxes related to the Company's other derivatives:

			March 25, 2023 (12 weeks)
(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)	**$ 11**	**$ 2**	**$ 1**
Bond Forwards(ii)	**1**	**2**	**(1)**
Interest Rate Swaps(iii)	**—**	**(1)**	**—**
Total derivatives designated as cash flow hedges	**$ 12**	**$ 3**	**$ —**
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	**$ 11**	**$ —**	**$ 5**
Other Non-Financial Derivatives	**(1)**	**—**	**(2)**
Total derivatives not designated in a formal hedging relationship	**$ 10**	**$ —**	**$ 3**
Total derivatives	**$ 22**	**$ 3**	**$ 3**

(i) PC Bank uses foreign exchange forwards, with a notional value of $29 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid expenses and other assets.

(ii) PC Bank uses bond forwards, with a notional value of $160 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 2023, PC Bank entered $135 million of bond forwards to hedge its exposure to interest rate fluctuations against the future issuance of debt instruments.

(iii) PC Bank uses interest rate swaps, with a notional value of $180 million, to mitigate the impact of increases in interest rate. The fair value of the derivatives is included partially in prepaid expenses and other assets and partially in trade payables and other liabilities.

			March 26, 2022 (12 weeks)
(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.

(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 a notional value of $225 million, to manage its interest risk related to future debt issuances. The fair value of derivatives is included in prepaid expenses and other assets.

Note 13. 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 was previously 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 Shoppers Drug Mart licensees ("Associates"), claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who were 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. A summary judgment trial of the matter was held in December 2022 and on February 17, 2023, the Superior Court released its decision in relation to those summary judgment motions (the "Decision"). The Superior Court dismissed the plaintiffs' claims on the majority of the issues including a request for damages at this stage of proceedings. The Court also held that Shoppers Drug Mart breached the 2002 form of Associate Agreement when it did not remit certain amounts that it received from generic drug manufacturers to Associates. On March 20, 2023, the plaintiffs filed a Notice of Appeal and on April 4, 2023, the Company filed a Notice of Cross-Appeal. Accordingly, the Company has not recorded any amounts related to the potential liability associated with this lawsuit. The Company does not believe that the ultimate resolution of this matter will have a material adverse impact on its financial condition or prospects.

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 has been approved by the court and is now final. 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.

In July 2022, the Tax Court of Canada released a decision relating to PC Bank, a subsidiary of the Company. The Tax Court of Canada ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaws Inc. in respect of redemptions of loyalty points. On September 29th, 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal and in early 2023 both PC Bank and the Crown submitted their respective facta for the appeal. Although the Company believes in the merits of its position, the Company recorded a charge of $111 million, inclusive of interest, in the second quarter of 2022. The Company believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

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 14. Related Party Transactions

Venture Funds During 2020, Loblaw, Weston and a wholly owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington ("Venture Fund I"). A wholly owned subsidiary of Wittington is the general partner of Venture Fund I, which hired an external fund manager to oversee it. The purpose of Venture Fund I 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 Venture Fund I. The Company has a total capital commitment of $33 million over a 10-year period. To date, there were investments of $24 million made by the Company in Venture Fund I, of which $1 million was made in the first quarter of 2023 (2022 – $1 million).

During the third quarter of 2022, Loblaw became a limited partner in another limited partnership formed by Wittington ("Venture Fund II"). A wholly owned subsidiary of Wittington is also the general partner of Venture Fund II, and the general purpose of Venture Fund II is consistent with Venture Fund I. The Company has a 50% interest in Venture Fund II and has a total capital commitment of $60 million over a 10-year period. To date, a $1 million investment was made by the Company in Venture Fund II, occurring in the first quarter of 2023.

Disposition of Properties to Choice Properties Real Estate Investment Trust 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 $19million. This property was not leased back by the Company.

Sale and Leaseback During the first quarter of 2023, the Company sold a property to Choice Properties for proceeds of $12 million and recognized a gain of $3 million. The property was leased back by the Company.

Financial Liabilities In the first quarter of 2023, the Company disposed of two retail properties to Choice Properties which were leased back by the Company. These transactions did not meet the criteria for sale in accordance with IFRS 15, "Revenue from Contracts with Customers" as the Company did not relinquish control of the properties under the terms of the leases. Total proceeds of $86 million were recognized as financial liabilities and are presented in other liabilities.

