

Loblaw Companies Limited

NEWS RELEASE

Loblaw Reports Revenue Growth of 5.2% in the Second Quarter, Reflecting Higher Customer Traffic and Unit Sales, and Larger Baskets

BRAMPTON, ONTARIO July 24, 2025 Loblaw Companies Limited (TSX: L) (“Loblaw” or the “Company”) announced today its unaudited financial results for the second quarter ended June 14, 2025.⁽¹⁾

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

Loblaw also separately announced today a 4-for-1 common share stock split to ensure its common shares remain accessible to retail investors and the thousands of employees who participate in the Company’s employee share ownership program. The stock split will not dilute shareholders’ equity. The stock split will be implemented by way of a stock dividend. Further details are provided in the Company’s separate news release of July 24, 2025.

“Canadians are seeking value, quality and service and are increasingly rewarding us for delivering on their needs, resulting in sales and market share growth,” said Per Bank, President and Chief Executive Officer, Loblaw Companies Limited. “We are bringing our value focus to more and more communities across Canada through our new store openings, with 61 new stores opened since last year.”

2025 SECOND QUARTER HIGHLIGHTS

- Revenue was \$14,672 million, an increase of \$725 million, or 5.2%.
 - The sale of Wellwise by Shoppers™ (“Wellwise”) was completed in the first quarter of 2025. Revenue related to Wellwise in the second quarter of 2025 was nil (2024 – \$21 million). Excluding the impact of revenue related to Wellwise, revenue increased by 5.4%.
- Retail segment sales were \$14,389 million, an increase of \$731 million, or 5.4%.
 - Food Retail (Loblaw) same-stores sales increased by 3.5%.
 - Drug Retail (Shoppers Drug Mart) same-store sales increased by 4.1%, with pharmacy and healthcare services same-store sales growth of 6.2% and front store same-store sales growth of 1.7%.
- E-commerce sales increased by 17.5%.
- Operating income was \$1,239 million, an increase of \$371 million, or 42.7%.
- Adjusted EBITDA⁽²⁾ was \$1,840 million, an increase of \$127 million, or 7.4%.
- Retail segment gross profit percentage⁽²⁾ was stable at 32.0%.
- Net earnings available to common shareholders of the Company were \$714 million, an increase of \$257 million or 56.2%. Diluted net earnings per common share were \$2.37, an increase of \$0.89, or 60.1%. The increase was primarily driven by the impact of lower costs related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart Corporation (“Shoppers Drug Mart”) which are now fully amortized and lapping of prior year charges.
- Adjusted net earnings available to common shareholders of the Company⁽²⁾ were \$721 million, an increase of \$57 million, or 8.6%.
- Adjusted diluted net earnings per common share⁽²⁾ were \$2.40, an increase of \$0.25 or 11.6%.
- Net capital investments were \$239 million, which reflects gross capital investments of \$409 million, net of proceeds from property disposals of \$170 million.
- Repurchased for cancellation 2.05 million common shares at a cost of \$445 million. Free cash flow⁽²⁾ from the Retail segment was \$640 million.
- Subsequent to the end of the second quarter of 2025, the Company’s Board of Directors approved a 4-for-1 stock split of the Company’s outstanding common shares. The stock split will be implemented by way of a stock dividend where the Company will issue to shareholders three additional common shares for each common share held. The stock split will be effective at the close of business on August 18, 2025 for shareholders of record as of the close of business on August 14, 2025. For details regarding the stock split, please see the Company’s news release at loblaw.ca/en/releases-and-statements/.

