

Loblaw Companies Limited

NEWS RELEASE

Loblaw 2024 First Quarter Results Reflect Continued Focus on Providing Everyday Value to Customers

BRAMPTON, ONTARIO May 1, 2024 Loblaw Companies Limited (TSX: L) (“Loblaw” or the “Company”) announced today its unaudited financial results for the first quarter ended March 23, 2024⁽¹⁾.

Loblaw began 2024 with another quarter of strong operational and financial results. The focus on retail excellence continued across the Company’s businesses driving sales growth, reductions in shrink, and earnings growth. The Company’s market leading discount banners, private label brands, and personalized PC Optimum™ offers resonated with customers. This resulted in higher store traffic, strong market share gains in Food Retail, and revenue growth that stands out against lower internal inflation. An increase in Drug Retail sales reflected continued strength in front store beauty and cough and cold products. Canada’s Consumer Price Index (“CPI”) for Food Purchased From Stores in March was 1.9%, the lowest level recorded in more than two years and was below the headline CPI in the first quarter of 2024. The Company’s internal food inflation remained below Canada’s CPI for Food Purchased From Stores again this quarter.

“We continued to deliver value, quality and service across our various banners, which led to more customers choosing our stores,” said Per Bank, President and Chief Executive Officer, Loblaw Companies Limited. “Our dedicated colleagues, strategic plan and unique assets position us well to best serve the needs of Canadians today and in the future.”

2024 FIRST QUARTER HIGHLIGHTS

- Revenue was \$13,581 million, an increase of \$586 million, or 4.5%.
- Retail segment sales were \$13,290 million, an increase of \$555 million, or 4.4%.
 - Food Retail (Loblaw) same-stores sales increased by 3.4%.
 - Drug Retail (Shoppers Drug Mart) same-store sales increased by 4.0%, with front store same-store sales growth of 0.7% and pharmacy and healthcare services same-store sales growth of 7.3%.
- E-commerce sales increased by 16.1%.
- Operating income was \$861 million, an increase of \$92 million, or 12.0%.
- Adjusted EBITDA⁽²⁾ was \$1,544 million, an increase of \$96 million, or 6.6%.
- Retail segment gross profit percentage⁽²⁾ was 31.6%, an increase of 30 basis points, primarily driven by improvements in Drug Retail gross margins, mainly due to sales mix, and lower shrink.
- Net earnings available to common shareholders of the Company were \$459 million, an increase of \$41 million or 9.8%.
- Diluted net earnings per common share were \$1.47, an increase of \$0.18, or 14.0%.
- Adjusted net earnings available to common shareholders of the Company⁽²⁾ were \$537 million, an increase of \$32 million, or 6.3%.
- Adjusted diluted net earnings per common share⁽²⁾ were \$1.72, an increase of \$0.17 or 11.0%.
- Net capital investments were \$348 million, which reflects gross capital investments of \$387 million, net of proceeds from property disposals of \$39 million.
- Repurchased for cancellation 3.2 million common shares at a cost of \$470 million. Free cash flow⁽²⁾ used in the Retail segment was \$359 million.
- Thirteenth consecutive annual increase to the quarterly common share dividend from \$0.446 per common share to \$0.513 per common share, an increase of 15.0%.

See “News Release Endnotes” at the end of this News Release.

CONSOLIDATED AND SEGMENT RESULTS OF OPERATIONS

The following table provides key performance metrics for the Company by segment.

