Loblaw Companies Limited

NEWS RELEASE

Loblaw Reports 2022 First Quarter Results

BRAMPTON, ONTARIO May 4, 2022 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") announced today its unaudited financial results for the first quarter ended March 26, 2022.[(1)]

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

"Loblaw demonstrated consistent operating and financial results, reflecting the strength of its portfolio of businesses and the ability to provide service and value to meet the evolving needs of Canadians," said Galen G. Weston, Chairman and President, Loblaw Companies Limited. "We have begun the year with momentum in our core retail businesses, a clear strategic agenda, and continued traction in our growth initiatives."

2022 FIRST QUARTER HIGHLIGHTS

- Revenue was $12,262 million, an increase of $390 million, or 3.3%.
- Retail segment sales were $12,045 million, an increase of $375 million, or 3.2%.
  - Food Retail (Loblaw) same-stores sales increased by 2.1%.
  - Drug Retail (Shoppers Drug Mart) same-store sales increased by 5.2%.
- E-commerce sales decreased by 9.8% lapping growth of 133%.
- Operating income was $738 million, an increase of $121 million, or 19.6%.
- Adjusted EBITDA[(2)] was $1,343 million, an increase of $125 million, or 10.3%.
- Retail segment adjusted gross profit percentage[(2)] was 31.1%, an increase of 80 basis points.
- Net earnings available to common shareholders of the Company were $437 million, an increase of $124 million or 39.6%. Diluted net earnings per common share were $1.30, an increase of $0.40, or 44.4%.
- Adjusted net earnings available to common shareholders of the Company[(2)] were $459 million, an increase of $67 million, or 17.1%.
- Adjusted diluted net earnings per common share[(2)] were $1.36, an increase of $0.23 or 20.4%.
- Repurchased for cancellation, 1.3 million common shares at a cost of $148 million and invested $186 million in capital expenditures. Retail segment free cash flow[(2)] was $214 million.
- The Company announced today the release of its 2021 Environmental, Social and Governance ("ESG") Report.
- Eleventh consecutive annual increase to the quarterly common share dividend from $0.365 per common share to $0.405 per common share, an increase of 11%.

See "News Release Endnotes" at the end of this News Release.

CONSOLIDATED AND SEGMENT RESULTS OF OPERATIONS

The following tables provide key performance metrics for the Company by segment and same-store sales.

For the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars)	**2022 (12 weeks) Retail**	**Financial Services**	**Elimin-ations**	**Consol-idated**	2021 (12 weeks) Retail	Financial Services	Elimin-ations	Consol-idated
Revenue	**$12,045**	**$ 274**	**$ (57)**	**$12,262**	$11,670	$ 253	$ (51)	$11,872
Adjusted gross profit[2]	$3,743	$ 241	$ (57)	$ 3,927	$3,533	$ 216	$ (51)	$3,698
Adjusted gross profit %[2]	31.1 %	N/A	— %	32.0 %	30.3 %	N/A	— %	31.1 %
Operating income	**$ 690**	**$ 48**	**$ —**	**$ 738**	$ 553	$ 64	$ —	$ 617
Adjusted operating Income[2]	781	48	—	829	661	64	—	725
Adjusted EBITDA[2]	$1,285	$ 58	$ —	$ 1,343	$ 1,145	$ 73	$ —	$ 1,218
Adjusted EBITDA margin[2]	10.7 %	N/A	— %	11.0 %	9.8 %	N/A	— %	10.3 %
Net interest expense and other financing charges	**$ 126**	**$ 16**	**$ —**	**$ 142**	$ 144	$ 16	$ —	$ 160
Adjusted net interest expense and other financing charges	137	16	—	153	144	16	—	160
Earnings before income taxes	**$ 564**	**$ 32**	**$ —**	**$ 596**	$ 409	$ 48	$ —	$ 457
Income Taxes				$ 123				$ 122
Adjusted income taxes[2]				181				151
Net earnings attributable to non-controlling interests				$ 33				$ 19
Prescribed dividends on preferred shares in share capital				3				3
Net earnings available to common shareholders of the Company				**$ 437**				$ 313
Adjusted net earnings available to common shareholders of the Company[2]				459				392
Diluted net earnings per common share ($)				**$ 1.30**				$ 0.90
Adjusted diluted net earnings per common share[2] ($)				$ 1.36				$ 1.13
Diluted weighted average common shares outstanding (in millions)				**336.7**				348.2

