

Q1 2021 Quarterly Report

12 Weeks Ended March 27, 2021

WESTON GEORGE
WESTON
LIMITED

ESTABLISHED
1882

Footnote Legend

- (1) See Section 9, "Non-GAAP Financial Measures", of the Company's 2021 First Quarter Management's Discussion and Analysis.
 - (2) GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.
 - (3) To be read in conjunction with Section 10, "Forward-Looking Statements", of the Company's 2021 First Quarter Management's Discussion and Analysis.
 - (4) Certain figures have been restated due to the non-GAAP financial measures policy change. See section 9.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's 2021 First Quarter Management's Discussion and Analysis.
 - (5) Comparative figures have been restated to conform with current year presentation.
-

Management's Discussion and Analysis

1.	Overall Financial Performance	6
1.1	Consolidated Results of Operations	6
1.2	Consolidated Other Business Matters	11
2.	Results of Reportable Operating Segments	12
2.1	Loblaws Operating Results	12
2.2	Choice Properties Operating Results	14
2.3	Weston Foods Operating Results	15
3.	Liquidity and Capital Resources	16
3.1	Cash Flows	16
3.2	Liquidity	17
3.3	Components of Total Debt	19
3.4	Financial Condition	22
3.5	Credit Ratings	23
3.6	Share Capital	24
3.7	Off-Balance Sheet Arrangements	25
4.	Quarterly Results of Operations	26
5.	Internal Control Over Financial Reporting	27
6.	Enterprise Risks and Risk Management	28
7.	COVID-19 Update	28
8.	Outlook	29
9.	Non-GAAP Financial Measures	30
9.1	Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021	37
10.	Forward-Looking Statements	39
11.	Additional Information	40

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL" or the "Company") should be read in conjunction with the Company's first quarter 2021 unaudited interim period condensed consolidated financial statements and the accompanying notes of this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2020 and the related annual MD&A included in the Company's 2020 Annual Report.

The Company's first quarter 2021 unaudited interim period condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). 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 where otherwise noted.

Under International Financial Reporting Standards ("IFRS" or "GAAP"), certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. Non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated and segment underlying operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. See Section 9, "Non-GAAP Financial Measures", of this MD&A for more information on the Company's non-GAAP financial measures.

The Company operates through its three reportable operating segments, Loblaw Companies Limited ("Loblaw"), Choice Properties Real Estate Investment Trust ("Choice Properties") and Weston Foods. Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation and cash and short-term investments held by the Company. All other company level activities that are not allocated to the reportable operating segments, such as net interest expense, corporate activities and administrative costs are included in Other and Intersegment. Loblaw has two reportable operating segments, retail and financial services. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise and financial services. Choice Properties owns, manages and develops a high-quality portfolio of commercial retail, industrial, office and residential properties across Canada. Weston Foods is a North American bakery making bread, rolls, cupcakes, donuts, cookies, cakes, pies, cones and wafers, artisan baked goods and more. As at the end of the first quarter of 2021, the Company's ownership interest in Loblaw was 52.6%, 61.8% in Choice Properties and 100% in Weston Foods.

On March 23, 2021, the Company announced its intention to launch a process to sell the Weston Foods operating segment (the "Weston Foods Transaction"). This announcement followed a strategic review by the Board of Directors that determined that the Company should focus on its other two operating segments, Loblaw and Choice Properties, as these two segments will remain the Company's most significant drivers of long-term value creation.

In this MD&A, "Consolidated" refers to the consolidated results of GWL including its subsidiaries, while "GWL Corporate" refers to the non-consolidated financial results and metrics of GWL, such as dividends paid by GWL to its shareholders or cash flows received by GWL from its operating businesses. GWL Corporate is a subset of Other and Intersegment.

A glossary of terms and ratios used throughout this Quarterly Report can be found beginning on page 170 of the Company's 2020 Annual Report.

This MD&A contains forward-looking statements, which are subject to risks and uncertainties that could cause the Company's actual results to differ materially from the forward-looking statements. For additional information related to forward looking statements, material assumptions and material risks associated with them, see Section 6, "Enterprise Risks and Risk Management", Section 7, "COVID-19 Update", Section 8, "Outlook" and Section 10, "Forward-Looking Statements" of this MD&A.