	2024 (12 weeks)				2023 (12 weeks)			
For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	Retail	Financial Services	Elimi- nations	Total	Retail	Financial Services	Elimi- nations	Total
Revenue	\$13,290	\$ 361	\$ (70)	\$13,581	\$12,735	\$ 326	\$ (66)	\$12,995
Gross profit ⁽²⁾	\$4,204	\$ 321	\$ (70)	\$4,455	\$3,980	\$ 293	\$ (66)	\$4,207
Gross profit % ⁽²⁾	31.6 %	N/A	— %	32.8 %	31.3 %	N/A	— %	32.4 %
Operating income	\$ 782	\$ 79	\$ —	\$ 861	\$ 726	\$ 43	\$ —	\$ 769
Adjusted operating income ⁽²⁾	889	79	—	968	844	43	—	887
Adjusted EBITDA ⁽²⁾	\$1,452	\$ 92	\$ —	\$1,544	\$1,390	\$ 58	\$ —	\$1,448
Adjusted EBITDA margin ⁽²⁾	10.9 %	N/A	— %	11.4 %	10.9 %	N/A	— %	11.1 %
Net interest expense and other financing charges	\$ 159	\$ 35	\$ —	\$ 194	\$ 150	\$ 31	\$ —	\$ 181
Earnings before income taxes	\$ 623	\$ 44	\$ —	\$ 667	\$ 576	\$ 12	\$ —	\$ 588
Income taxes				\$ 178				\$ 151
Adjusted income taxes ⁽²⁾				207				182
Net earnings attributable to non- controlling interests				\$ 27				\$ 16
Prescribed dividends on preferred shares in share capital				3				3
Net earnings available to common shareholders of the Company				\$ 459				\$ 418
Adjusted net earnings available to common shareholders of the Company ⁽²⁾				537				505
Diluted net earnings per common share (\$)				\$ 1.47				\$ 1.29
Adjusted diluted net earnings per common share ⁽²⁾ (\$)				\$ 1.72				\$ 1.55
Diluted weighted average common shares outstanding (in millions)				311.9				324.8

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

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)		2023 (12 weeks)	
	Sales	Same-store sales	Sales	Same-store sales
Food retail	\$ 9,409	3.4 %	\$ 9,011	3.1 %
Drug retail	3,881	4.0 %	3,724	7.4 %
Pharmacy and healthcare services	2,059	7.3 %	1,924	4.7 %
Front store	1,822	0.7 %	1,800	10.3 %

RETAIL SEGMENT

- Retail segment sales in the first quarter of 2024 were \$13,290 million, an increase of \$555 million, or 4.4%.
 - Food Retail (Loblaw) sales were \$9,409 million and same-store sales grew by 3.4% (2023 – 3.1%).
 - The CPI for Food Purchased From Stores was 2.6% (2023 – 10.5%) which was higher than the Company’s internal food inflation; and
 - Food Retail traffic increased and basket size decreased.
 - Drug Retail (Shoppers Drug Mart) sales were \$3,881 million, and same-store sales grew by 4.0% (2023 – 7.4%), with pharmacy and healthcare services same-store sales growth of 7.3% (2023 – 4.7%) and front store same-store sales growth of 0.7% (2023 – 10.3%).
 - On a same-store basis, the number of prescriptions increased by 4.0% (2023 – decreased by 1.9%) and the average prescription value increased by 2.0% (2023 – 6.0%).
- Operating income in the first quarter of 2024 was \$782 million, an increase of \$56 million, or 7.7%.
- Gross profit⁽²⁾ in the first quarter of 2024 was \$4,204 million, an increase of \$224 million, or 5.6%. The gross profit percentage⁽²⁾ of 31.6% increased by 30 basis points, primarily driven by improvements in Drug Retail gross margins, mainly due to sales mix, and lower shrink.
- Adjusted EBITDA⁽²⁾ in the first quarter of 2024 was \$1,452 million, an increase of \$62 million, or 4.5%. The increase was driven by an increase in gross profit⁽²⁾, partially offset by an increase in selling, general and administrative expenses (“SG&A”). SG&A as a percentage of sales was 20.7%, an increase of 40 basis points, primarily driven by the year-over-year impact of certain real estate activities and labour costs, and costs related to network optimization.
- Depreciation and amortization in the first quarter of 2024 was \$677 million, an increase of \$17 million or 2.6%, primarily driven by an increase in depreciation of leased assets and information technology (“IT”) assets, and an increase in depreciation of fixed assets related to conversions of retail locations, partially offset by the impact of prior year accelerated depreciation due to the reassessment of the estimated useful life of certain IT assets. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart Corporation (“Shoppers Drug Mart”) and Lifemark Health Group (“Lifemark”) of \$114 million (2023 – \$114 million).