CONSOLIDATED AND SEGMENT RESULTS OF OPERATIONS

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

	2025 (12 weeks)				2024 (12 weeks)			
For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars except where otherwise indicated)	Retail	Financial Services	Elimi- nations	Total	Retail	Financial Services	Elimi- nations	Total
Revenue	\$ 14,389	\$ 377	\$ (94)	\$14,672	\$ 13,658	\$ 367	\$ (78)	\$13,947
Gross profit ⁽²⁾	\$ 4,608	\$ 335	\$ (94)	\$ 4,849	\$ 4,370	\$ 329	\$ (78)	\$ 4,621
Gross profit % ⁽²⁾	32.0 %	N/A	— %	33.0 %	32.0 %	N/A	— %	33.1 %
Operating income	\$ 1,170	\$ 69	\$ —	\$ 1,239	\$ 815	\$ 53	\$ —	\$ 868
Adjusted operating income ⁽²⁾	1,180	69	—	1,249	1,096	53	—	1,149
Adjusted EBITDA ⁽²⁾	\$ 1,759	\$ 81	\$ —	\$ 1,840	\$ 1,649	\$ 64	\$ —	\$ 1,713
Adjusted EBITDA margin ⁽²⁾	12.2 %	N/A	— %	12.5 %	12.1 %	N/A	— %	12.3 %
Net interest expense and other financing charges	\$ 173	\$ 39	\$ —	\$ 212	\$ 153	\$ 37	\$ —	\$ 190
Earnings before income taxes	\$ 997	\$ 30	\$ —	\$ 1,027	\$ 662	\$ 16	\$ —	\$ 678
Income taxes				\$ 270				\$ 180
Adjusted income taxes ⁽²⁾				273				254
Net earnings attributable to non- controlling interests				\$ 43				\$ 38
Prescribed dividends on preferred shares in share capital				—				3
Net earnings available to common shareholders of the Company				\$ 714				\$ 457
Adjusted net earnings available to common shareholders of the Company ⁽²⁾				721				664
Diluted net earnings per common share (\$)				\$ 2.37				\$ 1.48
Adjusted diluted net earnings per common share ⁽²⁾ (\$)				\$ 2.40				\$ 2.15
Diluted weighted average common shares outstanding (in millions)				300.9				308.8

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

For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)		2024 (12 weeks)	
	Sales	Same-store sales	Sales	Same-store sales
Food retail	\$10,213	3.5 %	\$ 9,653	0.2 %
Drug retail	4,176	4.1 %	4,005	1.5 %
Pharmacy and healthcare services	2,255	6.2 %	2,110	5.4 %
Front store	1,921	1.7 %	1,895	(2.4)%

RETAIL SEGMENT

- Retail segment sales in the second quarter of 2025 were \$14,389 million, an increase of \$731 million, or 5.4%.
 - Food Retail (Loblaw) sales were \$10,213 million and same-store sales grew by 3.5% (2024 – 0.2%).
 - The Company's internal food inflation was lower than the Consumer Price Index for Food Purchased From Stores of 3.3% (2024 – 1.7%); and
 - Food Retail traffic increased and basket size increased.
 - Drug Retail (Shoppers Drug Mart) sales were \$4,176 million, and same-store sales grew by 4.1% (2024 – 1.5%), with pharmacy and healthcare services same-store sales growth of 6.2% (2024 – 5.4%) and front store same-store sales growth of 1.7% (2024 – decline of 2.4%).
 - Pharmacy and healthcare services same-store sales growth was 6.2% (2024 – 5.4%), led by specialty prescriptions. On a same-store basis, the number of prescriptions increased by 3.1% (2024 – 2.1%) and the average prescription value increased by 3.9% (2024 – 1.9%).
 - Front store same-store sales growth was 1.7% (2024 – decline of 2.4%). Front store same-store sales growth was primarily driven by higher sales of beauty and over-the-counter ("OTC") products, partially offset by the decision to exit certain low margin electronics categories.
 - In the second quarter of 2025, 10 food and drug stores were opened and 1 food and drug store was closed. Retail square footage was 72.5 million square feet, a net increase of 1.2 million square feet, or 1.7% compared to the second quarter of 2024.
- Operating income in the second quarter of 2025 was \$1,170 million, an increase of \$355 million, or 43.6%.
- Gross profit⁽²⁾ in the second quarter of 2025 was \$4,608 million, an increase of \$238 million, or 5.4%. The gross profit percentage⁽²⁾ of 32.0% was stable, primarily driven by improvements in shrink, offset by changes in sales mix in Drug Retail pharmacy categories.
- Adjusted EBITDA⁽²⁾ in the second quarter of 2025 was \$1,759 million, an increase of \$110 million, or 6.7%. 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 19.8%, a favourable decrease of 10 basis points, primarily due to operating leverage from higher sales and the year-over-year impact of certain real estate activities, partially offset by incremental costs related to opening new stores and the automated distribution facility.
- Depreciation and amortization in the second quarter of 2025 was \$588 million, a decrease of \$80 million or 12.0%, primarily driven by the impact of lower amortization related to certain intangible assets associated with the 2014 acquisition of Shoppers Drug Mart which are now fully amortized, partially offset by an increase in depreciation of fixed assets related to conversions of retail locations and opening new stores, and an increase in depreciation of leased assets. Included in depreciation and amortization was the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark Health Group ("Lifemark") of \$9 million (2024 – \$115 million).

