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2020 First Quarter Report to Shareholders
12 weeks ended March 21, 2020

Letter to Shareholders

The current COVID-19 pandemic has had and continues to have a significant toll on each of our colleagues, customers, suppliers and other stakeholders.

Late in the quarter Loblaw experienced unprecedented consumer demand and stockpiling relating to COVID-19, with sales surging in the final two weeks of March. The result was both a sharp increase in revenue and profit followed by ramp up in spending to protect and benefit colleagues and customers.

Loblaw continues to invest in its strategic business initiatives and has accelerated some in response to the changing demands of customers. Our COVID-19 related investments fall into four areas:

- Enhancing customer convenience with increased store staff, expanded PC Express e-commerce services and eliminating fees and reducing prices associated with these online services;
- Supporting colleagues in stores and distribution centres with temporary pay premiums and pay protection safeguards;
- Securing operations by increasing store cleaning, hiring security and ambassadors to manage social distancing, introducing new customer protocols, and installing equipment like plexiglass barriers at checkouts and counters; and,
- Providing financial support to communities across the country through large scale donations to food and wellness programs, and to President's Choice Financial Mastercard® customers through new financial hardship programs.

Following the initial surge in March, demand has moderated, with continued strength in essential food categories and pressure on sales in pharmacy and some discretionary areas of the business. Loblaw's response and costs related to COVID-19 have accelerated following the end of the quarter, putting pressure on the business. Uncertainty over the duration and severity of the pandemic make reliable estimates of the second quarter and full year COVID-19 related impacts on the financial results and operations of the Company impossible.

These are unprecedented times and I am incredibly proud of how our colleagues have risen to the challenge of ensuring that Canadians have access to the food and health essentials they need. And we will continue to make significant investments to keep our colleagues and customers safe through the pandemic. As we remain focused on long term value creation, and we see signs of fundamental change in consumer behaviour, our conviction around the strategic importance of our leading positions in loyalty, digital retail, and connected healthcare is stronger than ever.

We thank you for your continued support and confidence in Loblaw during these challenging times.

[signed]

Galen G. Weston

Executive Chairman

2020 First Quarter Report to Shareholders

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Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") should be read in conjunction with the Company's first quarter 2020 unaudited interim period condensed consolidated financial statements and the accompanying notes included in this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 28, 2019 and the related annual MD&A included in the Company's 2019 Annual Report – Financial Review ("2019 Annual Report").

The Company's first quarter 2020 unaudited interim period condensed consolidated financial statements and the accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). These unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except when otherwise noted.

Management uses non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. The Company excludes additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring. See Section 10 "Non-GAAP Financial Measures", of this MD&A for more information on the Company's non-GAAP financial measures.

A glossary of terms used throughout this Quarterly Report can be found on page 134 of the Company's 2019 Annual Report.

The information in this MD&A is current to April 28, 2020, unless otherwise noted.

1. Forward-Looking Statements

This Quarterly Report, including this MD&A, contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Quarterly Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of information technology ("IT") systems implementations. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, in Section 3 "Consolidated Results of Operations", "Section 4.1 "Retail Segment" Other Retail Business Matters, Section 5 "Liquidity and Capital Resources" and Section 10 "Non-GAAP Financial Measures". Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2020 is based on certain assumptions including assumptions about the COVID-19 pandemic, healthcare reform impacts, anticipated cost savings and operating efficiencies and anticipated benefits from strategic initiatives. 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 Section 9 "Enterprise Risks and Risk Management" of this MD&A, and the Company's 2019 Annual Information Form ("AIF") (for the year ended December 28, 2019). Such risks and uncertainties include:

- the duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the Company;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- failure to execute the Company's e-commerce initiatives or to adapt its business model to the shifts in the retail landscape caused by digital advances;
- failure to realize benefits from investments in the Company's new IT systems;

- failure to realize the anticipated benefits associated with the Company's strategic priorities and major initiatives, including revenue growth, anticipated cost savings and operating efficiencies, or organizational changes that may impact the relationships with franchisees and associates;
- failure to attract and retain talent for key roles that may impact the Company's ability to effectively operate and achieve financial performance goals;
- public health events including those related to food and drug safety;
- errors made through medication dispensing or errors related to patient services or consultation;
- failure to maintain an effective supply chain and consequently an appropriate assortment of available product at store level;
- adverse outcomes of legal and regulatory proceedings and related matters;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, political uncertainty, interest rates, currency exchange rates or derivative and commodity prices;
- reliance on the performance and retention of third party service providers, including those associated with the Company's supply chain and apparel business, including issues with vendors in both advanced and developing markets; and
- changes to any of the laws, rules, regulations or policies applicable to the Company's business.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities ("securities regulators") from time to time, including, without limitation, the section entitled "Risks" in the Company's 2019 AIF (for the year ended December 28, 2019), as well as COVID-19 related risks as described in the "Enterprise Risks and Risk Management" section of this MD&A. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2. Key Financial Performance Indicators

Unless otherwise indicated, all financial information includes the impacts of the consolidation of franchises and COVID-19.

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

As at or for the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars except where otherwise indicated)	2020 (12 weeks)	2019 (12 weeks)
Consolidated:		
Revenue growth	10.7%	3.1%
Operating income	\$ 541	\$ 451
Adjusted EBITDA ⁽²⁾	1,169	1,040
Adjusted EBITDA margin ⁽²⁾	9.9%	9.8%
Net earnings	\$ 276	\$ 206
Net earnings attributable to shareholders of the Company	243	201
Net earnings available to common shareholders of the Company ⁽ⁱ⁾	240	198
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	352	290
Diluted net earnings per common share (\$)	\$ 0.66	\$ 0.53
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 0.97	\$ 0.78
Cash and cash equivalents and short term investments	\$ 2,248	\$ 1,002
Cash flows from operating activities	1,813	960
Free cash flow ⁽²⁾	1,186	419
Financial Measures:		
Retail debt to rolling year retail adjusted EBITDA ⁽²⁾	2.9x	3.1x
Rolling year adjusted return on equity ⁽²⁾	14.3%	13.5%
Rolling year adjusted return on capital ⁽²⁾	8.4%	7.7%
Retail Segment:		
Food retail same-store sales growth	9.6%	2.0%
Drug retail same-store sales growth	10.7%	2.2%
Operating income	\$ 538	\$ 401
Adjusted gross profit ⁽²⁾	3,450	3,097
Adjusted gross profit % ⁽²⁾	29.8%	29.6%
Adjusted EBITDA ⁽²⁾	\$ 1,161	\$ 985
Adjusted EBITDA margin ⁽²⁾	10.0%	9.4%
Financial Services Segment:		
(Loss) Earnings before income taxes	\$ (19)	\$ 31
Annualized yield on average quarterly gross credit card receivables	13.9%	13.8%
Annualized credit loss rate on average quarterly gross credit card receivables	4.0%	3.3%

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

3. Consolidated Results of Operations

For the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars except where otherwise indicated)	2020 (12 weeks)	2019 (12 weeks)	\$ Change	% Change
Revenue	\$ 11,800	\$ 10,659	\$ 1,141	10.7 %
Operating income	541	451	90	20.0 %
Adjusted EBITDA ⁽²⁾	1,169	1,040	129	12.4 %
Adjusted EBITDA margin ⁽²⁾	9.9%	9.8%		
Depreciation and amortization	\$ 594	\$ 580	\$ 14	2.4 %
Net interest expense and other financing charges	172	173	(1)	(0.6)%
Income taxes	93	72	21	29.2 %
Adjusted income taxes ⁽²⁾	134	108	26	24.1 %
Adjusted effective tax rate ⁽²⁾	25.7%	26.6%		
Net earnings attributable to shareholders of the Company	\$ 243	\$ 201	\$ 42	20.9 %
Net earnings available to common shareholders of the Company⁽ⁱ⁾	240	198	42	21.2 %
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	352	290	62	21.4 %
Diluted net earnings per common share (\$)	\$ 0.66	\$ 0.53	\$ 0.13	24.5 %
Adjusted diluted net earnings per common share ⁽²⁾ (\$)	\$ 0.97	\$ 0.78	\$ 0.19	24.4 %
Diluted weighted average common shares outstanding (in millions)	361.2	371.4		

(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.

Late in the quarter the Company experienced unprecedented consumer demand and stockpiling relating to COVID-19, with sales surging in the final two weeks of March. The result was both a sharp increase in revenue and profit followed by ramp-up in spending to protect and benefit colleagues and customers.

Net Earnings Available to Common Shareholders of the Company and Diluted Net Earnings Per Common Share Net earnings available to common shareholders of the Company in the first quarter of 2020 were \$240 million (\$0.66 per common share), an increase of \$42 million (\$0.13 per common share) compared to the first quarter of 2019. The increase in net earnings available to common shareholders of the Company included the improvement in underlying operating performance of \$62 million, partially offset by the unfavourable change in adjusting items totaling \$20 million, as described below:

- the improvement in underlying operating performance of \$62 million (\$0.17 per common share) was primarily due to the following:
 - an improvement in the underlying operating performance in the Retail segment (excluding the impact of the consolidation of franchises) which was driven by an increase in adjusted gross profit⁽²⁾, partially offset by an increase in selling, general and administrative expenses ("SG&A"), and an increase in depreciation and amortization, which was partially offset by the decline in underlying operating performance of the Financial Services segment.

which has been partially offset by,

- the unfavourable change in adjusting items totaling \$20 million (\$0.06 per common share) was primarily due to the following:
 - the year-over-year unfavourable change in fair value adjustment on fuel and foreign currency contracts of \$12 million (\$0.03 per common share);
 - the unfavourable impact of a prior year net gain on sale of non-operating properties of \$7 million (\$0.02 per common share); and
 - the year-over-year unfavourable impact of restructuring and other related costs of \$5 million (\$0.02 per common share);
 partially offset by,
 - the year-over-year favourable impact of prior year pension annuities and buy-outs of \$7 million (\$0.02 per common share).
- diluted net earnings per common share also included the favourable impact of the repurchase of common shares (\$0.02 per common share).

Management's Discussion and Analysis

Adjusted net earnings available to common shareholders of the Company⁽²⁾ in the first quarter of 2020 were \$352 million (\$0.97 per common share), an increase of \$62 million or 21.4%, compared to the first quarter of 2019. Adjusted net earnings per common share⁽²⁾ were \$0.97 per common share, an increase of \$0.19 or 24.4%. Adjusted diluted net earnings per common share⁽²⁾ also included the favourable impact of the repurchase of common shares.

First quarter financial results reflect an estimated increase in diluted net earnings per common share of \$0.14 related to the significant increase in initial demand for grocery and pharmacy products in March following the on-set of the COVID-19 pandemic in Canada.

Revenue

For the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars except where otherwise indicated)	2020 (12 weeks)	2019 (12 weeks)	\$ Change	% Change
Retail	\$ 11,584	\$ 10,452	\$ 1,132	10.8%
Financial Services	266	266	—	—%
Consolidation and Eliminations	(50)	(59)	9	15.3%
Revenue	\$ 11,800	\$ 10,659	\$ 1,141	10.7%

Revenue was \$11,800 million in the first quarter of 2020, an increase of \$1,141 million, or 10.7%, compared to the first quarter of 2019, primarily due to an increase in the Retail segment sales of \$1,132 million. Excluding the consolidation of franchises, Retail segment sales increased by \$946 million or 9.3%, due to positive same-store sales growth and a net increase in Retail square footage.

First quarter financial results reflect an estimated increase in sales of approximately \$751 million related to the significant increase in initial demand for grocery and pharmacy products in March following the onset of the COVID-19 pandemic in Canada.

Operating Income Operating income was \$541 million in the first quarter of 2020, an increase of \$90 million, or 20.0% compared to the first quarter of 2019. The increase in operating income included an increase in underlying operating performance of \$115 million, and the unfavourable year-over-year change in adjusting items totaling \$25 million, as described below:

- the improvement in underlying operating performance of \$115 million was primarily due to the improvement in the underlying operating performance of the Retail segment, including the favourable contribution from the consolidation of franchises of \$28 million, partially offset by the decline in underlying operating performance of the Financial Services segment;

which has been partially offset by,

- the unfavourable change in adjusting items totaling \$25 million which was primarily due to the following:
 - the year-over-year unfavourable change in fair value adjustment on fuel and foreign currency contracts of \$17 million;
 - the unfavourable impact of a prior year net gain on sale of non-operating properties of \$8 million; and
 - the year-over-year unfavourable impact of restructuring and other related costs of \$7 million;
 partially offset by,
 - the year-over-year favourable impact of prior year pension annuities and buy-outs of \$10 million.