FINANCIAL SERVICES SEGMENT

- Revenue in the first quarter of 2024 was \$361 million, an increase of \$35 million or 10.7%. The increase was primarily driven by higher interest income from growth in credit card receivables, and higher sales attributable to The Mobile Shop™.
- Earnings before income taxes in the first quarter of 2024 were \$44 million, an increase of \$32 million or 266.7%. The improvement was mainly driven by higher revenue as described above, and lower customer acquisition expenses and operating costs, including the marketing support funding in connection with the launch of PC Insiders World Elite Mastercard® and the benefits associated with the renewal of a long-term agreement with Mastercard. This increase was partially offset by higher contractual charge-offs and funding costs due to the current macro-economic environment, and the year-over-year unfavourable impact of the expected credit loss provision.

OUTLOOK⁽³⁾

Loblaw will continue to execute on retail excellence while advancing its growth initiatives with the goal of delivering consistent operational and financial results in 2024. The Company’s businesses remain well positioned to meet the everyday needs of Canadians.

For the full-year 2024, the Company continues to expect:

- its Retail business to grow earnings faster than sales;
- adjusted net earnings per common share⁽²⁾ growth in the high single-digits;
- to continue investing in our store network and distribution centres by investing a net amount of \$1.8 billion in capital expenditures, which reflects gross capital investments of approximately \$2.2 billion, net of approximately \$400 million of proceeds from property disposals; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

This quarter, the Company released its [2023 ESG Report](#). The report highlights the Company’s many 2023 achievements on its journey to fight climate change and advance social equity. Specifically, the Company reduced carbon emissions for its enterprise operations by 11% compared to a 2020 baseline, celebrated 100% of eligible stores actively donating food to food recovery agencies, and contributed a record \$180 million in community funds to support research, charities and non-profits.

In the quarter, Loblaw collected and donated 7.2 million pounds of food to local food banks in support of its Feed More Families™ pledge and commenced its 15th annual Spring Food Drive. Earlier this year, Loblaw also published its first [Early Release of Priority ESG Disclosure Report](#) for 2023 with the purpose of demonstrating its commitment to future alignment with the International Sustainability Standards Board (ISSB) and to provide timely and relevant information for stakeholders on our ESG performance.

NORMAL COURSE ISSUER BID PROGRAM (“NCIB”)

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.

FORWARD-LOOKING STATEMENTS

This News Release 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 News Release 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 IT systems implementations. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the “Consolidated and Segment Results of Operations” and “Outlook” section of this News Release. 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 Company’s 2023 Annual Report and Section 4 “Risks” of the Company’s 2023 Annual Information Form for the year ended December 30, 2023.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company’s expectations only as of the date of this News Release. 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.

DECLARATION OF DIVIDENDS

Subsequent to the end of the first quarter of 2024, the Board of Directors declared a quarterly dividend on Common Shares and Second Preferred Shares, Series B.

Common Shares	\$0.513 per common share, payable on July 1, 2024 to shareholders of record on June 15, 2024.
Second Preferred Shares, Series B	\$0.33125 per share, payable on June 30, 2024 to shareholders of record on June 15, 2024.

EXCERPT OF NON-GAAP AND OTHER FINANCIAL MEASURES

The Company uses non-GAAP and other financial measures, as reconciled and fully described in Appendix 1 “Non-GAAP and Other Financial Measures” of this News Release.

These measures do not have a standardized meaning prescribed by International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards” or “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.

The following table provides a summary of the differences between the Company’s consolidated GAAP and Non-GAAP and other financial measures, which are reconciled and fully described in Appendix 1.

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)			2023 (12 weeks)		
	GAAP	Adjusting Items	Non- GAAP ⁽²⁾	GAAP	Adjusting Items	Non- GAAP ⁽²⁾
EBITDA	\$ 1,551	\$ (7)	\$ 1,544	\$ 1,444	\$ 4	\$ 1,448
Operating income	\$ 861	\$ 107	\$ 968	\$ 769	\$ 118	\$ 887
Net interest expense and other financing charges	194	—	194	181	—	181
Earnings before income taxes	\$ 667	\$ 107	\$ 774	\$ 588	\$ 118	\$ 706
Deduct the following:						
Income taxes	178	29	207	151	31	182
Non-controlling interests	27	—	27	16	—	16
Prescribed dividends on preferred shares	3	—	3	3	—	3
Net earnings available to common shareholders of the Company⁽ⁱ⁾	\$ 459	\$ 78	\$ 537	\$ 418	\$ 87	\$ 505
Diluted net earnings per common share (\$)	\$ 1.47	\$ 0.25	\$ 1.72	\$ 1.29	\$ 0.26	\$ 1.55
Diluted weighted average common shares (millions)	311.9	—	311.9	324.8	—	324.8

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

The following table provides a summary of the Company’s adjusting items which are reconciled and fully described in Appendix 1.