As at March 25, 2023, $9 million (March 26, 2022 – $3 million; December 31, 2022 – $4 million) was recorded in trade payables and other liabilities and $151 million (March 26, 2022 – $56 million; December 31, 2022 – $69 million) was recorded in other liabilities for all properties sold to date that did not meet the criteria for sale. During the first quarter of 2023, $2 million (2022 – $1 million) of interest expense was recognized in net interest expense and other financing charges (see note 3) and the Company repaid $2 million (2022 – $1 million) to Choice Properties.

Note 15. 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, which includes in-store pharmacies, health care services and other health and beauty products, apparel and other general merchandise. This segment is comprised of several operating segments that are aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base; and
- The Financial Services segment provides credit card and everyday banking services, the PC Optimum™ Program, insurance brokerage services, and telecommunication services.

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

Information for each reportable operating segment is included below:

	March 25, 2023 (12 weeks)					March 26, 2022 (12 weeks)				
(millions of Canadian dollars)	**Retail**	**Financial Services**	**Total Segment Measure**	**Elimi-nations(i)**	**Total**	Retail	Financial Services	Total Segment Measure	Elimi-nations(i)	Total
Revenue(ii)	**$ 12,735**	**$ 326**	**$ 13,061**	**$ (66)**	**$ 12,995**	$ 12,045	$ 274	$ 12,319	$ (57)	$ 12,262
Operating income	$ 726	$ 43	$ 769	$ —	$ 769	$ 690	$ 48	$ 738	$ —	$ 738
Net interest expense and other financing charges	150	31	181	—	181	126	16	142	—	142
Earnings before income taxes	**$ 576**	**$ 12**	**$ 588**	**$ —**	**$ 588**	$ 564	$ 32	$ 596	$ —	$ 596
Operating income	**$ 726**	**$ 43**	**$ 769**	**$ —**	**$ 769**	$ 690	$ 48	$ 738	$ —	$ 738
Depreciation and amortization	**660**	**15**	**675**			621	10	631		
Adjusting items(iii)	**4**	**—**	**4**			(26)	—	(26)		
Adjusted EBITDA(iii)	**$ 1,390**	**$ 58**	**$ 1,448**			$ 1,285	$ 58	$ 1,343		

(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 $151 million (2022 – $118 million) of interest income.

(iii) Certain items are excluded from operating income to derive adjusted EBITDA.

For the periods ended March 25, 2023 and March 26, 2022 (millions of Canadian dollars)	**2023 (12 weeks) Retail**	**Financial Services**	**Total Segment Measure**	2022 (12 weeks) Retail	Financial Services	Total Segment Measure
Fair value adjustment on fuel and foreign currency contracts	**$ 3**	**$ —**	**$ 3**	$ (14)	$ —	$ (14)
Loss on sale of non-operating properties	**1**	**—**	**1**	—	—	—
Lifemark Health Group transaction costs	**—**	**—**	**—**	3	—	3
Restructuring and other related recoveries	**—**	**—**	**—**	(15)	—	(15)
Adjusting items	**$ 4**	**$ —**	**$ 4**	$ (26)	$ —	$ (26)

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

(millions of Canadian dollars)	March 25, 2023 (12 weeks)	March 26, 2022 (12 weeks)
Food retail	$ 9,011	$ 8,682
Drug retail		
Pharmacy	$ 1,924	$ 1,724
Front store	1,800	1,639
	$ 3,724	$ 3,363
Retail total	$ 12,735	$ 12,045
Financial Services	326	274
Eliminations[(i)]	(66)	(57)
Total	$ 12,995	$ 12,262

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

(millions of Canadian dollars)	As at March 25, 2023	As at March 26, 2022	As at December 31, 2022
Total assets			
Retail	$ 32,239	$ 31,900	$ 32,505
Financial Services	5,495	4,713	5,642
	$ 37,734	$ 36,613	$ 38,147

(millions of Canadian dollars)	March 25, 2023 (12 weeks)	March 26, 2022 (12 weeks)
Additions to fixed assets and intangible assets		
Retail	$ 306	$ 182
Financial Services	9	4
	$ 315	$ 186

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 and healthcare services, health and beauty products, 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 221,000 full- and part-time employees, making it one of Canada's largest private sector employers.

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, its subsidiaries or the licensor and where used in this report, are marked with ™ or ® symbols, or written in italics.

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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 3, 2023 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: 498499#. 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.

Ce rapport est disponible en français.

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