The information in this MD&A is current to May 10, 2021, unless otherwise noted.

At a Glance

Key Financial Highlights

As at or for the 12 weeks ended March 27, 2021 and March 21, 2020
(\$ millions except where otherwise indicated)

The Company's results reflect:

- the impact of COVID-19 and related costs. See Section 1.1, "Consolidated Results of Operations" and Section 1.2, "Consolidated Other Business Matters", of this MD&A; and
- the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability as a result of changes in Choice Properties' unit price. See Section 1.1, "Consolidated Results of Operations - Net Interest Expense and Other Financing Charges", of this MD&A.

Consolidated

\$ 12,352	+0.2%	\$ 830	+38.8%	\$ 1,335	+2.7%	10.8%	+30bps
	vs. Q1 2020		vs. Q1 2020		vs. Q1 2020 ⁽³⁾		vs. Q1 2020 ⁽³⁾
REVENUE		OPERATING INCOME		ADJUSTED EBITDA⁽¹⁾		ADJUSTED EBITDA MARGIN⁽¹⁾ (%)	

\$ (62)	-110.7%	\$ 243	+1.7%	\$ (0.41)	-110.8%	\$ 1.59	+2.6%
	vs. Q1 2020		vs. Q1 2020		vs. Q1 2020		vs. Q1 2020
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS		ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS⁽¹⁾		DILUTED NET LOSS PER COMMON SHARE (\$)		ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE⁽¹⁾ (\$)	

GWL Corporate⁽²⁾

\$ 75	-51.3%	\$ 196	-8.4%	\$ 0.55	+4.8%	10.3%	-30bps
	vs. Q1 2020		vs. Q1 2020		vs. Q1 2020		vs. Q1 2020 ⁽³⁾
CASH FLOW FROM OPERATING BUSINESSES⁽¹⁾		GWL CORPORATE FREE CASH FLOW⁽¹⁾		QUARTERLY DIVIDENDS DECLARED PER SHARE (\$)		ROLLING YEAR ADJUSTED RETURN ON CAPITAL⁽¹⁾ (%)	

(1) See Section 9. "Non-GAAP Financial Measures", of this MD&A.

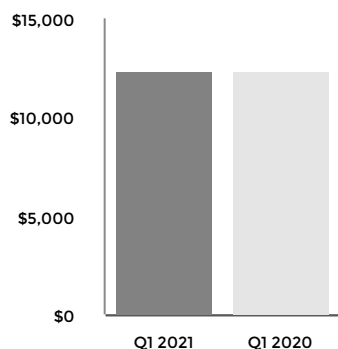
(2) GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.

(3) Certain figures have been restated due to the non-GAAP financial measures policy change. See section 9.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of this MD&A.

Key Performance Indicators

For the 12 weeks ended March 27, 2021 and March 21, 2020
(\$ millions except where otherwise indicated)

REVENUE

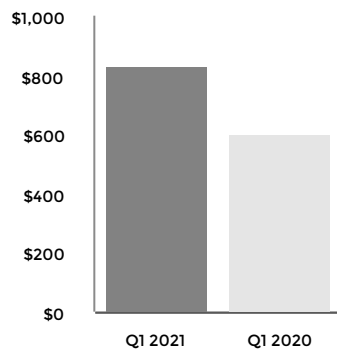


Q1 2021	\$ 12,352	
Q1 2020	\$ 12,333	+0.2%

Performance in Q1 2021

Revenue increased by \$19 million mainly due to higher sales in Loblaw, including strong same-store sales growth before lapping the late first quarter stock-up from the initial onset of the COVID-19 pandemic, partially offset by the decline in sales in Weston Foods driven by the impact of COVID-19.

OPERATING INCOME

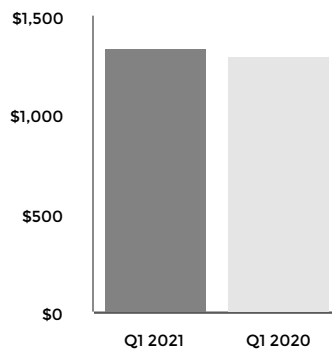


Q1 2021	\$ 830	
Q1 2020	\$ 598	+38.8%

Performance in Q1 2021

Operating income increased \$232 million mainly due to the favourable year-over-year net impact of adjusting items and improvements in the underlying operating performance of Loblaw, partially offset by a decline in Weston Foods, driven by the impact of COVID-19 and related costs.