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars)	2024 (12 weeks)	2023 (12 weeks)
Operating income	\$ 861	\$ 769
Add (deduct) impact of the following:		
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 114	\$ 114
Loss on sale of non-operating properties	—	1
Fair value adjustment on fuel and foreign currency contracts	(7)	3
Adjusting items	\$ 107	\$ 118
Adjusted operating income⁽²⁾	\$ 968	\$ 887
Net interest expense and other financing charges	\$ 194	\$ 181
Income taxes	\$ 178	\$ 151
Add the impact of the following:		
Tax impact of items included in adjusted earnings before taxes	\$ 29	\$ 31
Adjusting items	\$ 29	\$ 31
Adjusted income taxes⁽²⁾	\$ 207	\$ 182

CORPORATE PROFILE

2023 Annual Report and 2024 First Quarter Report to Shareholders

The Company's 2023 Annual Report and 2024 First Quarter Report to Shareholders are available in the "Investors" section of the Company's website at loblaw.ca and on sedarplus.ca.

Investor Relations

Investor inquiries, contact:	Media inquiries, contact:
Roy MacDonald	Scott Bonikowsky
Vice President, Investor Relations	Senior Vice President, Corporate Affairs and Communications
investor@loblaw.ca	pr@loblaw.ca

Additional financial information has been filed electronically with various securities regulators in Canada through 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 1, 2024 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: 725982#. 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.

Annual Meeting of Shareholders

The 2024 Annual Meeting of Shareholders of Loblaw Companies Limited will be held on Thursday, May 2, 2024 at 11:00 a.m. (ET). This year's meeting will be held as a virtual meeting, by way of a live webcast. Shareholders will be able to listen, participate and vote at the meeting in real time through a live webcast online at <https://web.lumiagm.com/210250392> (meeting password: loblaw2024). See "How do I attend and participate in the Meeting?" in the Management Proxy dated March 19, 2024, which can be viewed online at www.loblaw.ca or under Loblaw's SEDAR+ profile at www.sedarplus.ca, for detailed instructions on how to attend and vote at the meeting.

Please refer to the "Events and Presentations" or "Shareholders Services" page at loblaw.ca for additional details on the virtual meeting.

News Release Endnotes

- (1) This News Release contains forward-looking information. See "Forward-Looking Statements" section of this News Release and the Company's 2024 First Quarter Report to Shareholders for a discussion of material factors that could cause actual results to differ materially from the forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This News Release should be read in conjunction with Loblaw Companies Limited's filings with securities regulators made from time to time, all of which can be found at sedarplus.ca and at loblaw.ca.
 - (2) See "Non-GAAP and Other Financial Measures" section in Appendix 1 of this News Release, which includes the reconciliation of such non-GAAP and other financial measures to the most directly comparable GAAP measures.
 - (3) To be read in conjunction with the "Forward-Looking Statements" section of this News Release and the Company's 2024 First Quarter Report to Shareholders.
-

APPENDIX 1: 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, and same-store sales. The Company believes these non-GAAP and other financial measures and ratios provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

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

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

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

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

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars)	2024 (12 weeks)				2023 (12 weeks)			
	Retail	Financial Services	Elimi- nations	Total	Retail	Financial Services	Elimi- nations	Total
Revenue	\$13,290	\$ 361	\$ (70)	\$ 13,581	\$ 12,735	\$ 326	\$ (66)	\$ 12,995
Cost of sales	9,086	40	—	9,126	8,755	33	—	8,788
Gross profit	\$ 4,204	\$ 321	\$ (70)	\$ 4,455	\$ 3,980	\$ 293	\$ (66)	\$ 4,207
Adjusted gross profit	\$ 4,204	\$ 321	\$ (70)	\$ 4,455	\$ 3,980	\$ 293	\$ (66)	\$ 4,207

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.