FINANCIAL SERVICES SEGMENT

- Revenue in the second quarter of 2025 was \$377 million, an increase of \$10 million or 2.7%. The increase was primarily driven by higher sales attributable to The Mobile Shop™ and higher insurance commission income, partially offset by lower interest income.
- Earnings before income taxes in the second quarter of 2025 were \$30 million, an increase of \$14 million or 87.5%. The increase was primarily driven by higher revenue described above, lower operating costs and lower credit card receivable charge-offs. This increase was partially offset by higher loyalty program costs.

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 2025. The Company's businesses remain well positioned to meet the everyday needs of Canadians.

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

In the second quarter of 2025, the Company continued to progress its two key pillars that underpin the Company's commitment to Canada's prosperity – fighting climate change and advancing social equity. Notably, the renewable energy purchase agreement between Loblaw and TC Energy Corporation came into effect in 2025. This agreement ensures that 100% of the electricity that the Company purchases directly for its supermarkets, drug stores, offices and distribution centers at over 300 sites in Alberta is sourced from wind and solar power. And the 2025 Shoppers Drug Mart® Run for Women drew participants and fundraisers across 18 communities. With over 29,000 participants, this event successfully raised more than \$3.8 million to support local women's mental health programs throughout Canada.

NORMAL COURSE ISSUER BID PROGRAM ("NCIB")

During the second quarter of 2025, the Company repurchased 2.05 million common shares for cancellation at a cost of \$445 million. On a year-to-date basis, the Company repurchased 4.5 million common shares for cancellation at a cost of \$902 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.

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" sections 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 Management Discussion & Analysis ("MD&A") in the 2024 Annual Report, and the Company's Annual Information Form ("AIF") for the year ended December 28, 2024.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this 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 second quarter of 2025, the Board of Directors declared a quarterly dividend of \$0.5643 per common share (on a pre-stock split basis), payable on October 1, 2025 to shareholders of record on September 15, 2025.

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 June 14, 2025 and June 15, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)			2024 (12 weeks)		
	GAAP	Adjusting Items	Non- GAAP ⁽²⁾	GAAP	Adjusting Items	Non- GAAP ⁽²⁾
EBITDA	\$ 1,839	\$ 1	\$ 1,840	\$ 1,547	\$ 166	\$ 1,713
Operating income	\$ 1,239	\$ 10	\$ 1,249	\$ 868	\$ 281	\$ 1,149
Net interest expense and other financing charges	212	—	212	190	—	190
Earnings before income taxes	\$ 1,027	\$ 10	\$ 1,037	\$ 678	\$ 281	\$ 959
Deduct the following:						
Income taxes	270	3	273	180	74	254
Non-controlling interests	43	—	43	38	—	38
Prescribed dividends on preferred shares	—	—	—	3	—	3
Net earnings available to common shareholders of the Company⁽ⁱ⁾	\$ 714	\$ 7	\$ 721	\$ 457	\$ 207	\$ 664
Diluted net earnings per common share (\$)	\$ 2.37	\$ 0.03	\$ 2.40	\$ 1.48	\$ 0.67	\$ 2.15
Diluted weighted average common shares (millions)	300.9	—	300.9	308.8	—	308.8