ADJUSTED EBITDA⁽¹⁾

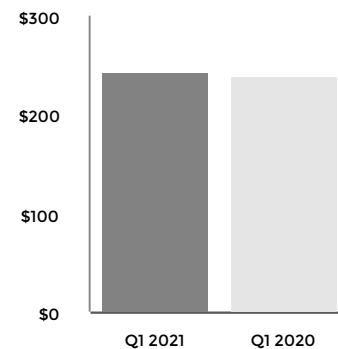


Q1 2021	\$ 1,335	
Q1 2020 ⁽³⁾	\$ 1,300	+2.7%

Performance in Q1 2021

Adjusted EBITDA⁽¹⁾ increased \$35 million mainly due to an increase in Loblaw, partially offset by a decline in Weston Foods driven by the impact of COVID-19 and related costs.

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS⁽¹⁾



Q1 2021	\$ 243	
Q1 2020	\$ 239	+1.7%

Performance in Q1 2021

Adjusted net earnings available to common shareholders⁽¹⁾ increased by \$4 million due to the improvement in the underlying operating performance at Loblaw, partially offset by the decline in the underlying operating performance at Weston Foods and an increase in the adjusted effective tax rate⁽¹⁾.

Adjusted diluted net earnings per common share⁽¹⁾ increased \$0.04 due to the performance in adjusted net earnings available to common shareholders⁽¹⁾ and lower weighted average common shares as a result of shares purchased for cancellation.

ADJUSTED EBITDA MARGIN⁽¹⁾ (%)

10.8% +30bps
Q1 2021 vs. Q1 2020⁽³⁾

ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE⁽¹⁾ (\$)

\$ 1.59 +2.6%
Q1 2021 vs. Q1 2020

(1) See Section 9., "Non-GAAP Financial Measures", of this MD&A.

(2) GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.

(3) Certain figures have been restated due to the non-GAAP financial measures policy change. See section 9.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of this MD&A.

GWL Corporate Free Cash Flow⁽¹⁾

GWL Corporate free cash flow⁽¹⁾ is generated from the dividends received from Loblaw, distributions received from Choice Properties, net cash flow contributions from Weston Foods and proceeds from participation in Loblaw's Normal Course Issuer Bid, less corporate expenses, interest and income taxes paid.

(\$ millions)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Weston Foods adjusted EBITDA ⁽¹⁾	\$ 34	\$ 52
Weston Foods capital expenditures	(13)	(24)
Distributions from Choice Properties	83	82
Dividends from Loblaw	–	59
Weston Foods income taxes recovered	–	3
Other	(29)	(18)
GWL Corporate cash flow from operating businesses⁽¹⁾	\$ 75	\$ 154
Proceeds from participation in Loblaw's Normal Course Issuer Bid	166	92
GWL Corporate and financing costs ⁽ⁱ⁾	(33)	(28)
Income taxes paid	(12)	(4)
GWL Corporate free cash flow⁽¹⁾	\$ 196	\$ 214

(i) Included in Other and Intersegment, GWL Corporate includes all other company level activities that are not allocated to the reportable operating segments such as net interest expense, corporate activities and administrative costs. Also included are preferred share dividends.

As at or for the 12 weeks March 27, 2021 and March 21, 2020
(\$ millions except where otherwise indicated)

GWL CORPORATE⁽²⁾ CASH FLOW FROM OPERATING BUSINESSES⁽¹⁾

\$ 75	-51.3%
Q1 2021	vs. Q1 2020
\$ 154	
Q1 2020	

Performance in Q1 2021

Decrease in the first quarter of 2021 primarily as a result of lower dividends from Loblaw due to timing of the Loblaw dividend payment, unfavourable changes in non-cash working capital recorded in Other and a decrease in Weston Foods' operating performance, partially offset by lower Weston Foods' capital expenditures.