	2024 (12 weeks)			2023 (12 weeks)		
	Retail	Financial Services	Total	Retail	Financial Services	Total
For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars)						
Net earnings attributable to shareholders of the Company			\$ 462			\$ 421
Add impact of the following:						
Non-controlling interests			27			16
Net interest expense and other financing charges			194			181
Income taxes			178			151
Operating income	\$ 782	\$ 79	\$ 861	\$ 726	\$ 43	\$ 769
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 114	\$ —	\$ 114	\$ 114	\$ —	\$ 114
Loss on sale of non-operating properties	—	—	—	1	—	1
Fair value adjustment on fuel and foreign currency contracts	(7)	—	(7)	3	—	3
Adjusting items	\$ 107	\$ —	\$ 107	\$ 118	\$ —	\$ 118
Adjusted operating income	\$ 889	\$ 79	\$ 968	\$ 844	\$ 43	\$ 887
Depreciation and amortization	677	13	690	660	15	675
Less: Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	(114)	—	(114)	(114)	—	(114)
Adjusted EBITDA	\$1,452	\$ 92	\$ 1,544	\$ 1,390	\$ 58	\$ 1,448

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.

Loss on sale of non-operating properties In the first quarter of 2024, the Company did not record any gain or loss related to the sale of non-operating properties (2023 – loss of \$1 million).

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

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

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars)	2024 (12 weeks)	2023 (12 weeks)
Net interest expense and other financing charges	\$ 194	\$ 181
Adjusted net interest expense and other financing charges	\$ 194	\$ 181

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 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)
Adjusted operating income ⁽ⁱ⁾	\$ 968	\$ 887
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	194	181
Adjusted earnings before taxes	\$ 774	\$ 706
Income taxes	\$ 178	\$ 151
Add impact of the following:		
Tax impact of items included in adjusted earnings before taxes ⁽ⁱⁱⁱ⁾	29	31
Adjusted income taxes	\$ 207	\$ 182
Effective tax rate	26.7 %	25.7 %
Adjusted effective tax rate	26.7 %	25.8 %

(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 23, 2024 and March 25, 2023 (millions of Canadian dollars except where otherwise indicated)	2024 (12 weeks)	2023 (12 weeks)
Net earnings attributable to shareholders of the Company	\$ 462	\$ 421
Prescribed dividends on preferred shares in share capital	(3)	(3)
Net earnings available to common shareholders of the Company	\$ 459	\$ 418
Net earnings attributable to shareholders of the Company	\$ 462	\$ 421
Adjusting items (refer to the following table)	78	87
Adjusted net earnings attributable to shareholders of the Company	\$ 540	\$ 508
Prescribed dividends on preferred shares in share capital	(3)	(3)
Adjusted net earnings available to common shareholders of the Company	\$ 537	\$ 505
Diluted weighted average common shares outstanding (millions)	311.9	324.8

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

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars/Canadian dollars)	2024 (12 weeks)		2023 (12 weeks)	
	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company	Diluted Net Earnings Per Common Share
As reported	\$ 459	\$ 1.47	\$ 418	\$ 1.29
Add (deduct) impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 84	\$ 0.27	\$ 84	\$ 0.26
Loss on sale of non-operating properties	—	—	1	—
Fair value adjustment on fuel and foreign currency contracts	(6)	(0.02)	2	—
Adjusting items	\$ 78	\$ 0.25	\$ 87	\$ 0.26
Adjusted	\$ 537	\$ 1.72	\$ 505	\$ 1.55

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

For the periods ended March 23, 2024 and March 25, 2023 (millions of Canadian dollars)	2024 (12 weeks)				2023 (12 weeks)			
	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total	Retail	Financial Services	Elimi- nations ⁽ⁱ⁾	Total
Cash flows from (used in) operating activities	\$ 462	\$ 371	\$ 23	\$ 856	\$ 652	\$ 237	\$ 26	\$ 915
Less:								
Capital investments ⁽ⁱⁱ⁾	377	10	—	387	306	9	—	315
Interest paid ⁽ⁱ⁾	77	—	23	100	80	—	26	106
Lease payments, net	367	—	—	367	347	—	—	347
Free cash flow	\$ (359)	\$ 361	\$ —	\$ 2	\$ (81)	\$ 228	\$ —	\$ 147

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

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

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.