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

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 June 14, 2025 and June 15, 2024 (millions of Canadian dollars)	2025 (12 weeks)	2024 (12 weeks)
Operating income	\$ 1,239	\$ 868
Add (deduct) impact of the following:		
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 9	\$ 115
Fair value adjustment on fuel and foreign currency contracts	2	2
Charges related to settlement of class action lawsuits	—	164
Gain on sale of non-operating property	(1)	—
Adjusting items	\$ 10	\$ 281
Adjusted operating income⁽²⁾	\$ 1,249	\$ 1,149
Net interest expense and other financing charges	\$ 212	\$ 190
Income taxes	\$ 270	\$ 180
Add the impact of the following:		
Tax impact of items included in adjusted earnings before taxes	\$ 3	\$ 74
Adjusting items	\$ 3	\$ 74
Adjusted income taxes⁽²⁾	\$ 273	\$ 254

CORPORATE PROFILE

2024 Annual Report and 2025 Second Quarter Report to Shareholders

The Company's 2024 Annual Report and 2025 Second Quarter Report to Shareholders are available in the "Investors" section of the Company's website at loblaw.ca and on sedarplus.ca.

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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 ("PC 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 July 24, 2025 at 10:00 a.m. (ET).

To access via tele-conference, please dial (416) 945-7677 or (888) 699-1199. The playback will be made available approximately two hours after the event at (289) 819-1450 or (888) 660-6345, access code: 28537#. 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.

News Release Endnotes

- (1) This News Release contains forward-looking information. See "Forward-Looking Statements" section of this News Release and the Company's 2025 Second 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 2025 Second Quarter Report to Shareholders.
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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.

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

Adjusted Operating Income, Adjusted EBITDA and Adjusted EBITDA Margin The following tables reconcile adjusted operating income and adjusted EBITDA to operating income, which is reconciled to net earnings attributable to shareholders of the Company as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted EBITDA is useful in assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue.

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

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

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

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

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

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

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

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

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

Adjusted Income Taxes and Adjusted Effective Tax Rate The following table reconciles adjusted income taxes to income taxes as reported in the consolidated statements of earnings for the periods ended as indicated. The Company believes that adjusted income taxes is useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

Adjusted effective tax rate is calculated as adjusted income taxes divided by the sum of adjusted operating income less adjusted net interest expense and other financing charges.

For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars except where otherwise indicated)	2025 (12 weeks)	2024 (12 weeks)
Adjusted operating income ⁽ⁱ⁾	\$ 1,249	\$ 1,149
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	212	190
Adjusted earnings before taxes	\$ 1,037	\$ 959
Income taxes	\$ 270	\$ 180
Add impact of the following:		
Tax impact of items included in adjusted earnings before taxes ⁽ⁱⁱⁱ⁾	3	74
Adjusted income taxes	\$ 273	\$ 254
Effective tax rate	26.3 %	26.5 %
Adjusted effective tax rate	26.3 %	26.5 %

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

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

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net Earnings Per Common Share

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

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

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.

	2025 (12 weeks)		2024 (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
For the periods ended June 14, 2025 and June 15, 2024 (millions of Canadian dollars/Canadian dollars)				
As reported	\$ 714	\$ 2.37	\$ 457	\$ 1.48
Add (deduct) impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 6	\$ 0.02	\$ 84	\$ 0.27
Fair value adjustment on fuel and foreign currency contracts	2	0.01	2	0.01
Charges related to settlement of class action lawsuits	—	—	121	0.39
Gain on sale of non-operating property	(1)	—	—	—
Adjusting items	\$ 7	\$ 0.03	\$ 207	\$ 0.67
Adjusted	\$ 721	\$ 2.40	\$ 664	\$ 2.15

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.

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

(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.