Adjusted EBITDA⁽²⁾

For the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars except where otherwise indicated)	2020 (12 weeks)	2019 (12 weeks)	\$ Change	% Change
Retail	\$ 1,161	\$ 985	\$ 176	17.9 %
Financial Services	8	55	(47)	(85.5)%
Adjusted EBITDA ⁽²⁾	\$ 1,169	\$ 1,040	\$ 129	12.4 %

Adjusted EBITDA⁽²⁾ was \$1,169 million in the first quarter of 2020, an increase of \$129 million compared to the first quarter of 2019. The increase in adjusted EBITDA⁽²⁾ in the first quarter of 2019 was primarily due to an increase in the Retail segment of \$176 million, and included the year-over-year favourable impact of consolidation of franchises of \$36 million, partially offset by the Financial Services segment.

Depreciation and Amortization Depreciation and amortization was \$594 million in the first quarter of 2020, an increase of \$14 million compared to the first quarter of 2019, primarily driven by the consolidation of franchises and an increase in IT assets. Included in depreciation and amortization is the amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation (“Shoppers Drug Mart”) of \$119 million (2019 – \$119 million).

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were \$172 million in the first quarter of 2020. When compared to the first quarter of 2019, this represented a decrease of \$1 million. The decrease was primarily driven by a reduction in interest expense from lease liabilities, partially offset by higher interest expense in the Financial Services segment.

Income Taxes

For the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars except where otherwise indicated)	2020 (12 weeks)	2019 (12 weeks)	\$ Change	% Change
Income taxes	\$ 93	\$ 72	\$ 21	29.2%
Add (deduct) impact of the following:				
Tax impact of items included in adjusted earnings before taxes	41	36	5	13.9%
Adjusted income taxes ⁽²⁾	\$ 134	\$ 108	\$ 26	24.1%
Effective tax rate	25.2%	25.9%		
Adjusted effective tax rate ⁽²⁾	25.7%	26.6%		

Income tax expense in the first quarter of 2020 was \$93 million (2019 – \$72 million) and the effective tax rate was 25.2% (2019 – 25.9%). The decrease to the effective tax rate was primarily attributable to higher franchisee earnings which were taxed at the lower small business tax rate.

Adjusted income tax expense⁽²⁾ in the first quarter of 2020 was \$134 million (2019 – \$108 million) and the adjusted effective tax rate⁽²⁾ was 25.7% (2019 – 26.6%). The decrease to the adjusted effective tax rate⁽²⁾ was primarily attributable to higher franchisee earnings which were taxed at the lower small business rate.

The Company has been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron Bank Limited (“Glenhuron”), a wholly owned Barbadian subsidiary of the Company that was wound up in 2013, should be treated, and taxed, as income in Canada. The reassessments, which were received between 2015 and 2019, are for the 2000 to 2013 taxation years. On September 7, 2018, the Tax Court of Canada (“Tax Court”) released its decision relating to the 2000 to 2010 taxation years. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation. On October 4, 2018, the Company filed a Notice of Appeal with the Federal Court of Appeal and recorded a charge of \$367 million, of which \$176 million was recorded in interest and \$191 million was recorded in income taxes, to cover its ultimate liability if the appeal was unsuccessful. On October 15, 2019, the appeal was heard by the Federal Court of Appeal, with the court reserving judgment until a later date. On April 23, 2020, the Federal Court of Appeal released its decision and reversed the decision of the Tax Court. The Canada Revenue Agency has the right to seek leave to appeal to the Supreme Court of Canada for 60 days. The Company has yet to reverse any portion of the previously recorded charge.

Process and Efficiency In the first quarter of 2020, the Company recorded approximately \$19 million of restructuring and other related charges, primarily related to Process and Efficiency initiatives. Included in the restructuring charges is \$15 million related to the closure of the two distribution centres in Laval and Ottawa, that were previously announced in the first quarter of 2020. 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. Over the next two years, the distribution centres in Laval and Ottawa will be transferring their volumes to Cornwall. The Company expects to incur additional restructuring costs in 2020 and 2021 related to these closures.

COVID-19 Update and Outlook

General The COVID-19 pandemic continues to have a dramatic impact on our colleagues, customers, suppliers and other stakeholders. While the duration and effects of the pandemic remain unknown, the Company has reacted quickly to changing circumstances by ramping up investments in four areas: enhancing customer convenience by expanding on-line capabilities and increasing staffing in our stores; supporting our colleagues in our stores and distribution centres with temporary pay premiums and pay protection safeguards; securing operations, with more in-store cleaning and in-store security, introducing new ways to shop stores to promote social distancing, and installing plexiglass barriers at check outs; and providing financial support to our communities and customers by pledging financial support to food banks and community charities and offering personalized solutions for President’s Choice Financial Mastercard® customers who are experiencing financial hardship.

The costs of the incremental investments ramped up towards the end of the first quarter of 2020 and continued into the second quarter. Given the unprecedented nature of the pandemic and its impact on the country, we expect that consumer behavior and the resulting impact on sales and product mix, as well as the cost of operating the business, will continue to be volatile. In the five weeks following the end of the first quarter, sales mix continued to evolve as customers spent less on discretionary items. On a same store sales basis, Food retail was up by approximately 10% and Drug retail down by approximately 6%, in each case compared to the same period in the prior year. The Company currently estimates that additional investments are running at approximately \$90 million per period.

In light of the uncertainty surrounding the duration and severity of the pandemic, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. As announced on April 9, 2020, the Company has withdrawn its 2020 Outlook that is contained in its Management's Discussion and Analysis ("MD&A") for the year ended December 28, 2019.

Liquidity The Company's liquidity position is supported by a strong balance sheet and the ability to generate significant cash flow from its operations. As at the end of the first quarter of 2020, the Company's consolidated cash and short-term investments balance was \$2.2 billion. The aggregate available liquidity is approximately \$3.9 billion including undrawn amounts under committed credit facilities. PC Bank continues to maintain a level of liquidity well in excess of required regulatory minimums. Following the end of the first quarter, the Company reduced capital expenditures while continuing with aspects of its Process and Efficiency initiatives.

Risk Factor For more information on the risks presented to the Company by the COVID-19 pandemic, please see Section 9, "Enterprise Risks and Risk Management" of the Company's MD&A for the quarter ended March 21, 2020.

4. Reportable Operating Segments Results of Operations

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

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

4.1 Retail Segment

Unless otherwise indicated, the following financial information includes the impacts of the consolidation of franchises and COVID-19.

For the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars except where otherwise indicated)	2020 (12 weeks)	2019 (12 weeks)	\$ Change	% Change
Sales	\$ 11,584	\$ 10,452	\$ 1,132	10.8%
Operating income	538	401	137	34.2%
Adjusted gross profit ⁽²⁾	3,450	3,097	353	11.4%
Adjusted gross profit % ⁽²⁾	29.8%	29.6%		
Adjusted EBITDA ⁽²⁾	\$ 1,161	\$ 985	\$ 176	17.9%
Adjusted EBITDA margin ⁽²⁾	10.0%	9.4%		
Depreciation and amortization	\$ 589	\$ 575	\$ 14	2.4%

For the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars except where otherwise indicated)	2020 (12 weeks)		2019 (12 weeks)	
	Sales	Same-store sales	Sales	Same-store sales
Food retail	\$ 8,332	9.6%	\$ 7,515	2.0%
Drug retail	3,252	10.7%	2,937	2.2%
Pharmacy	1,563	10.6%	1,412	1.2%
Front store	1,689	10.7%	1,525	3.1%

Sales Retail segment sales in the first quarter of 2020 were \$11,584 million, an increase of \$1,132 million, or 10.8% compared to the first quarter of 2019. After excluding the consolidation of franchises, Retail segment sales increased by \$946 million, or 9.3%, primarily driven by the following factors:

- The increase in Retail sales included the impact of COVID-19, estimated at approximately \$768 million, which included the favourable impact of the consolidation of franchises of \$91 million.
- Food retail same-store sales growth was 9.6% (2019 – 2.0%) for the quarter. Food same-store sales growth was positively impacted by COVID-19.
 - Sales growth in food was strong;
 - Sales in pharmacy was strong;
 - The Company's Food retail average article price was 1.5% (2019 – 3.8%), which reflects the impact of inflation on the specific mix of goods sold in the Company's stores in the quarter. The average quarterly national food price inflation was 2.8% (2019 – inflation 3.3%), as measured by The Consumer Price Index for Food Purchased from Stores ("CPI"). CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in the Company's stores; and
 - Food retail basket size increased and traffic increased in the quarter.
- Drug retail same-store sales growth was 10.7% (2019 – 2.2%). Drug same-store sales growth was positively impacted by COVID-19.
 - Pharmacy same-store sales growth was 10.6% (2019 – 1.2%). The number of prescriptions dispensed increased by 5.5% (2019 – 2.8%). On a same-store basis, the number of prescriptions dispensed increased by 5.5% (2019 – 2.6%) and the average prescription value increased by 4.8% (2019 – decreased by 2.1%).
 - Front store same-store sales growth was 10.7% (2019 – 3.1%).

In the last 12 months, 13 food and drug stores were opened, and 7 food and drug stores were closed, resulting in a net increase in Retail square footage of 0.2 million square feet, or 0.3%.

Operating Income Operating income in the first quarter of 2020 was \$538 million, an increase of \$137 million compared to the first quarter of 2019. The increase in operating income was driven by improvements in underlying operating performance of \$162 million partially offset by the unfavourable year-over-year net impact of adjusting items totaling \$25 million as described below:

- the improvements in underlying operating performance of \$162 million were primarily due to an increase in adjusted gross profit⁽²⁾, partially offset by an increase in SG&A and an increase in depreciation and amortization. The improvements in underlying operating performance included the favourable year-over-year contribution from consolidation of franchises of \$28 million;

which has been partially offset by,

- the unfavourable change in adjusting items totaling \$25 million which was primarily due to the following:
 - the year-over-year unfavourable change in fair value adjustment on fuel and foreign currency contracts of \$17 million;
 - the unfavourable impact of a prior year net gain on sale of non-operating properties of \$8 million; and
 - the year-over-year unfavourable impact of restructuring and other related costs of \$7 million;partially offset by,
 - the year-over-year favourable impact of prior year pension annuities and buy-outs of \$10 million.

Adjusted Gross Profit⁽²⁾ Adjusted gross profit⁽²⁾ in the first quarter of 2020 was \$3,450 million, an increase of \$353 million, compared to the first quarter of 2019. Excluding the consolidation of franchises, adjusted gross profit⁽²⁾ increased by \$228 million. Adjusted gross profit percentage⁽²⁾ of 29.8% increased by 20 basis points compared to the first quarter of 2019. Adjusted gross profit percentage⁽²⁾, excluding the consolidation of franchises, was 27.3%. This represented a decrease of 30 basis points compared to the first quarter of 2019. Food retail margins were stable but were negatively impacted by product mix and Drug retail margins were negatively impacted, largely due to COVID-19.

Adjusted EBITDA⁽²⁾ Adjusted EBITDA⁽²⁾ in the first quarter of 2020 was \$1,161 million, an increase of \$176 million compared to the first quarter of 2019. The increase included the year-over-year favourable impact of the consolidation of franchises of \$36 million. Excluding the consolidation of franchises, the increase was driven by an increase in adjusted gross profit⁽²⁾ of \$228 million, partially offset by an increase in SG&A of \$88 million. SG&A as a percentage of sales, excluding the consolidation of franchises, was 17.5%, an improvement of 70 basis points compared to the first quarter of 2019. The improvement was primarily driven by COVID-19 sales leverage.

Depreciation and Amortization Depreciation and amortization in the first quarter of 2020 was \$589 million, an increase of \$14 million compared to the first quarter of 2019, primarily driven by the consolidation of franchises and an increase in IT assets. Included in depreciation and amortization is the amortization of intangibles assets related to the acquisition of Shoppers Drug Mart of \$119 million (2019 – \$119 million).

Other Retail Business Matters

Consolidation of Franchises The Company has more than 500 franchise food retail stores in its network. As at the end of the first quarter of 2020, the Company consolidated all of its remaining franchisees for accounting purposes under a simplified franchise agreement implemented in 2015.

The following table provides the total impact of the consolidation of franchises included in the consolidated results of the Company.

For the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars unless where otherwise indicated)	2020 (12 weeks)	2019 ⁽⁴⁾ (12 weeks)
Number of consolidated franchise stores, beginning of period	470	400
Add: Net number of consolidated franchise stores in the period	56	14
Number of consolidated franchise stores, end of period ⁽ⁱ⁾	526	414
Sales	\$ 489	\$ 303
Adjusted gross profit ⁽²⁾	416	291
Adjusted EBITDA ⁽²⁾	67	31
Depreciation and amortization	25	17
Operating income	42	14
Net Earnings	33	8
Net income attributable to non-controlling interests	33	5

(i) The number of franchise stores disclosed elsewhere includes certain stores under buying arrangements which will not be subject to the simplified franchise agreement.