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

RETAIL SEGMENT

- Retail segment sales were $12,045 million, an increase of $375 million, or 3.2%.
    - Food Retail (Loblaw) sales were $8,682 million and Food Retail same-store sales grew by 2.1% (2021 – 0.1%).
        - The Consumer Price Index as measured by The Consumer Price Index for Food Purchased From Stores was 7.5% (2021 – 0.9%) which was slightly lower than the Company's internal food inflation.
        - Food Retail basket size decreased and traffic increased.
    - Drug Retail (Shoppers Drug Mart) sales were $3,363 million, and Drug Retail same-store sales grew by 5.2% (2021 – decreased by 1.7%), with pharmacy same-store sales growth of 6.8% (2021 – 3.5%) and front store same-store sales growth of 3.6% (2021 – decreased by 6.4%).
        - On a same-store basis, the number of prescriptions dispensed increased by 5.8% (2021 – decreased by 0.8%) and the average prescription value increased by 0.4% (2021 – 2.4%).
- Operating income was $690 million, an increase of $137 million, or 24.8%.
- Adjusted gross profit(2) was $3,743 million, an increase of $210 million, or 5.9%. The adjusted gross profit percentage(2) of 31.1% increased by 80 basis points, primarily driven from favourable changes in the Drug Retail sales mix, with underlying improvements in business initiatives across the Retail segment.
- Adjusted EBITDA(2) was $1,285 million, an increase of $140 million, or 12.2%. The increase was driven by an increase in adjusted gross profit(2), partially offset by an increase in SG&A. SG&A as a percentage of sales was 20.4%, a decrease of 10 basis points. The favourable decrease of 10 basis points was primarily due to lower COVID-19 related expenses, partially offset by higher costs incurred in Drug Retail from providing pharmacy related services.
- Depreciation and amortization was $621 million, an increase of $20 million or 3.3%, primarily driven by an increase in IT assets and leased assets. Included in depreciation and amortization was the amortization of intangibles assets related to the acquisition of Shoppers Drug Mart Corporation of $117 million (2021 – $117 million).
- During the quarter, the Company agreed to acquire Lifemark Health Group ("Lifemark") for aggregate cash consideration of $845 million. Lifemark is the leading provider of outpatient physiotherapy, massage therapy, occupational therapy, chiropractic, mental health, and other ancillary rehabilitation services through its more than 300 clinics across Canada. Regulatory approvals have been received and the transaction is expected to close on or about May 10, 2022.
- 9 food and drug stores were opened, and 10 food and drug stores were closed, resulting in a net decrease in Retail square footage of 0.1 million square feet, or 0.1%.

FINANCIAL SERVICES SEGMENT

- Revenue was $274 million, an increase of $21 million or 8.3%. The increase was primarily driven by higher interest income from growth in credit card receivables and higher interchange income.
- Earnings before income taxes were $32 million, a decrease in earnings of $16 million. The Financial Services business continues to benefit from the economic re-opening but earnings have decreased due to the year over year impact of the expected credit loss provision from lapping a larger prior year release of $20 million versus the current quarter release of $5 million. The decrease is also driven by the prior year reversal of certain commodity tax accrued.

OUTLOOK[3]

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

The Company continues to expect:

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The company issued its 2021 ESG Report, aligned with GRI standards, expanded SASB disclosures and commentary related to ongoing TCFD assessment.

In the quarter, Loblaw continued support for communities: it's annual spring food drive raised more than $1 million of products for food bank partners nationwide; the Company mobilized immediate and ongoing support for the Canadian Red Cross Humanitarian Crisis Appeal with in-kind donations and funds donated and raised totaling $1.8 million.

NORMAL COURSE ISSUER BID PROGRAM

During the first quarter of 2022, the Company entered into an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market.