GWL CORPORATE⁽²⁾ FREE CASH FLOW⁽¹⁾

\$ 196	-8.4%
Q1 2021	vs. Q1 2020
\$ 214	
Q1 2020	

Performance in Q1 2021

Decrease in the first quarter of 2021 primarily due to decreases in cash flows from operating businesses, partially offset by higher proceeds from participation in Loblaw's Normal Course Issuer Bid.

GWL CORPORATE⁽²⁾ NET DEBT

\$ 3	-99.0%
Q1 2021	vs. Q1 2020
\$ 291	
Q1 2020	

Performance in Q1 2021

Decrease primarily driven by higher cash and cash equivalents and lower total debt.

See Section 3.2, "Liquidity", of this MD&A for a calculation of this metric.

Management's Discussion and Analysis

1. Overall Financial Performance

1.1 Consolidated Results of Operations

Loblaw generated strong financial results in the first quarter of 2021. Revenue increased despite Loblaw's retail sales lapping the significant increase in demand for essential items in the final two weeks of the first quarter of 2020. Loblaw's results reflect continued momentum and positive consumer response to the value and services it provides and its expanding online solutions. The COVID-19 pandemic has accelerated certain longer-term trends, enabling Loblaw to advance its strategic growth areas of Everyday Digital Retail, Connected Healthcare Network and Payments and Rewards.

Choice Properties collected 98% of contractual rents, reflecting the stability of its necessity-based portfolio. Choice Properties continued to advance its development initiatives, announcing a partnership to develop and revitalize the Golden Mile Shopping Centre in Toronto and, subsequent to the end of the quarter, it acquired an 85% interest in 300 acres of future industrial development land in the Greater Toronto Area.

Weston Foods' performance in the first quarter of 2021 reflected solid underlying fundamentals but was negatively impacted by the resurgence of COVID-19 in late 2020 and resulting stricter lockdown measures implemented in many regions of Canada and the United States. The impact was most significant in retail celebratory categories such as cakes, certain foodservice channels and in the Girl Scout cookie business due to restrictions on in-person sales. The year-over-year negative impact of lower volumes and a full quarter of COVID-19 related costs was partially offset by lower distribution costs and other cost savings initiatives, operational improvements in service levels and manufacturing efficiencies. As COVID-19 restrictions ease, Weston Foods is well positioned to return to the positive momentum delivered in the fourth quarter of 2020.

The Company's results reflect:

- the impact of COVID-19. Also refer to Section 2, "Results of Reportable Operating Segments", Section 7. "COVID-19 Update", and Section 8. "Outlook " of this MD&A for more information; and
- the year-over-year impact of the fair value adjustment of the Trust Unit liability as a result of the significant changes in Choice Properties' unit price, recorded in net interest expense and other financing charges. The Company's results are impacted by market price fluctuations of Choice Properties' Trust Units on the basis that the Trust Units held by unitholders, other than the Company, are redeemable for cash at the option of the holder and are presented as a liability on the Company's consolidated balance sheet. The Company's financial results are negatively impacted when the Trust Unit price rises and positively impacted when the Trust Unit price declines.

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 27, 2021	Mar. 21, 2020 ⁽⁴⁾	\$ Change	% Change
Revenue	\$ 12,352	\$ 12,333	\$ 19	0.2%
Operating income	\$ 830	\$ 598	\$ 232	38.8%
Adjusted EBITDA ⁽¹⁾	\$ 1,335	\$ 1,300	\$ 35	2.7%
Adjusted EBITDA margin ⁽¹⁾	10.8%	10.5%		
Depreciation and amortization⁽ⁱ⁾	\$ 560	\$ 560	\$ –	–%
Net interest expense and other financing charges	\$ 546	\$ (258)	\$ 804	311.6%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 254	\$ 256	\$ (2)	(0.8)%
Income taxes	\$ 166	\$ 113	\$ 53	46.9%
Adjusted income taxes ⁽¹⁾	\$ 178	\$ 160	\$ 18	11.3%
Adjusted effective tax rate ⁽¹⁾	27.9%	26.1%		
Net (loss) earnings attributable to shareholders of the Company	\$ (52)	\$ 592	\$ (644)	(108.8)%
Net (loss) earnings available to common shareholders of the Company	\$ (62)	\$ 582	\$ (644)	(110.7)%
Adjusted net earnings available to common shareholders of the Company ⁽¹⁾	\$ 243	\$ 239	\$ 4	1.7%
Diluted net (loss) earnings per common share (\$)	\$ (0.41)	\$ 3.78	\$ (4.19)	(110.8)%
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 1.59	\$ 1.55	\$ 0.04	2.6%