Operating income that is included in the table above does not significantly impact net earnings available to common shareholders of the Company as the related income is largely attributable to non-controlling interests.

In light of the uncertainty surrounding the duration and severity of the pandemic, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of franchises.

4.2 Financial Services Segment

For the periods ended March 21, 2020 and March 23, 2019

(millions of Canadian dollars except where otherwise indicated)

	2020 (12 weeks)	2019 (12 weeks)	\$ Change	% Change
Revenue	\$ 266	\$ 266	\$ —	— %
(Losses) Earnings before income taxes	(19)	31	(50)	(161.3)%

(millions of Canadian dollars except where otherwise indicated)

	As at March 21, 2020	As at March 23, 2019 ⁽⁴⁾	\$ Change	% Change
Average quarterly net credit card receivables	\$ 3,436	\$ 3,180	\$ 256	8.1%
Credit card receivables	3,248	3,051	197	6.5%
Allowance for credit card receivables	246	175	71	40.6%
Annualized yield on average quarterly gross credit card receivables	13.9%	13.8%		
Annualized credit loss rate on average quarterly gross credit card receivables	4.0%	3.3%		

Revenue Revenue in the first quarter of 2020 was \$266 million, flat compared to the first quarter of 2019. Revenue was driven by:

- higher interest and interchange income attributable to the growth in the credit card portfolio; and
- higher sales attributable to *The Mobile Shop*;

offset by,

- negative impact of COVID-19, driven by lower interchange income and lower sales attributable to *The Mobile Shop*.

Losses before income taxes Losses before income taxes in the first quarter of 2020 were \$19 million. When compared to the first quarter of 2019, this represented a decrease in earnings of \$50 million, primarily driven by:

- higher expected credit losses attributable to an immediate increase in unemployment rate forecasts and recessionary environment.

Credit Card Receivables As at March 21, 2020, credit card receivables were \$3,248 million. When compared to March 23, 2019, this represented an increase of \$197 million. This increase was primarily driven by growth in the average customer balance and active customer base as a result of continued investments in customer acquisition, marketing and product initiatives. The allowance for credit card receivables increased to \$246 million, an increase of \$71 million compared to March 23, 2019.

5. Liquidity and Capital Resources

5.1 Cash Flows

Major Cash Flow Components

For the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars) (unaudited)	2020 (12 weeks)	2019 (12 weeks)	\$ Change	% Change
Cash and cash equivalents, beginning of period	\$ 1,133	\$ 1,065	\$ 68	6.4 %
Cash flows from (used in):				
Operating activities	\$ 1,813	\$ 960	\$ 853	88.9 %
Investing activities	(213)	678	(891)	(131.4)%
Financing activities	(542)	(1,775)	1,233	69.5 %
Effect of foreign currency exchange rate changes on cash and cash equivalents	(7)	1	(8)	(800.0)%
Change in cash and cash equivalents	\$ 1,051	\$ (136)	\$ 1,187	872.8 %
Cash and cash equivalents, end of period	\$ 2,184	\$ 929	\$ 1,255	135.1 %

Cash Flows from Operating Activities Cash flows from operating activities in the first quarter of 2020 were \$1,813 million, an increase of \$853 million compared to the first quarter of 2019. The increase in cash flows from operating activities was primarily driven by a significant sell-through of inventory due to COVID-19 resulting in higher cash earnings and a temporary decrease in inventory balances, a favourable change in credit card receivables and a decrease in income taxes paid.

Cash Flows used in Investing Activities Cash flows used in investing activities in the first quarter of 2020 were \$213 million, an increase of \$891 million compared to the first quarter of 2019. The increase in cash flows used in investing activities was primarily due to the release of \$800 million in security deposits in the prior year to repay \$800 million of the Company's debentures and lower proceeds from the disposition of assets in the current year.

Capital Investments and Store Activity

As at or for the periods ended March 21, 2020 and March 23, 2019	2020 (12 weeks)	2019 (12 weeks)	% Change
Capital investments (millions of Canadian dollars)	\$ 211	\$ 174	21.3 %
Corporate square footage (in millions)	35.5	35.6	(0.3)%
Franchise square footage (in millions)	16.4	16.3	0.6 %
Associate-owned drug store square footage (in millions)	18.7	18.5	1.1 %
Total retail square footage (in millions)	70.6	70.4	0.3 %
Number of corporate stores	547	550	(0.5)%
Number of franchise stores	539	535	0.7 %
Number of Associate-owned drug stores	1,344	1,339	0.4 %
Total number of stores	2,430	2,424	0.2 %
Percentage of corporate real estate owned	7%	8%	
Percentage of franchise real estate owned	4%	5%	
Percentage of Associate-owned drug store real estate owned	1%	1%	
Average store size (square feet)			
Corporate	64,900	64,700	0.3 %
Franchise	30,400	30,500	(0.3)%
Associate-owned drug store	13,900	13,800	0.7 %

Cash Flows used in Financing Activities Cash flows used in financing activities in the first quarter of 2020 were \$542 million, a decrease of \$1,233 million compared to the first quarter of 2019. The decrease in cash flows used in financing activities was primarily due to a net issuance of long term debt in the current year of \$369 million compared to a net repayment of long term debt of \$826 million in the prior year. The net issuance of long term debt in the first quarter of 2020 includes a draw of \$350 million from the Company's committed credit facility. The net repayment of long term debt in the prior year includes a repayment of \$800 million debenture released from security deposit.

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

Free Cash Flow⁽²⁾

For the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars except where otherwise indicated)	2020 (12 weeks)	2019 (12 weeks)	\$ Change	% Change
Cash flows from operating activities	\$ 1,813	\$ 960	\$ 853	88.9 %
Less:				
Capital investments	211	174	37	21.3 %
Interest paid	88	98	(10)	(10.2)%
Lease payments, net	328	269	59	21.9 %
Free cash flow ⁽²⁾	\$ 1,186	\$ 419	\$ 767	183.1 %

Free cash flow⁽²⁾ in the first quarter of 2020 was \$1,186 million, an increase of \$767 million compared to the first quarter of 2019. The increase in free cash flow⁽²⁾ was primarily driven by a significant sell-through of inventory due to COVID-19 resulting in higher cash earnings and a temporary decrease in inventory balances, a favourable change in credit card receivables and a decrease in income taxes paid.

5.2 Liquidity and Capital Structure

The Company expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against committed credit facilities will enable the Company to finance its capital investment program and fund its ongoing business requirements over the next 12 months, including working capital, pension plan funding requirements and financial obligations.

President's Choice Bank ("PC Bank") expects to obtain long term financing for its credit card portfolio through the issuance of *Eagle Credit Card Trust*[®] ("Eagle") notes and Guaranteed Investment Certificates.

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

(millions of Canadian dollars)	As at March 21, 2020			As at March 23, 2019			As at December 28, 2019		
	Retail	Financial Services	Total	Retail	Financial Services	Total	Retail	Financial Services	Total
Bank indebtedness	\$ 83	\$ —	\$ 83	\$ 130	\$ —	\$ 130	\$ 18	\$ —	\$ 18
Short term debt	—	500	500	—	615	615	—	725	725
Long term debt due within one year	350	778	1,128	530	257	787	350	777	1,127
Long term debt	4,792	1,546	6,338	4,262	1,614	5,876	4,437	1,534	5,971
Certain other liabilities	62	—	62	49	—	49	65	—	65
Total debt excluding lease liabilities	\$ 5,287	\$ 2,824	\$ 8,111	\$ 4,971	\$ 2,486	\$ 7,457	\$ 4,870	\$ 3,036	\$ 7,906
Lease liabilities due within one year	1,317	—	1,317	1,259	—	1,259	1,419	—	1,419
Lease liabilities	7,738	—	7,738	7,825	—	7,825	7,691	—	7,691
Total debt including total lease liabilities	\$ 14,342	\$ 2,824	\$ 17,166	\$14,055	\$ 2,486	\$16,541	\$13,980	\$ 3,036	\$17,016

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

	As at March 21, 2020	As at March 23, 2019	As at December 28, 2019
Retail debt to rolling year retail adjusted EBITDA ⁽²⁾	2.9x	3.1x	3.0x

The Retail debt to rolling year retail adjusted EBITDA⁽²⁾ ratio as at March 21, 2020 decreased compared to March 23, 2019 and December 28, 2019 primarily due to improvement in adjusted EBITDA⁽²⁾, partially offset by an increase in Retail debt.

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

Covenants and Regulatory Requirements The Company is required to comply with certain financial covenants for various debt instruments. As at March 21, 2020 and throughout the first quarter, the Company was in compliance with such covenants. As at March 21, 2020 and throughout the first quarter, PC Bank has met all applicable regulatory requirements.

5.3 Components of Total Debt

Debentures There were no debentures issued or repaid in the first quarter of 2020.

In the first quarter of 2019, the Company redeemed, at par, the \$800 million debenture with an original maturity date of March 12, 2019 on December 31, 2018. The Company recorded an early repayment premium charge of \$3 million in net interest expense and other financing charges. This debenture bore interest at 3.75%.

Committed Credit Facility The Company has a \$1.0 billion committed credit facility with a maturity date of June 10, 2021. This committed credit facility contains certain financial covenants. As at March 21, 2020, \$350 million was drawn under this facility (March 23, 2019 and December 28, 2019 – no amounts were drawn).

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

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

(millions of Canadian dollars)	As at March 21, 2020	As at March 23, 2019	As at December 28, 2019
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> [®]	\$ 1,000	\$ 750	\$ 1,000
Securitized to other independent securitization trusts	500	615	725
Total securitized to independent securitization trusts	\$ 1,500	\$ 1,365	\$ 1,725

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at March 21, 2020 and throughout the quarter.

Independent Funding Trusts As at March 21, 2020, the independent funding trust had drawn \$511 million (March 23, 2019 – \$530 million; December 28, 2019 – \$505 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts. As at March 21, 2020, the Company provided a credit enhancement of \$64 million (March 23, 2019 and December 28, 2019 – \$64 million) for the benefit of the independent funding trusts representing not less than 10% (2019 – not less than 10%) of the principal amount of loans outstanding.

5.4 Financial Condition

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

	As at March 21, 2020	As at March 23, 2019	As at December 28, 2019
Rolling year adjusted return on equity ⁽²⁾	14.3%	13.5%	13.7%
Rolling year adjusted return on capital ⁽²⁾	8.4%	7.7%	7.8%

Rolling year adjusted return on equity⁽²⁾ as at March 21, 2020 increased compared to March 23, 2019 and December 28, 2019 primarily due to improvements in underlying operating performance and common share repurchases.

Rolling year adjusted return on capital⁽²⁾ as at March 21, 2020 increased compared to March 23, 2019 and December 28, 2019 primarily due to improvement in tax-effected adjusted operating income⁽²⁾ and increase in cash and cash equivalents.

5.5 Credit Ratings

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

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

5.6 Share Capital

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

	March 21, 2020 (12 weeks)		March 23, 2019 (12 weeks)	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
(millions of Canadian dollars except where otherwise indicated)				
Issued and outstanding, beginning of period	360,064,475	\$ 7,065	371,790,967	\$ 7,177
Issued for settlement of stock options	419,296	24	696,831	33
Purchased and cancelled	(2,757,577)	(54)	(3,395,757)	(7)
Issued and outstanding, end of period	357,726,194	\$ 7,035	369,092,041	\$ 7,203
Shares held in trust, beginning of period	(1,113,302)	\$ (21)	(734,727)	\$ (15)
Purchased for future settlement of RSUs and PSUs	(145,000)	(3)	(300,000)	(5)
Released for settlement of RSUs and PSUs	384,298	7	458,139	9
Shares held in trust, end of period	(874,004)	\$ (17)	(576,588)	\$ (11)
Issued and outstanding, net of shares held in trust, end of period	356,852,190	\$ 7,018	368,515,453	\$ 7,192
Weighted average outstanding, net of shares held in trust	358,569,036		369,026,714	

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

	March 21, 2020 ⁽ⁱ⁾ (12 weeks)	March 23, 2019 (12 weeks)
Dividends declared per share (\$)		
Common Share	\$ 0.315	\$ 0.295
Second Preferred Share, Series B	\$ 0.33125	\$ 0.33125

- (i) The first quarter dividends for 2020 of \$0.315 per share declared on Common Shares had a payment date of April 1, 2020. The first quarter dividends for 2020 of \$0.33125 per share declared on Second Preferred Shares, Series B had a payment date of March 31, 2020.

(millions of Canadian dollars)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Dividends declared		
Common Share	\$ 116	\$ 110
Second Preferred Share, Series B	3	3
Total dividends declared	\$ 119	\$ 113

Subsequent to the end of the first quarter of 2020, the Board of Directors declared a quarterly dividend of \$0.315 per common share, payable on July 1, 2020 to shareholders of record on June 15, 2020 and a quarterly dividend of \$0.33125 per share on the Second Preferred Shares, Series B payable on June 30, 2020 to shareholders of record on June 15, 2020.