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 Information Technology systems implementation. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the "Consolidated 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, including the COVID-19 pandemic 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 2021 Annual Report - Financial Review and Section 4 "Risks" of the Company's 2021 Annual Information Form for the year ended January 1, 2022.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this 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 2022, the Board of Directors declared a quarterly dividend on Common Shares and Second Preferred Shares, Series B.

Common Shares	$0.405 per common share, payable on July 1, 2022 to shareholders of record on June 15, 2022.
Second Preferred Shares, Series B	$0.33125 per share, payable on June 30, 2022 to shareholders of record on June 15, 2022.

EXCERPT OF NON-GAAP FINANCIAL MEASURES

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

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.

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

As at or for the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)			**2022 (12 weeks)**			2021 (12 weeks)
	GAAP	**Adjusting Items**	**Non-GAAP[2]**	GAAP	Adjusting Items	Non-GAAP[2]
EBITDA	**$ 1,369**	**$ (26)**	**$ 1,343**	$ 1,227	$ (9)	$ 1,218
Operating Income	**$ 738**	**$ 91**	**$ 829**	$ 617	$ 108	$ 725
Net interest expense and other financing charges	**142**	**11**	**153**	160	—	160
Earnings before income taxes	**$ 596**	**$ 80**	**$ 676**	$ 457	$ 108	$ 565
Deduct the following:						
Income Tax	**123**	**58**	**181**	122	29	151
Non-controlling Interests	**33**	**—**	**33**	19	—	19
Prescribed dividends on preferred shares	**3**	**—**	**3**	3	—	3
Net earnings available to common shareholders of the Company[i]	**$ 437**	**$ 22**	**$ 459**	$ 313	$ 79	$ 392
Diluted net earnings per common share ($)	**$ 1.30**	**$ 0.06**	**$ 1.36**	$ 0.90	$ 0.23	$ 1.13
Diluted weighted average common shares (millions)	**336.7**	**—**	**336.7**	348.2	—	348.2

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

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

As at or for the periods ended March 26, 2022 and March 27, 2021 (millions of Canadian dollars except where otherwise indicated)	**2022 (12 weeks)**	2021 (12 weeks)
Operating Income	**$ 738**	$ 617
Add (Deduct) impact of the following:		
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 117**	$ 117
Restructuring and other related costs	**(15)**	4
Lifemark transaction costs	**3**	—
Fair value adjustment on fuel and foreign currency contracts	**(14)**	(8)
Gain on sale of non-operating properties	**—**	(5)
Adjusting Items	**$ 91**	$ 108
Adjusted Operating Income(2)	**$ 829**	$ 725
Net interest expense and other financing charges	**$ 142**	$ 160
Add the impact of the following:		
Recovery related to Glenhuron	**11**	—
Adjusted Net interest expense and other financing charges(2)	**$ 153**	$ 160
Income Taxes	**$ 123**	$ 122
Add the impact of the following:		
Recovery related to Glenhuron	**$ 33**	$ —
Tax impact of items included in adjusted earnings before taxes	**25**	29
Adjusting Items	**$ 58**	$ 29
Adjusted Income Taxes(2)	**$ 181**	$ 151

CORPORATE PROFILE

2021 Annual Report and 2022 First Quarter Report to Shareholders

The Company's 2021 Annual Report and 2022 First Quarter Report to Shareholders are available in the "Investors" section of the Company's website at loblaw.ca and on sedar.com.

Investor Relations

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

Conference Call and Webcast

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

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

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

Annual Meeting of Shareholders

The 2022 Annual Meeting of Shareholders of Loblaw Companies Limited will be held on Thursday, May 5, 2022 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/282236019. See "How do I attend and participate in the virtual Meeting?" in the Management Proxy dated March 25, 2022, which can be viewed online at www.loblaw.ca or under Loblaw's SEDAR profile at www.sedar.com, 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 2021 Annual Report 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 sedar.com and at loblaw.ca.

(2) See "Non-GAAP Financial Measures" section in Appendix 1 of this News Release, which includes the reconciliation of such non-GAAP 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 2021 First Quarter Report to Shareholders.

Appendix 1: NON-GAAP FINANCIAL MEASURES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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