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

(millions of Canadian dollars except where otherwise indicated)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)	2,757,577	3,395,757
Cash consideration paid ⁽ⁱ⁾	\$ 188	\$ 215
Premium charged to retained earnings	134	23
Reduction in common share capital	54	7
Common shares repurchased under the NCIB and held in trust (number of shares)	145,000	300,000
Cash consideration paid	\$ 10	\$ 20
Premium charged to retained earnings	7	15
Reduction in common share capital	3	5

- (i) In the first quarter of 2019, cash consideration paid included \$185 million paid for common shares related to the automatic share purchase plan as described below.

In the first quarter of 2020, the Toronto Stock Exchange ("TSX") accepted an amendment to the Company's NCIB. The amendment permitted the Company to purchase its common shares from George Weston Limited ("Weston") under its NCIB, pursuant to an automatic disposition plan agreement among the Company's broker, the Company and Weston, in order for Weston to maintain its proportionate ownership interest in the Company. During the first quarter of 2020, 2,757,577 common shares were purchased under the NCIB for cancellation, for aggregate cash consideration of \$188 million, including 1,355,077 common shares purchased from Weston, for aggregate cash consideration of \$92 million.

In the first quarter of 2019, the Company completed an automatic share purchase plan ("ASPP") that was initiated in the fourth quarter of 2018 to facilitate the repurchase of the Company's common shares under its NCIB. Under the ASPP, the Company's broker purchased 2,927,733 common shares for approximately \$185 million.

Subsequent to the end of the first quarter of 2020, the Company renewed its NCIB to purchase on the TSX or through alternative trading systems up to 17,888,888 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares. As at March 21, 2020, the Company had purchased 13,720,045 common shares under its previous NCIB.

5.7 Off-Balance Sheet Arrangements

The Company uses off-balance sheet arrangements including letters of credit, guarantees and cash collateralization in connection with certain obligations.

Letters of Credit Standby and documentary letters of credit are used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and other performance guarantees, securitization of PC Bank's credit card receivables and third party financing made available to the Company's franchisees. In the first quarter of 2020, the gross potential liability associated with the letters of credit decreased by \$28 million to approximately \$482 million as at March 21, 2020 (March 23, 2019 – \$498 million; December 28, 2019 – \$510 million).

For a discussion of the Company's significant off-balance sheet arrangements see Section 7.7 "Off-Balance Sheet Arrangements" of the Company's 2019 Annual Report.

6. Financial Derivative Instruments

The Company uses derivative instruments to offset certain of its financial risks. The Company uses bond forwards to manage its anticipated exposure to fluctuations in interest rates on future debt issuances.

The Company has entered into a new bond forward during the quarter to hedge the interest rate risk in the appropriate Government of Canada yield curve that corresponds to the term of the forecasted future debenture. The Company has assessed that this hedge was effective as at the quarter-end and has included any fluctuations relating to the bond forward in Other Comprehensive Income.

The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. For further details on the impact of these instruments during the first quarter of 2020 see Section 10 "Non-GAAP Financial Measures" of the MD&A.

7. Results by Quarter

Under an accounting convention common in the retail industry, the Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks. Fiscal years 2019 and 2018 were 52 weeks. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. When a fiscal year such as 2020 contains 53 weeks, the fourth quarter is 13 weeks in duration.

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

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2020 (12 weeks)	2019 (12 weeks)	2019 (12 weeks)	2018 (12 weeks)	2019 (16 weeks)	2018 (16 weeks)	2019 (12 weeks)	2018 (12 weeks)
(millions of Canadian dollars except where otherwise indicated)								
Revenue	\$ 11,800	\$ 10,659	\$ 11,590	\$ 11,218	\$ 14,655	\$ 14,319	\$ 11,133	\$ 10,821
Adjusted EBITDA⁽²⁾	1,169	1,040	1,205	895	1,492	1,060	1,175	840
Net earnings available to common shareholders of the Company	240	198	254	221	331	106	286	50
Continuing Operations	240	198	254	228	331	(26)	286	293
Discontinuing Operations	—	—	—	(7)	—	132	—	(243)
Adjusted net earnings available to common shareholders of the Company⁽²⁾	\$ 352	\$ 290	\$ 395	\$ 402	\$ 458	\$ 562	\$ 373	\$ 421
Continuing Operations	352	290	395	388	458	466	373	373
Discontinuing Operations	—	—	—	14	—	96	—	48
Net earnings per common share:								
Basic (\$)	\$ 0.67	\$ 0.54	\$ 0.70	\$ 0.59	\$ 0.91	\$ 0.28	\$ 0.78	\$ 0.13
Continuing Operations	\$ 0.67	\$ 0.54	\$ 0.70	\$ 0.61	\$ 0.91	\$ (0.07)	\$ 0.78	\$ 0.77
Discontinuing Operations	\$ —	\$ —	\$ —	\$ (0.02)	\$ —	\$ 0.35	\$ —	\$ (0.64)
Diluted (\$)	\$ 0.66	\$ 0.53	\$ 0.70	\$ 0.59	\$ 0.90	\$ 0.28	\$ 0.77	\$ 0.13
Continuing Operations	\$ 0.66	\$ 0.53	\$ 0.70	\$ 0.61	\$ 0.90	\$ (0.07)	\$ 0.77	\$ 0.77
Discontinuing Operations	\$ —	\$ —	\$ —	\$ (0.02)	\$ —	\$ 0.35	\$ —	\$ (0.64)
Adjusted diluted net earnings per common share⁽²⁾ (\$)	\$ 0.97	\$ 0.78	\$ 1.09	\$ 1.07	\$ 1.25	\$ 1.49	\$ 1.01	\$ 1.11
Continuing Operations	\$ 0.97	\$ 0.78	\$ 1.09	\$ 1.03	\$ 1.25	\$ 1.24	\$ 1.01	\$ 0.98
Discontinuing Operations	\$ —	\$ —	\$ —	\$ 0.04	\$ —	\$ 0.25	\$ —	\$ 0.13
Average national food price inflation (as measured by CPI)	2.8%	3.3%	3.7%	1.7%	4.1%	0.3%	3.6%	0.1%
Food retail same-store sales growth	9.6%	2.0%	1.9%	0.8%	0.1%	0.9%	0.6%	0.8%
Drug retail same-store sales growth	10.7%	2.2%	3.9%	1.9%	4.1%	2.5%	4.0%	1.7%

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

- COVID-19 pandemic related impacts;
- seasonality, which was greatest in the fourth quarter and least in the first quarter. In the first quarter of 2020 revenue is unusually high compared to the first quarter of 2019 due to COVID-19;
- the timing of holidays;
- macro-economic conditions impacting food and drug retail prices;
- consolidation of franchises; and
- changes in net retail square footage. Over the past eight quarters, net retail square footage increased by 0.4 million square feet to 70.6 million square feet.

Net Earnings Available to Common Shareholders of the Company and Diluted Net Earnings Per Common Share Net earnings available to common shareholders of the Company and diluted net earnings per common share for the last eight quarters were impacted by the following items:

- COVID-19 pandemic related impacts;
- seasonality, which was greatest in the fourth quarter and least in the first quarter. In the first quarter of 2020, net earnings are unusually high compared to the first quarter of 2019 due to COVID-19;
- the timing of holidays;
- acquisition-related net synergies;
- the impact of the Company's store closure plan;
- improvements in the underlying operating performance of the Company; and
- the impact of adjusting items, as set out in Section 10 "Non-GAAP Financial Measures", including:
 - the charge related to Glenhuron Bank Limited;
 - the Loblaw Card program;
 - restructuring and other related charges;
 - the wind-down of *PC Financial* personal banking services;
 - asset impairments, net of recoveries;
 - the gain and loss on sale of non-operating properties; and
 - certain prior period items.

The consolidation of franchises does not significantly impact net earnings available to common shareholders of the Company as the related earnings are largely attributable to Non-Controlling Interests.

8. Internal Control over Financial Reporting

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

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

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

Changes in Internal Control over Financial Reporting There were no changes in the Company's internal control over financial reporting in the first quarter of 2020 that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

9. Enterprise Risks and Risk Management

COVID-19 The duration and impact of the COVID-19 pandemic on the Company is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. The Company continues to closely monitor the situation as it evolves day-to-day and may take further actions in response to directives of government and public health authorities or that are in the best interests of its colleagues, customers, suppliers or other stakeholders, as necessary.

The Company has already taken and will continue to take swift actions to mitigate the effects of COVID-19 on its day-to-day business operations, with the best interests of its employees, customers, suppliers and other stakeholders at the crux of every action taken. The Company is committed to keeping its grocery stores and pharmacies, including its Shoppers Drug Mart locations, open and restocked, all while ensuring appropriate measures are in place to protect the health and safety of its frontline colleagues. Management established a COVID-19 response team to coordinate critical aspects of crisis management. The Company continues to evolve its supply chain contingency planning to ensure that it remains open with ongoing access to food, pharmaceuticals and other essential supplies. The Company also continues to assess and mitigate against the risk of temporary or longer-term labour shortages or disruptions, including by commencing recruiting efforts for temporary in-store and distribution centre colleagues. In addition, the Company has taken action to reward existing store-level and distribution centre colleagues for their service during this challenging time, by implementing temporary wage increases for these individuals. Additional safety measures at both stores and distribution centres have been taken, including limiting the number of customers in a store at one time and installing plexi-glass shields at check-out counters.

These changes and any additional changes in operations in response to COVID-19 could materially impact financial results and may include temporary closures of facilities, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on supply chains and distribution channels, temporary or long-term restrictions on cross-border commerce and travel, greater currency volatility, and increased risks to IT systems, networks and digital services. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, adversely impact operations and the financial performance of the Company and each of its operating segments.

The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. However, it is not currently known how these interventions will impact debt and equity markets or the economy generally. Although the ultimate impact of COVID-19 on the global economy and its duration remains uncertain, disruptions caused by COVID-19 may adversely affect the performance of the Company.

Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, adversely impact demand for the Company's products and services and/or the debt and equity markets, both of which could adversely affect the Company's financial performance. Governmental interventions aimed at containing COVID-19 could also impact the Company's available workforce, its supply chain and distribution channels and/or its ability to engage in cross-border commerce, which could in turn adversely affect the operations or financial performance of the Company.

A detailed full set of risks inherent in the Company's business are included in the Company's AIF for the year ended December 28, 2019 and the Company's MD&A in the Company's 2019 Annual Report, which are hereby incorporated by reference. The Company's 2019 Annual Report and AIF are available online on www.sedar.com.

10. Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: Retail segment gross profit; Retail segment adjusted gross profit; Retail segment adjusted gross profit percentage; adjusted earnings before income taxes, net interest expense and other financing charges and depreciation and amortization ("adjusted EBITDA"); adjusted EBITDA margin; adjusted operating income; adjusted net interest expense and other financing charges; adjusted income taxes; adjusted effective tax rate; adjusted net earnings available to common shareholders; adjusted diluted net earnings per common share, free cash flow; retail debt to rolling year retail adjusted EBITDA; rolling year adjusted return on equity; and rolling year adjusted return on capital. The Company believes these non-GAAP financial measures 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 condensed 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.

	2020 (12 weeks)				2019 (12 weeks)			
	Retail	Financial Services	Eliminations	Total	Retail	Financial Services	Eliminations	Total
For the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars)								
Revenue	\$ 11,584	\$ 266	\$ (50)	\$ 11,800	\$ 10,452	\$ 266	\$ (59)	\$ 10,659
Cost of merchandise inventories sold	8,134	25	—	8,159	7,355	32	—	7,387
Gross profit	\$ 3,450	\$ 241	\$ (50)	\$ 3,641	\$ 3,097	\$ 234	\$ (59)	\$ 3,272
Adjusted gross profit	\$ 3,450	\$ 241	\$ (50)	\$ 3,641	\$ 3,097	\$ 234	\$ (59)	\$ 3,272

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 condensed 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.

	2020 (12 weeks)			2019 (12 weeks)		
	Retail	Financial Services	Consolidated	Retail	Financial Services	Consolidated
For the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars)						
Net earnings attributable to shareholders of the Company			\$ 243			\$ 201
Add impact of the following:						
Non-controlling interests			33			5
Net interest expense and other financing charges			172			173
Income taxes			93			72
Operating income	\$ 538	\$ 3	\$ 541	\$ 401	\$ 50	\$ 451
Add (deduct) impact of the following:						
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 119	\$ —	\$ 119	\$ 119	\$ —	\$ 119
Restructuring and other related costs	19	—	19	12	—	12
Fair value adjustment on fuel and foreign currency contracts	15	—	15	(2)	—	(2)
Pension annuities and buy-outs	—	—	—	10	—	10
Gain on sale of non-operating properties	—	—	—	(8)	—	(8)
Fair value adjustment on investment properties	—	—	—	(3)	—	(3)
Adjusting Items	\$ 153	\$ —	\$ 153	\$ 128	\$ —	\$ 128
Adjusted operating income	\$ 691	\$ 3	\$ 694	\$ 529	\$ 50	\$ 579
Depreciation and amortization	589	5	594	575	5	580
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(119)	—	(119)	(119)	—	(119)
Adjusted EBITDA	\$ 1,161	\$ 8	\$ 1,169	\$ 985	\$ 55	\$ 1,040

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. Restructuring activities related to these initiatives are ongoing.

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.

Pension annuities and buy-outs The Company has and continues to undertake annuity purchases and pension buy-outs in respect of former employees to reduce its defined benefit pension plan obligation and decrease future pension volatility and risks.

Gain on sale of non-operating properties In the first quarter of 2019, the Company disposed of non-operating properties to a third party and recorded a gain of \$8 million related to the sale.

Fair value adjustment on investment properties The Company measures investment properties at fair value. Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Fair value is determined based on available market evidence. If market evidence is not readily available in less active markets, the Company uses alternative valuation methods such as discounted cash flow projections or recent transaction prices. Gains and losses on fair value are recognized in operating income in the period in which they are incurred. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

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 condensed 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 21, 2020 and March 23, 2019 (millions of Canadian dollars)	2020 (12 weeks)	2019 (12 weeks)
Net interest expense and other financing charges	\$ 172	\$ 173
Adjusted net interest expense and other financing charges	\$ 172	\$ 173

Adjusted Income Taxes and Adjusted Effective Tax Rate The following table reconciles adjusted income taxes to income taxes as reported in the condensed 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 21, 2020 and March 23, 2019 (millions of Canadian dollars except where otherwise indicated)	2020 (12 weeks)	2019 (12 weeks)
Adjusted operating income ⁽ⁱ⁾	\$ 694	\$ 579
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	172	173
Adjusted earnings before taxes	\$ 522	\$ 406
Income taxes	\$ 93	\$ 72
Add (deduct) impact of the following:		
Tax impact of items included in adjusted earnings before taxes ⁽ⁱⁱ⁾	41	36
Adjusted income taxes	\$ 134	\$ 108
Effective tax rate	25.2%	25.9%
Adjusted effective tax rate	25.7%	26.6%

(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 21, 2020 and March 23, 2019 (millions of Canadian dollars except where otherwise indicated)	2020 (12 weeks)	2019 (12 weeks)
Net earnings attributable to shareholders of the Company	\$ 243	\$ 201
Prescribed dividends on preferred shares in share capital	(3)	(3)
Net earnings available to common shareholders of the Company	\$ 240	\$ 198
Net earnings attributable to shareholders of the Company	\$ 243	\$ 201
Adjusting items (refer to the following table)	112	92
Adjusted net earnings attributable to shareholders of the Company	\$ 355	\$ 293
Prescribed dividends on preferred shares in share capital	(3)	(3)
Adjusted net earnings available to common shareholders of the Company	\$ 352	\$ 290
Diluted weighted average common shares outstanding (millions)	361.2	371.4

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.

	2020 (12 weeks)		2019 (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 March 21, 2020 and March 23, 2019 (millions of Canadian dollars/Canadian dollars)				
As reported	\$ 240	\$ 0.66	\$ 198	\$ 0.53
Add (deduct) impact of the following:				
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 87	\$ 0.24	\$ 86	\$ 0.24
Restructuring and other related costs	14	0.04	9	0.02
Fair value adjustment on fuel and foreign currency contracts	11	0.03	(1)	—
Pension annuities and buy-outs	—	—	7	0.02
Gain on sale of non-operating properties	—	—	(7)	(0.02)
Fair value adjustment on investment properties	—	—	(2)	(0.01)
Adjusting items	\$ 112	\$ 0.31	\$ 92	\$ 0.25
Adjusted	\$ 352	\$ 0.97	\$ 290	\$ 0.78

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

	2020 (12 weeks)		2019 (12 weeks)	
For the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars)				
Cash flows from operating activities	\$ 1,813		\$ 960	
Less:				
Capital investments	211		174	
Interest paid	88		98	
Lease payments, net	328		269	
Free cash flow	\$ 1,186		\$ 419	

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

- **Retail Debt to Rolling Year Retail Adjusted EBITDA** Retail segment total debt divided by Retail segment adjusted EBITDA for the last four quarters.
- **Rolling Year Adjusted Return on Equity** Adjusted net earnings available to common shareholders of the Company for the last four quarters divided by average total equity attributable to common shareholders of the Company.
- **Rolling Year Adjusted Return on Capital** Tax-effected adjusted operating income for the last four quarters divided by average capital where capital is defined as total debt, plus equity attributable to shareholders of the Company, less cash and cash equivalents, and short term investments.

11. Additional Information

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

April 28, 2020
Toronto, Canada

MD&A Endnotes

- (1) For financial definitions and ratios refer to the Glossary of Terms on page 134 of the Company's 2019 Annual Report.
 - (2) See Section 10 "Non-GAAP Financial Measures", which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.
 - (3) To be read in conjunction with Section 1 "Forward-Looking Statements".
 - (4) Certain figures have been restated to conform with current year presentation.
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Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Revenue	\$ 11,800	\$ 10,659
Cost of merchandise inventories sold	8,159	7,387
Selling, general and administrative expenses	3,100	2,821
Operating income	\$ 541	\$ 451
Net interest expense and other financing charges (note 4)	172	173
Earnings before income taxes	\$ 369	\$ 278
Income taxes (note 5)	93	72
Net earnings	\$ 276	\$ 206
Attributable to:		
Shareholders of the Company	\$ 243	\$ 201
Non-controlling interests	33	5
Net earnings	\$ 276	\$ 206
Net earnings per common share (\$) (note 6)		
Basic	\$ 0.67	\$ 0.54
Diluted	\$ 0.66	\$ 0.53
Weighted average common shares outstanding (millions) (note 6)		
Basic	358.6	369.0
Diluted	361.2	371.4

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

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Net earnings	\$ 276	\$ 206
Other comprehensive income (loss), net of taxes		
Items that are or may be subsequently reclassified to profit or loss:		
Foreign currency translation adjustment (loss) gain	\$ (2)	\$ —
Unrealized loss on cash flow hedges (note 17)	(21)	(5)
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial gain (loss) (note 16)	33	(71)
Other comprehensive income (loss)	\$ 10	\$ (76)
Total comprehensive income	\$ 286	\$ 130
Attributable to:		
Shareholders of the Company	\$ 253	\$ 125
Non-controlling interests	33	5
Total comprehensive income	\$ 286	\$ 130

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

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to fair value on transfer of investment properties	Accumulated Other Comprehensive Income	Non- Controlling Interests	Total Equity
Balance as at December 28, 2019	\$ 7,044	\$ 221	\$ 7,265	\$ 3,822	\$ 100	\$ 37	\$ (6)	\$ 16	\$ 47	\$ 87	\$ 11,321
Net earnings	\$ —	\$ —	\$ —	\$ 243	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 33	\$ 276
Other comprehensive income	—	—	—	33	—	(2)	(21)	—	(23)	—	10
Total comprehensive income	\$ —	\$ —	\$ —	\$ 276	\$ —	\$ (2)	\$ (21)	\$ —	\$ (23)	\$ 33	\$ 286
Common shares purchased and cancelled (note 14)	(54)	—	(54)	(134)	—	—	—	—	—	—	(188)
Net effect of equity-based compensation (notes 14 and 15)	24	—	24	—	(14)	—	—	—	—	—	10
Shares purchased and held in trust (note 14)	(3)	—	(3)	(7)	—	—	—	—	—	—	(10)
Shares released from trust (note 15)	7	—	7	15	—	—	—	—	—	—	22
Dividends declared per common share – \$0.315 (note 14)	—	—	—	(116)	—	—	—	—	—	—	(116)
Dividends declared per preferred share – \$0.33125 (note 14)	—	—	—	(3)	—	—	—	—	—	—	(3)
Net distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	(14)	(14)
	\$ (26)	\$ —	\$ (26)	\$ 31	\$ (14)	\$ (2)	\$ (21)	\$ —	\$ (23)	\$ 19	\$ (13)
Balance as at March 21, 2020	\$ 7,018	\$ 221	\$ 7,239	\$ 3,853	\$ 86	\$ 35	\$ (27)	\$ 16	\$ 24	\$ 106	\$ 11,308

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Preferred Share Capital	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to fair value on transfer of investment properties	Accumulated Other Comprehensive Income	Non- Controlling Interests	Total Equity
Balance as at December 29, 2018	\$ 7,162	\$ 221	\$ 7,383	\$ 4,580	\$ 107	\$ 34	\$ (1)	\$ 16	\$ 49	\$ 59	\$ 12,178
Impact of adopting IFRS 16	—	—	—	(798)	—	—	—	—	—	—	(798)
Restated balance as at December 30, 2018	\$ 7,162	\$ 221	\$ 7,383	\$ 3,782	\$ 107	\$ 34	\$ (1)	\$ 16	\$ 49	\$ 59	\$ 11,380
Net earnings	\$ —	\$ —	\$ —	\$ 201	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5	\$ 206
Other comprehensive loss	—	—	—	(71)	—	—	(5)	—	(5)	—	(76)
Total comprehensive income	\$ —	\$ —	\$ —	\$ 130	\$ —	\$ —	\$ (5)	\$ —	\$ (5)	\$ 5	\$ 130
Common shares purchased and cancelled (note 14)	(7)	—	(7)	(23)	—	—	—	—	—	—	(30)
Net effect of equity-based compensation (notes 14 and 15)	33	—	33	—	(19)	—	—	—	—	—	14
Shares purchased and held in trust (note 14)	(5)	—	(5)	(15)	—	—	—	—	—	—	(20)
Shares released from trust (note 14 and 15)	9	—	9	16	—	—	—	—	—	—	25
Dividends declared per common share – \$0.295 (note 14)	—	—	—	(110)	—	—	—	—	—	—	(110)
Dividends declared per preferred share – \$0.33125 (note 14)	—	—	—	(3)	—	—	—	—	—	—	(3)
Net distribution to non-controlling interests	—	—	—	—	—	—	—	—	—	(12)	(12)
	\$ 30	\$ —	\$ 30	\$ (5)	\$ (19)	\$ —	\$ (5)	\$ —	\$ (5)	\$ (7)	\$ (6)
Balance as at March 23, 2019	\$ 7,192	\$ 221	\$ 7,413	\$ 3,777	\$ 88	\$ 34	\$ (6)	\$ 16	\$ 44	\$ 52	\$ 11,374

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

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	As at March 21, 2020	As at March 23, 2019 ⁽ⁱ⁾	As at December 28, 2019
Assets			
Current assets			
Cash and cash equivalents (note 7)	\$ 2,184	\$ 929	\$ 1,133
Short term investments (note 7)	64	73	57
Accounts receivable	959	982	1,184
Credit card receivables (note 8)	3,248	3,051	3,624
Inventories (note 9)	4,485	4,572	5,076
Prepaid expenses and other assets	212	204	131
Assets held for sale (note 10)	151	57	105
Total current assets	\$ 11,303	\$ 9,868	\$ 11,310
Fixed assets	5,464	5,390	5,490
Right-of-use assets	7,326	7,463	7,362
Investment properties	116	213	172
Intangible assets	7,242	7,622	7,322
Goodwill	3,946	3,944	3,946
Deferred income tax assets	155	164	169
Franchise loans receivable (note 17)	—	65	19
Other assets (note 11)	519	495	519
Total assets	\$ 36,071	\$ 35,224	\$ 36,309
Liabilities			
Current liabilities			
Bank indebtedness	\$ 83	\$ 130	\$ 18
Trade payables and other liabilities	4,962	4,480	5,321
Loyalty liability	198	222	191
Provisions	118	165	119
Income taxes payable	78	23	27
Short term debt (note 8)	500	615	725
Long term debt due within one year (note 12)	1,128	787	1,127
Lease liabilities due within one year	1,317	1,259	1,419
Associate interest	272	246	280
Total current liabilities	\$ 8,656	\$ 7,927	\$ 9,227
Provisions	106	96	102
Long term debt (note 12)	6,338	5,876	5,971
Lease liabilities	7,738	7,825	7,691
Deferred income tax liabilities	1,486	1,642	1,539
Other liabilities (note 13)	439	484	458
Total liabilities	\$ 24,763	\$ 23,850	\$ 24,988
Equity			
Share capital (note 14)	\$ 7,239	\$ 7,413	\$ 7,265
Retained earnings	3,853	3,777	3,822
Contributed surplus (note 15)	86	88	100
Accumulated other comprehensive income	24	44	47
Total equity attributable to shareholders of the Company	\$ 11,202	\$ 11,322	\$ 11,234
Non-controlling interests	106	52	87
Total equity	\$ 11,308	\$ 11,374	\$ 11,321
Total liabilities and equity	\$ 36,071	\$ 35,224	\$ 36,309

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

Contingent Liabilities (note 18). Subsequent Events (note 20).

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

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	March 21, 2020 (12 weeks)	March 23, 2019 ⁽ⁱ⁾ (12 weeks)
Operating activities		
Net earnings	\$ 276	\$ 206
Add (Deduct):		
Income taxes (note 5)	93	72
Net interest expense and other financing charges (note 4)	172	173
Adjustment to fair value of investment properties	—	(3)
Depreciation and amortization	594	580
Asset impairments, net of recoveries	6	2
Change in provisions	3	(5)
	\$ 1,144	\$ 1,025
Change in non-cash working capital	371	(151)
Change in credit card receivables (note 8)	376	258
Income taxes paid	(84)	(185)
Interest received	3	3
Interest received from finance leases	1	1
Other	2	9
Cash flows from operating activities	\$ 1,813	\$ 960
Investing activities		
Fixed asset purchases	\$ (102)	\$ (88)
Intangible asset additions	(89)	(86)
Cash assumed on initial consolidation of franchises (note 3)	14	7
Change in short term investments (note 7)	(7)	21
Change in security deposits	—	800
Proceeds from disposal of assets	1	59
Lease payments received from finance leases	3	3
Other	(33)	(38)
Cash flows (used in) from investing activities	\$ (213)	\$ 678
Financing activities		
Change in bank indebtedness	\$ 65	\$ 74
Change in short term debt (note 8)	(225)	(300)
Long term debt (note 12)		
Issued	376	3
Repayments	(7)	(829)
Interest paid	(88)	(98)
Cash rent paid on lease liabilities - Interest	(86)	(90)
Cash rent paid on lease liabilities - Principal	(246)	(183)
Dividends paid on common and preferred shares	(116)	(113)
Common share capital		
Issued (note 15)	21	29
Purchased and held in trust (note 14)	(10)	(20)
Purchased and cancelled (note 14)	(188)	(215)
Other	(38)	(33)
Cash flows used in financing activities	\$ (542)	\$ (1,775)
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ (7)	\$ 1
Change in cash and cash equivalents	\$ 1,051	\$ (136)
Cash and cash equivalents, beginning of period	1,133	1,065
Cash and cash equivalents, end of period	\$ 2,184	\$ 929

(i) Certain comparative figures have been restated to conform with current year presentation.
See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

For the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars except where otherwise indicated)

Note 1. Nature and Description of the Reporting Entity

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

The Company's controlling shareholder is George Weston Limited ("Weston"), which owns approximately 52.1% of the Company's outstanding common shares. The Company's ultimate parent is Wittington Investments Limited Wittington. The remaining common shares are widely held.

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

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

The current COVID-19 pandemic has had and continues to have a significant impact on the Company. The Company's first quarter financial results show increased sales, driven by increased demand for essential items in March 2020 following the onset of the crisis in Canada (see note 20).

Note 2. Significant Accounting Policies

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company's 2019 audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements. These unaudited interim period condensed consolidated financial statements are presented in Canadian dollars.

Statement of Compliance These unaudited interim period condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2019 audited annual consolidated financial statements and accompanying notes.

These unaudited interim period condensed consolidated financial statements were approved for issuance by the Company's Board of Directors ("Board") on April 28, 2020.

Note 3. Business Acquisitions

Consolidation of Franchises The Company accounts for the consolidation of existing franchises as business acquisitions and consolidates its franchises as of the date the franchisee enters into a simplified franchise agreement with the Company. The assets acquired and liabilities assumed through the consolidation are valued at the acquisition date using fair values, which approximate the franchise carrying values at the date of acquisition. The results of operations of the acquired franchises are included in the Company's results of operations from the date of acquisition.

The following table summarizes the amounts recognized for the assets acquired, the liabilities assumed and the non-controlling interests recognized at the acquisition dates:

(millions of Canadian dollars)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Net assets acquired:		
Cash and cash equivalents	\$ 14	\$ 7
Inventories	42	13
Fixed assets	44	12
Trade payables and other liabilities ⁽ⁱ⁾	(54)	(11)
Other liabilities ⁽ⁱ⁾	(30)	(15)
Non-controlling interests	(16)	(6)
Total net assets acquired	\$ —	\$ —

(i) On consolidation, trade payables and other liabilities and other liabilities eliminate against existing accounts receivable, franchise loans receivable and franchise investments held by the Company.

Note 4. Net Interest Expense and Other Financing Charges

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

(millions of Canadian dollars)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Interest expense and other financing charges		
Lease liabilities	\$ 86	\$ 90
Long term debt	70	72
Borrowings related to credit card receivables	12	7
Post-employment and other long term employee benefits (note 16)	2	2
Independent funding trusts	5	5
Bank indebtedness	1	1
	\$ 176	\$ 177
Interest income		
Accretion income	\$ (1)	\$ (1)
Short term interest income	(3)	(3)
	\$ (4)	\$ (4)
Net interest expense and other financing charges	\$ 172	\$ 173

Note 5. Income Taxes

Income tax expense in the first quarter of 2020 was \$93 million (2019 – \$72 million) and the effective tax rate was 25.2% (2019 – 25.9%). The decrease in the effective tax rate was primarily attributable to higher franchisee earnings, which were taxed at the lower small business tax rate.

Note 6. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Net earnings attributable to shareholders of the Company	\$ 243	\$ 201
Dividends on Preferred Shares in equity (note 14)	(3)	(3)
Net earnings available to common shareholders	\$ 240	\$ 198
Weighted average common shares outstanding (in millions) (note 14)	358.6	369.0
Dilutive effect of equity-based compensation (in millions)	1.7	1.7
Dilutive effect of certain other liabilities (in millions)	0.9	0.7
Diluted weighted average common shares outstanding (in millions)	361.2	371.4
Basic net earnings per common share (\$)	\$ 0.67	\$ 0.54
Diluted net earnings per common share (\$)	\$ 0.66	\$ 0.53

In the first quarter of 2020, 3,259,277 (2019 – 1,491,795) potentially dilutive instruments were excluded from the computation of diluted net earnings per common share as they were anti-dilutive.

Note 7. Cash and Cash Equivalents and Short Term Investments

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

Cash and Cash Equivalents

(millions of Canadian dollars)	As at March 21, 2020	As at March 23, 2019	As at December 28, 2019
Cash	\$ 727	\$ 336	\$ 549
Cash equivalents			
Government treasury bills	713	205	161
Bankers' acceptances	736	323	348
Corporate commercial paper	8	65	75
Total cash and cash equivalents	\$ 2,184	\$ 929	\$ 1,133

Short Term Investments

(millions of Canadian dollars)	As at March 21, 2020	As at March 23, 2019	As at December 28, 2019
Government treasury bills	\$ 56	\$ 39	\$ 44
Bankers' acceptances	6	25	10
Corporate commercial paper	2	9	3
Total short term investments	\$ 64	\$ 73	\$ 57

Note 8. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	As at March 21, 2020	As at March 23, 2019 ⁽ⁱ⁾	As at December 28, 2019
Gross credit card receivables	\$ 3,494	\$ 3,226	\$ 3,820
Allowance for credit card receivables	(246)	(175)	(196)
Credit card receivables	\$ 3,248	\$ 3,051	\$ 3,624
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> [®] (note 12)	\$ 1,000	\$ 750	\$ 1,000
Securitized to Other Independent Securitization Trusts	500	615	725
Total securitized to independent securitization trusts	\$ 1,500	\$ 1,365	\$ 1,725

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

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

The associated liability of *Eagle* is recorded in long term debt (see note 12). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt.

During the first quarter in 2020, PC Bank recorded a \$225 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts as a result of lower funding requirements.

As at March 21, 2020, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was \$45 million (March 23, 2019 – \$55 million; December 28, 2019 – \$70 million), which represented 9% (March 23, 2019 – 9%; December 28, 2019 – 10%) of the securitized credit card receivables amount.

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at March 21, 2020 and throughout the quarter.

Note 9. Inventories

For inventories recorded as at March 21, 2020, the Company recorded an inventory provision of \$32 million (March 23, 2019 – \$31 million; December 28, 2019 – \$33 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of merchandise inventories sold. There were no reversals of previously recorded write-downs of inventories during the first quarters of 2020 and 2019.

Note 10. Assets Held for Sale

The Company classifies certain assets, primarily land and buildings, that it intends to dispose of in the next 12 months, as assets held for sale. These assets were previously used in the Company's retail business segment. In the first quarter of 2020, the Company recorded a nominal loss (2019 – net gain of \$8 million) from the sale of these assets. No impairment charges were recognized on these properties in the first quarter of 2020 (2019 – nil).

Note 11. Other Assets

The components of other assets were as follows:

(millions of Canadian dollars)	As at March 21, 2020	As at March 23, 2019	As at December 28, 2019
Sundry investments and other receivables	\$ 13	\$ 41	\$ 22
Accrued benefit plan asset	244	173	229
Finance lease receivable	116	124	114
Other	146	157	154
Total other assets	\$ 519	\$ 495	\$ 519

Note 12. Long Term Debt

The components of long term debt were as follows:

(millions of Canadian dollars)	As at March 21, 2020	As at March 23, 2019	As at December 28, 2019
Debentures	\$ 4,294	\$ 4,276	\$ 4,296
Guaranteed investment certificates	1,324	1,121	1,311
Independent securitization trust (note 8)	1,000	750	1,000
Independent funding trusts	511	530	505
Committed credit facility	350	—	—
Transaction costs and other	(13)	(14)	(14)
Total long term debt	\$ 7,466	\$ 6,663	\$ 7,098
Long term debt due within one year	1,128	787	1,127
Long term debt	\$ 6,338	\$ 5,876	\$ 5,971

The Company is required to comply with certain financial covenants for various debt instruments. As at March 21, 2020 and throughout the first quarter, the Company was in compliance with their respective covenants.

Debentures There were no debentures issued or repaid in the first quarter of 2020.

In the first quarter of 2019, the Company redeemed, at par, the \$800 million debenture with an original maturity date of March 12, 2019 on December 31, 2018. The Company recorded an early repayment premium charge of \$3 million in net interest expense and other financing charges. This debenture bore interest at 3.75%.

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions, in 2020 and 2019:

(millions of Canadian dollars)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Balance, beginning of period	\$ 1,311	\$ 1,141
GICs issued	20	3
GICs matured	(7)	(23)
Balance, end of period	\$ 1,324	\$ 1,121

Independent Funding Trusts The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts in the amount of \$64 million (March 23, 2019 and December 28, 2019 – \$64 million), representing not less than 10% (March 23, 2019 and December 28, 2019 – not less than 10%) of the principal amount of loans outstanding.

The revolving committed credit facility relating to the independent funding trusts has a maturity date of May 27, 2022.

Committed Credit Facility The Company has a \$1.0 billion committed credit facility with a maturity date of June 10, 2021. This committed credit facility contains certain financial covenants. As at March 21, 2020, \$350 million was drawn under this facility (March 23, 2019 and December 28, 2019 – no amounts were drawn).

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

(millions of Canadian dollars)	As at March 21, 2020	As at March 23, 2019	As at December 28, 2019
Loblaw Companies Limited notes	\$ 350	\$ —	\$ 350
Guaranteed investment certificates	528	257	527
Independent securitization trust	250	—	250
Independent funding trusts	—	530	—
Long term debt due within one year	\$ 1,128	\$ 787	\$ 1,127

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

(millions of Canadian dollars)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Long term debt, beginning of period	\$ 7,098	\$ 8,026
Reclassification of finance lease obligations due to IFRS 16	—	(535)
Long term debt after reclassification, beginning of period	\$ 7,098	\$ 7,491
Long term debt issuances ⁽ⁱ⁾	\$ 376	\$ 3
Long term debt repayments ⁽ⁱⁱ⁾	(7)	(829)
Total cash flow from (used in) long term debt financing activities	\$ 369	\$ (826)
Other non-cash changes	\$ (1)	\$ (2)
Long term debt, end of period	\$ 7,466	\$ 6,663

(i) In 2020, long term debt issuances included a net issuance of \$6 million from the independent funding trusts, which are revolving debt instruments.

(ii) In 2019, long term debt repayments included a net repayment of \$6 million from the independent funding trusts, which are revolving debt instruments.

Note 13. Other Liabilities

The components of other liabilities were as follows:

(millions of Canadian dollars)	As at March 21, 2020	As at March 23, 2019	As at December 28, 2019
Net defined benefit plan obligation	\$ 295	\$ 343	\$ 320
Other long term employee benefit obligation	121	106	119
Equity-based compensation liabilities (note 15)	3	2	3
Other	20	33	16
Total other liabilities	\$ 439	\$ 484	\$ 458

Note 14. Share Capital

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

	March 21, 2020 (12 weeks)		March 23, 2019 (12 weeks)	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
(millions of Canadian dollars except where otherwise indicated)				
Issued and outstanding, beginning of period	360,064,475	\$ 7,065	371,790,967	\$ 7,177
Issued for settlement of stock options	419,296	24	696,831	33
Purchased and cancelled	(2,757,577)	(54)	(3,395,757)	(7)
Issued and outstanding, end of period	357,726,194	\$ 7,035	369,092,041	\$ 7,203
Shares held in trust, beginning of period	(1,113,302)	\$ (21)	(734,727)	\$ (15)
Purchased for future settlement of RSUs and PSUs	(145,000)	(3)	(300,000)	(5)
Released for settlement of RSUs and PSUs (note 15)	384,298	7	458,139	9
Shares held in trust, end of period	(874,004)	\$ (17)	(576,588)	\$ (11)
Issued and outstanding, net of shares held in trust, end of period	356,852,190	\$ 7,018	368,515,453	\$ 7,192
Weighted average outstanding, net of shares held in trust (note 6)	358,569,036		369,026,714	

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

	March 21, 2020 ⁽ⁱ⁾ (12 weeks)	March 23, 2019 (12 weeks)
Dividends declared per share (\$)		
Common Share	\$ 0.315	\$ 0.295
Second Preferred Share, Series B	\$ 0.33125	\$ 0.33125

(i) The first quarter dividends for 2020 of \$0.315 per share declared on Common Shares had a payment date of April 1, 2020. The first quarter dividends for 2020 of \$0.33125 per share declared on Second Preferred Shares, Series B had a payment date of March 31, 2020.

	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
(millions of Canadian dollars)		
Dividends declared		
Common Share	\$ 116	\$ 110
Second Preferred Share, Series B (note 6)	3	3
Total dividends declared	\$ 119	\$ 113

Subsequent to the end of the first quarter of 2020, the Board declared a quarterly dividend of \$0.315 per common share, payable on July 1, 2020 to shareholders of record on June 15, 2020 and a quarterly dividend of \$0.33125 per share on the Second Preferred Shares, Series B payable on June 30, 2020 to shareholders of record on June 15, 2020.

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

(millions of Canadian dollars except where otherwise indicated)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Common shares repurchased under the NCIB for cancellation (number of shares)	2,757,577	3,395,757
Cash consideration paid ⁽ⁱ⁾	\$ 188	\$ 215
Premium charged to retained earnings	134	23
Reduction in common share capital	54	7
Common shares repurchased under the NCIB and held in trust (number of shares)	145,000	300,000
Cash consideration paid	\$ 10	\$ 20
Premium charged to retained earnings	7	15
Reduction in common share capital	3	5

(i) In the first quarter of 2019, cash consideration paid included \$185 million paid for common shares related to the automatic share purchase plan as described below.

In the first quarter of 2020, the Toronto Stock Exchange ("TSX") accepted an amendment to the Company's NCIB. The amendment permitted the Company to purchase its common shares from Weston under its NCIB, pursuant to an automatic disposition plan agreement among the Company's broker, the Company and Weston, in order for Weston to maintain its proportionate ownership interest in the Company. During the first quarter of 2020, 2,757,577 common shares were purchased under the NCIB for cancellation, for aggregate cash consideration of \$188 million, including 1,355,077 common shares purchased from Weston, for aggregate cash consideration of \$92 million.

In the first quarter of 2019, the Company completed an automatic share purchase plan ("ASPP") that was initiated in the fourth quarter of 2018 to facilitate the repurchase of the Company's common shares under its NCIB. Under the ASPP, the Company's broker purchased 2,927,733 common shares for approximately \$185 million.

Subsequent to the end of the first quarter of 2020, the Company renewed its NCIB to purchase on the TSX or through alternative trading systems up to 17,888,888 of the Company's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares. As at March 21, 2020, the Company had purchased 13,720,045 common shares under its previous NCIB.

Note 15. Equity-Based Compensation

The Company's equity-based compensation expense, which includes Loblaw Stock Option, Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), Director Deferred Share Unit ("DSU") and Executive Deferred Share Unit ("EDSU") plans was \$10 million for the first quarter of 2020 (2019 – \$11 million). The expense was recognized in selling, general and administrative expenses ("SG&A").

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

(millions of Canadian dollars)	As at March 21, 2020	As at March 23, 2019	As at December 28, 2019
Other liabilities (note 13)	\$ 3	\$ 2	\$ 3
Contributed surplus	86	88	100

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

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

(number of options)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Outstanding options, beginning of period	6,317,922	7,509,631
Granted	1,802,887	1,461,883
Exercised	(419,296)	(696,831)
Forfeited/Cancelled	(52,799)	(68,967)
Outstanding options, end of period	7,648,714	8,205,716

During the first quarter of 2020, the Company granted stock options with a weighted average exercise price of \$70.06 (2019 – \$65.55). In addition, the Company issued common shares on the exercise of stock options with a weighted average share price during the first quarter of 2020 of \$67.99 (2019 – \$64.90) and received cash consideration of \$21 million (2019 – \$29 million).

The fair value of stock options granted during the first quarter of 2020 was \$13 million (2019 – \$11 million). The assumptions used to measure the fair value of options granted during 2020 and 2019 under the Black-Scholes valuation model at date of grant were as follows:

	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Expected dividend yield	1.8%	1.8%
Expected share price volatility	13.5 – 14.9%	14.9% – 15.7%
Risk-free interest rate	1.1% - 1.2%	1.8%
Expected life of options	3.7 – 6.2 years	3.7 – 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at March 21, 2020 was 8.0% (March 23, 2019 – 9.0%).

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

(number of awards)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Restricted share units, beginning of period	1,032,832	1,024,275
Granted	231,010	250,629
Reinvested	4,830	3,715
Settled	(207,084)	(223,471)
Forfeited	(11,556)	(8,265)
Restricted share units, end of period	1,050,032	1,046,883

The fair value of RSUs granted during the first quarter of 2020 was \$16 million (2019 – \$16 million).

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

(number of awards)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Performance share units, beginning of period	662,695	674,945
Granted	226,236	240,040
Reinvested	3,079	2,309
Settled	(177,214)	(223,466)
Forfeited	(13,630)	(5,260)
Performance share units, end of period	701,166	688,568

The fair value of PSUs granted during the first quarter of 2020 was \$16 million (2019 – \$14 million).

Settlement of Awards from Shares Held in Trust During the first quarter of 2020, the Company settled RSUs and PSUs totaling 384,298 (2019 – 446,937), which were settled through the trusts established for settlement of each of the RSU and PSU plans (see note 14).

The settlements in the first quarter of 2020 resulted in a \$15 million increase to retained earnings (2019 – \$16 million) and a \$7 million increase to common share capital (2019 – \$9 million).

Note 16. Post-Employment and Other Long Term Employee Benefits

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

(millions of Canadian dollars)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Post-employment benefit costs recognized in operating income ⁽ⁱ⁾	\$ 38	\$ 49
Other long term employee benefits costs recognized in operating income ⁽ⁱⁱ⁾	7	5
Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 4)	2	2
Actuarial gain (loss) before income taxes recognized in other comprehensive income	44	(97)

(i) Includes costs related to the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates. Also includes settlement charges in the first quarter of 2019 of \$10 million.

(ii) Includes costs related to the Company's long term disability plans.

The actuarial gain recognized in the first quarter of 2020 was primarily driven by an increase in discount rates, partially offset by lower than expected returns on assets. The actuarial loss recognized in the first quarter of 2019 was primarily driven by a decline in discount rates, partially offset by slightly higher than expected returns on assets.

In the first quarter of 2019, the Company completed several annuity purchases and paid \$187 million from the impacted plans' assets to settle \$177 million of pension obligations and recorded settlement charges of \$10 million in SG&A. There were no annuity purchases in the first quarter of 2020.

Note 17. Financial Instruments

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

(millions of Canadian dollars)	As at March 21, 2020				As at March 23, 2019				As at December 28, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Amortized cost:												
Franchise loans receivable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 65	\$ 65	\$ —	\$ —	\$ 19	\$ 19
Certain other assets ⁽ⁱ⁾	—	—	2	2	—	—	11	11	—	—	14	14
Fair value through other comprehensive income:												
Certain long term investments and other assets ⁽ⁱ⁾	91	—	—	91	60	—	—	60	50	—	—	50
Derivatives included in prepaid expenses and other assets	—	—	—	—	—	1	—	1	—	—	—	—
Fair value through profit and loss:												
Derivatives included in prepaid expenses and other assets	—	15	—	15	2	6	—	8	5	—	1	6
Financial liabilities												
Amortized cost:												
Long term debt	\$ —	\$ 7,892	\$ —	\$ 7,892	\$ —	\$ 7,524	\$ —	\$ 7,524	\$ —	\$ 8,079	\$ —	\$ 8,079
Certain other liabilities ⁽ⁱ⁾	—	—	11	11	—	—	12	12	—	—	9	9
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	—	30	—	30	—	13	—	13	—	2	—	2
Fair value through profit and loss:												
Derivatives included in trade payables and other liabilities	23	—	8	31	2	1	1	4	—	5	—	5

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

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

During the first quarter of 2020, the Company recognized a gain of \$7 million (2019 – loss of \$1 million) in operating income on financial instruments designated as amortized cost. In addition, during the first quarter of 2020, a net nominal gain (2019 – net gain of \$8 million) was recorded in earnings before income taxes related to financial instruments required to be classified as fair value through profit or loss.

Franchise Loans Receivable and Franchise Investments The value of Loblaw franchise loans receivable of nil (March 23, 2019 – \$65 million; December 28, 2019 – \$19 million) was recorded in the unaudited interim period condensed consolidated balance sheets. During the first quarter of 2020, the Company recorded nil (2019 – nominal gain) in operating income related to these loans receivable.

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

During the first quarter of 2020, a loss of \$9 million (2019 – gain of \$2 million) was recorded in operating income related to these derivatives. In addition, a corresponding \$8 million liability was included in trade payables and other liabilities as at March 21, 2020 (March 23, 2019 – \$1 million liability; December 28, 2019 – \$1 million asset). As at March 21, 2020, a 1% increase (decrease) in foreign currency exchange rates would result in a gain (loss) in fair value of \$1 million.

Securities Investments PC Bank holds investments which are considered part of the liquid securities required to be held to meet its Liquidity Coverage Ratio. As at March 21, 2020, the fair value through other comprehensive income securities of \$91 million (March 23, 2019 – \$60 million; December 28, 2019 – \$50 million) was included in other assets. During the first quarter of 2020, PC Bank recorded a nominal unrealized fair value loss (2019 – nominal unrealized fair value gain) in other comprehensive income related to these investments.

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

	March 21, 2020 (12 weeks)		
(millions of Canadian dollars)	Net asset/(liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Bond Forwards ⁽ⁱ⁾	\$ (26)	\$ (25)	\$ (1)
Interest Rate Swaps ⁽ⁱⁱ⁾	(4)	(3)	—
Total derivatives designated as cash flow hedges	\$ (30)	\$ (28)	\$ (1)
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	\$ 15	\$ —	\$ 35
Other Non-Financial Derivatives	(23)	—	(27)
Total derivatives not designated in a formal hedging relationship	\$ (8)	\$ —	\$ 8
Total derivatives	\$ (38)	\$ (28)	\$ 7

- (i) PC Bank uses bond forwards, with a notional value of \$175 million, to manage its interest risk related to future debt issuances. The Company uses bond forwards, with a notional value of \$350 million, to manage its interest risk related to future debt issuances. The fair values of these derivatives are included in trade payables and other liabilities.
- (ii) PC Bank uses interest rate swaps, with a notional value of \$300 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities.

	March 23, 2019 (12 weeks)		
(millions of Canadian dollars)	Net asset/(liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Foreign Exchange Forwards ⁽ⁱ⁾	\$ 1	\$ —	\$ —
Bond Forwards ⁽ⁱⁱ⁾	(10)	(6)	—
Interest Rate Swaps ⁽ⁱⁱⁱ⁾	(3)	(1)	—
Total derivatives designated as cash flow hedges	\$ (12)	\$ (7)	\$ —
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	\$ 5	\$ —	\$ (2)
Other Non-Financial Derivatives	(2)	—	7
Total derivatives not designated in a formal hedging relationship	\$ 3	\$ —	\$ 5
Total derivatives	\$ (9)	\$ (7)	\$ 5

- (i) PC Bank uses foreign exchange forwards, with a notional value of \$8 million USD, to manage its foreign exchange currency risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid expenses and other assets.
- (ii) PC Bank uses bond forwards, with a notional value of \$419 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities.
- (iii) PC Bank uses interest rate swaps, with a notional value of \$300 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities.

Note 18. Contingent Liabilities

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

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

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

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

In 2017, the Company and Weston announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits have been commenced against the Company and Weston as well as a number of other major grocery retailers and another bread wholesaler. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Weston believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's cash balances far exceed any realistic damages scenario and therefore it does not anticipate any impacts on its dividend, dividend policy or share buyback plan. The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2020 or prior on the basis that a reliable estimate of the liability cannot be determined at this time. The Company will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated and will record an amount in the period at the earlier of when a reliable estimate of liability can be determined or the matter is ultimately resolved. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Weston will not face criminal charges or penalties.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including the Company and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks damages (unquantified) for the expenses incurred by the province in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in British Columbia. In May 2019, two further opioid-related class actions were commenced in each of Ontario and Quebec against a large group of defendants, including Sanis Health Inc. In February 2020, a further opioid-related class action was commenced in British Columbia against a large group of defendants, including Sanis Health Inc., Shoppers Drug Mart and the Company. The allegations in the Ontario, Quebec and the new civil British Columbia class actions are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that these May 2019 and February 2020 claims seek recovery of damages on behalf of opioid users directly. The Company believes these proceedings are without merit and is vigorously defending them. The Company does not currently have any significant accruals or provisions for these matters recorded in the unaudited interim period condensed consolidated financial statements.

The Company has been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron Bank Limited ("Glenhuron"), a wholly owned Barbadian subsidiary of the Company that was wound up in 2013, should be treated, and taxed, as income in Canada. The reassessments, which were received between 2015 and 2019, are for the 2000 to 2013 taxation years. On September 7, 2018, the Tax Court of Canada ("Tax Court") released its decision relating to the 2000 to 2010 taxation years. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation. On October 4, 2018, the Company filed a Notice of Appeal with the Federal Court of Appeal. On October 15, 2019, the appeal was heard by the Federal Court of Appeal, with the court reserving judgment until a later date. On April 23, 2020, the Federal Court of Appeal released its decision and reversed the decision of the Tax Court. The Canada Revenue Agency has the right to seek leave to appeal to the Supreme Court of Canada.

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

Note 19. Segment Information

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

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

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

Information for each reportable operating segment is included below:

(millions of Canadian dollars)	March 21, 2020 (12 weeks)				March 23, 2019 (12 weeks)			
	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total	Retail	Financial Services	Eliminations ⁽ⁱ⁾	Total
Revenue⁽ⁱⁱ⁾	\$ 11,584	\$ 266	\$ (50)	\$ 11,800	\$ 10,452	\$ 266	\$ (59)	\$ 10,659
Operating income	\$ 538	\$ 3	\$ —	\$ 541	\$ 401	\$ 50	\$ —	\$ 451
Net interest expense and other financing charges	150	22	—	172	154	19	—	173
Earnings (losses) before income taxes	\$ 388	\$ (19)	\$ —	\$ 369	\$ 247	\$ 31	\$ —	\$ 278
Operating income	\$ 538	\$ 3	\$ —	\$ 541	\$ 401	\$ 50	\$ —	\$ 451
Depreciation and amortization	589	5	—	594	575	5	—	580
Adjusting items ⁽ⁱⁱⁱ⁾	153	—	—	153	128	—	—	128
Less: amortization of intangible assets acquired with Shoppers Drug Mart	(119)	—	—	(119)	(119)	—	—	(119)
Adjusted EBITDA ⁽ⁱⁱⁱ⁾	\$ 1,161	\$ 8	\$ —	\$ 1,169	\$ 985	\$ 55	\$ —	\$ 1,040
Depreciation and amortization ^(iv)	470	5	—	475	456	5	—	461
Adjusted operating income	\$ 691	\$ 3	\$ —	\$ 694	\$ 529	\$ 50	\$ —	\$ 579

(i) Eliminations includes the reclassification of revenue related to President's Choice Financial Mastercard[®] loyalty awards in the Financial Services segment.

(ii) Included in Financial Services revenue is \$129 million (2019 – \$116 million) of interest income.

(iii) Certain items are excluded from operating income to derive adjusted EBITDA⁽²⁾. Adjusted EBITDA⁽²⁾ is used internally by management when analyzing segment underlying performance.

(iv) Depreciation and amortization for the calculation of adjusted EBITDA⁽²⁾ excludes \$119 million (2019 – \$119 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

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

(millions of Canadian dollars)	March 21, 2020 (12 weeks)	March 23, 2019 (12 weeks)
Food retail	\$ 8,332	\$ 7,515
Drug retail		
Pharmacy	\$ 1,563	\$ 1,412
Front store	1,689	1,525
	\$ 3,252	\$ 2,937
Retail total	\$ 11,584	\$ 10,452
Financial Services	266	266
Eliminations ⁽ⁱ⁾	(50)	(59)
Total	\$ 11,800	\$ 10,659

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

(millions of Canadian dollars)	As at March 21, 2020	As at March 23, 2019	As at December 28, 2019
Total assets			
Retail	\$ 31,691	\$ 31,305	\$ 31,661
Financial Services	4,380	3,919	4,648
	\$ 36,071	\$ 35,224	\$ 36,309

(millions of Canadian dollars)	March 21, 2020⁽ⁱ⁾ (12 weeks)	March 23, 2019 (12 weeks)
Additions to fixed assets and intangible assets		
Retail	\$ 198	\$ 156
Financial Services	13	18
	\$ 211	\$ 174

(i) Additions to fixed assets in the retail segment include a \$20 million prepayment that was made in 2019. The balance was transferred from other assets in the first quarter of 2020.

Note 20. Subsequent Events

COVID-19 Subsequent to the quarter end, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government’s interventions.

As at April 28, 2020, the COVID-19 pandemic continues to have a significant impact on the Company's business and operations. While the duration and effects of the pandemic remain unknown, the Company has reacted quickly to changing circumstances by ramping up investments in four areas: enhancing customer convenience by expanding online capabilities and increasing staffing in its stores; supporting colleagues in its stores and distribution centres with temporary pay premiums and pay protection safeguards; securing operations, with more in-store cleaning and in-store security, introducing new ways to shop stores to promote social distancing, installing plexiglass barriers at check outs; and providing support to the communities in which it operates by pledging financial support to food banks and community charities as well as offering personalized solutions for President’s Choice Financial Mastercard® customers who are experiencing financial hardship. The costs of these investments ramped up towards the end of the first quarter of 2020 and continue into the second quarter.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Company’s business and operations, both in the short term and in the long term.

Glenhuron The Company has been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of the Company that was wound up in 2013, should be treated, and taxed, as income in Canada. The reassessments, which were received between 2015 and 2019, are for the 2000 to 2013 taxation years. On September 7, 2018, the Tax Court released its decision relating to the 2000 to 2010 taxation years. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation. On October 4, 2018, the Company filed a Notice of Appeal with the Federal Court of Appeal and recorded a charge of \$367 million, of which \$176 million was recorded in interest and \$191 million was recorded in income taxes, to cover its ultimate liability if the appeal was unsuccessful. On October 15, 2019, the appeal was heard by the Federal Court of Appeal, with the court reserving judgment until a later date. On April 23, 2020, the Federal Court of Appeal released its decision and reversed the decision of the Tax Court. The Canada Revenue Agency has the right to seek leave to appeal to the Supreme Court of Canada for 60 days. The Company has yet to reverse any portion of the previously recorded charge.

Financial Summary⁽¹⁾

Unless otherwise indicated, the following financial summary include the impacts of the consolidation of franchises and COVID-19:

As at or for the periods ended March 21, 2020 and March 23, 2019 (millions of Canadian dollars except where otherwise indicated)	2020 (12 weeks)	2019 (12 weeks)
Consolidated Results of Operations		
Revenue	\$ 11,800	\$ 10,659
Revenue growth	10.7%	3.1%
Operating income	\$ 541	\$ 451
Adjusted EBITDA ⁽²⁾	1,169	1,040
Adjusted EBITDA margin ⁽²⁾	9.9%	9.8%
Net interest expense and other financing charges	\$ 172	\$ 173
Adjusted net interest expense and other financing charges ⁽²⁾	172	173
Net earnings	276	206
Net earnings attributable to shareholders of the Company	243	201
Net earnings available to common shareholders of the Company	240	198
Adjusted net earnings available to common shareholders of the Company ⁽²⁾	352	290
Consolidated Per Common Share (\$)		
Diluted net earnings	\$ 0.66	\$ 0.53
Adjusted diluted net earnings ⁽²⁾	\$ 0.97	\$ 0.78
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents and short term investments	\$ 2,248	\$ 1,002
Cash flows from operating activities	1,813	960
Capital investments	211	174
Free cash flow ⁽²⁾	1,186	419
Financial Measures		
Retail debt to rolling year retail adjusted EBITDA ⁽²⁾	2.9x	3.1x
Rolling year adjusted return on equity ⁽²⁾	14.3%	13.5%
Rolling year adjusted return on capital ⁽²⁾	8.4%	7.7%

Financial Summary⁽¹⁾

As at or for the periods ended March 21, 2020 and March 23, 2019
(millions of Canadian dollars except where otherwise indicated)

	2020 (12 weeks)	2019 ⁽³⁾ (12 weeks)
Retail Results of Operations		
Sales	\$ 11,584	\$ 10,452
Operating income	538	401
Adjusted gross profit ⁽²⁾	3,450	3,097
Adjusted gross profit % ⁽²⁾	29.8%	29.6%
Adjusted EBITDA ⁽²⁾	\$ 1,161	\$ 985
Adjusted EBITDA margin ⁽²⁾	10.0%	9.4%
Depreciation and amortization	\$ 589	\$ 575
Retail Operating Statistics		
Food retail same-store sales growth	9.6%	2.0%
Drug retail same-store sales growth	10.7%	2.2%
Total retail square footage (in millions)	70.6	70.4
Number of corporate stores	547	550
Number of franchise stores	539	535
Number of Associate-owned drug stores	1,344	1,339
Financial Services Results of Operations		
Revenue	\$ 266	\$ 266
Earnings (loss) before income taxes	(19)	31
Financial Services Operating Measures and Statistics		
Average quarterly net credit card receivables	\$ 3,436	\$ 3,180
Credit card receivables	3,248	3,051
Allowance for credit card receivables	246	175
Annualized yield on average quarterly gross credit card receivables	13.9%	13.8%
Annualized credit loss rate on average quarterly gross credit card receivables	4.0%	3.3%

Financial Results and Financial Summary Endnotes

- (1) For financial definitions and ratios refer to the Glossary of Terms on page 134 of the Company's 2019 Annual Report.
- (2) See Section 10 "Non-GAAP Financial Measures" of the Company's Management's Discussion and Analysis for the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.
- (3) Certain comparative figures have been restated to conform with current year presentation.

Corporate Profile

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

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

Trademarks

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

Shareholder Information

Registrar and Transfer Agent

Computershare Investor Services Inc.	Toll free: 1-800-564-6253 (Canada and U.S)
100 University Avenue	Fax: (416) 263-9394
Toronto, Canada	Toll free fax: 1-888-453-0330
M5J 2Y1	International direct dial: (514) 982-7555

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

Investor Relations

Investor inquiries, contact:	Media inquiries, contact:
Roy MacDonald	Kevin Groh
Vice President, Investor Relations	Senior Vice President, Corporate Affairs and Communication
(905) 861-2243	(905) 861-2437
investor@loblaw.ca	pr@loblaw.ca

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 April 29, 2020 at 10:00 a.m. (ET).

To access via tele-conference, please dial (647) 427-7450 or (888) 231-8191. The playback will be made available approximately two hours after the event at (416) 849-0833 or (855) 859-2056, access code: 9252547. To access via audio webcast, please go to the “Investors” 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 2020 Annual Meeting of Shareholders of Loblaw Companies Limited will take place on April 30, 2020 at 11:00 a.m. (ET). Due to the public impact of the COVID-19 pandemic and in consideration of the health and safety of our shareholders, colleagues and the broader community, this year's meeting will be held in a virtual meeting format only, 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 <http://web.lumiagm.com/235646106>. See “How do I attend and participate at the virtual Meeting?” in the Management Proxy Circular dated March 13, 2020, 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” page at loblaw.ca for additional details on the virtual meeting.

loblaw.ca

shoppersdrugmart.ca

pharmaprix.ca

pcfinancial.ca

joefresh.ca

presidentschoice.ca

pcexpress.ca

beautyboutique.ca

wellwise.ca

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