- (i) Depreciation and amortization includes \$117 million (2020 - \$119 million) in the first quarter of 2021 of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation, recorded by Loblaw and \$9 million in the first quarter of 2020 of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY

In the first quarter of 2021, the Company recorded a net loss available to common shareholders of the Company of \$62 million (\$0.41 per common share), a decrease of \$644 million (\$4.19 per common share) compared to the same period in 2020. The decrease was due to the unfavourable year-over-year net impact of adjusting items totaling \$648 million (\$4.23 per common share), partially offset by an improvement of \$4 million (\$0.04 per common share) in the consolidated underlying operating performance of the Company described below.

- The unfavourable year-over-year net impact of adjusting items totaling \$648 million (\$4.23 per common share) was due to:
 - the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$743 million (\$4.85 per common share) as a result of the increase in Choice Properties' unit price in the first quarter of 2021; and
 - the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of \$55 million (\$0.36 per common share);
 partially offset by,
 - the favourable year-over-year impact of the fair value adjustment on investment properties of \$123 million (\$0.81 per common share);
 - the favourable year-over-year impact of restructuring and other related costs of \$14 million (\$0.09 per common share); and
 - the favourable year-over-year impact of the fair value adjustments on derivatives of \$12 million (\$0.08 per common share).

Management's Discussion and Analysis

- The improvement in the Company's consolidated underlying operating performance of \$4 million (\$0.04 per common share) was due to:
 - the favourable underlying operating performance of Loblaw including the impact of COVID-19 and related costs; partially offset by,
 - the unfavourable underlying operating performance of Weston Foods driven by the impact of COVID-19 and related costs; and
 - an increase in the adjusted effective tax rate⁽¹⁾ primarily attributable to the impact of certain other non-deductible items.
- Diluted net earnings per common share also included the favourable impact of shares purchased for cancellation in the fourth quarter of 2020 and the first quarter of 2021.

Adjusted net earnings available to common shareholders of the Company⁽¹⁾ were \$243 million, an increase of \$4 million, or 1.7%, compared to the same period in 2020 due to the improvement in the Company's consolidated underlying operating performance described above. Adjusted diluted net earnings per common share⁽¹⁾ was \$1.59 per common share in the first quarter of 2021, an increase of \$0.04 per common share, or 2.6%, compared to the same period in 2020. The increase was due to the performance in adjusted net earnings available to common shareholders⁽¹⁾ and the favourable impact of share repurchases.

REVENUE

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 27, 2021	Mar. 21, 2020	\$ Change	% Change
Loblaw	\$ 11,872	\$ 11,800	\$ 72	0.6%
Choice Properties	\$ 327	\$ 325	\$ 2	0.6%
Weston Foods	\$ 472	\$ 535	\$ (63)	(11.8)%
Other and Intersegment	\$ (319)	\$ (327)		
Consolidated	\$ 12,352	\$ 12,333	\$ 19	0.2%

Revenue in the first quarter of 2021 was \$12,352 million, an increase of \$19 million, or 0.2%, compared to the same period in 2020. The increase in revenue in the first quarter of 2021 was impacted by each of its reportable operating segments as follows:

- Positively by 0.6% due to revenue growth of 0.6% at Loblaw, primarily driven by retail sales, partially offset by a decrease in financial services revenue. Retail sales increased by \$86 million, or 0.7%, compared to the same period in 2020. The increase was primarily due to positive same-store sales growth and a net increase in retail square footage. Food retail same-store sales growth was 0.1% for the quarter. During the first quarter of 2021, retail experienced continued strong same-store sales growth before lapping the late first quarter of 2020 stock-up from the initial onset of the COVID-19 pandemic. Food retail basket size increased and traffic decreased in the quarter, as compared to the first quarter of 2020; Loblaw's food retail average article price was higher by 3.9% (2020 – 1.5%), which reflects the year-over-year growth in food retail revenue over the average number of articles sold in Loblaw's stores in the quarter. The increase in average article price was due to sales mix. Drug retail same-store sales decreased by 1.7%. The drug retail same-store sales decline reflects the initial demand for grocery and pharmacy products late in the first quarter of 2020 following the onset of the COVID-19 pandemic in Canada.
- Positively by a nominal amount due to growth in revenue of 0.6% at Choice Properties. The increase of \$2 million was mainly due to the net contribution from acquisitions and development transfers completed in 2020 and an increase in lease surrender revenue, partially offset by foregone revenue from dispositions in 2020, vacancies in select retail and office assets, and a reduction in transient parking revenue in the office portfolio due to the impact of the pandemic on city centres.
- Negatively by 0.5% due to a decline in sales of 11.8% at Weston Foods. Sales included the unfavourable impact of foreign currency translation of approximately 2.6%. Excluding the unfavourable impact of foreign currency translation, sales decreased by 9.2%. Sales were impacted by a decrease in volumes mainly due to the impact of the COVID-19 pandemic. Volumes declined in retail celebratory categories and certain foodservice channels, and reflect the impact of lapping strong performance and stockpiling in the last two weeks of the first quarter of 2020 at the onset of the pandemic. In addition, Girl Scout cookie sales in the United States were lower compared to the same period in 2020 due to restrictions on in-person sales. The combined impact of pricing and changes in sales mix had a nominal impact on sales when compared to the same period in 2020.

OPERATING INCOME

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 27, 2021	Mar. 21, 2020	\$ Change	% Change
Loblaw	\$ 615	\$ 539	\$ 76	14.1%
Choice Properties	\$ 285	\$ 77	\$ 208	270.1%
Weston Foods	\$ —	\$ 1	\$ (1)	(100.0)%
Other and Intersegment	\$ (70)	\$ (19)		
Consolidated	\$ 830	\$ 598	\$ 232	38.8%

Operating income in the first quarter of 2021 was \$830 million compared to \$598 million in the same period in 2020, an increase of \$232 million, or 38.8%. The increase was mainly attributable to the favourable year-over-year net impact of adjusting items totaling \$208 million, and the improvement in underlying operating performance of \$24 million described below:

- the favourable year-over-year net impact of adjusting items totaling \$208 million was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of investment properties of \$148 million;
 - the favourable year-over-year impact of restructuring and other related costs of \$27 million; and
 - the favourable year-over-year impact of the fair value adjustment of derivatives of \$26 million.
- the improvement in underlying operating performance of \$24 million was due to:
 - the favourable underlying operating performance of Loblaw primarily due to the improvement in Loblaw financial services, partially offset by a decline in the underlying operating performance of Loblaw retail driven by the lapping of the late first quarter of 2020 stock-up from the initial onset of the COVID-19 pandemic; partially offset by,
 - the unfavourable underlying operating performance of Weston Foods as a result of the impact of COVID-19 and related costs; and
 - an increase in depreciation and amortization.

ADJUSTED EBITDA⁽¹⁾

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 27, 2021	Mar. 21, 2020 ⁽⁴⁾	\$ Change	% Change
Loblaw	\$ 1,216	\$ 1,163	\$ 53	4.6%
Choice Properties	\$ 225	\$ 227	\$ (2)	(0.9)%
Weston Foods	\$ 34	\$ 52	\$ (18)	(34.6)%
Other and Intersegment	\$ (140)	\$ (142)		
Consolidated	\$ 1,335	\$ 1,300	\$ 35	2.7%

Adjusted EBITDA⁽¹⁾ in the first quarter of 2021 was \$1,335 million compared to \$1,300 million in the same period in 2020, an increase of \$35 million, or 2.7%. The increase in adjusted EBITDA⁽¹⁾ was impacted by each of the Company's reportable operating segments as follows:

- Positively by 4.1% due to an increase of 4.6% in adjusted EBITDA⁽¹⁾ at Loblaw, primarily driven by improvements in financial services, partially offset by the decline in retail. The improvements in financial services was due to a reduction in the expected credit loss provision in the current quarter and the lapping of the increase in the expected credit loss provision recorded in the first quarter of 2020. The decline in Loblaw retail adjusted EBITDA⁽¹⁾ was driven by the lapping of the late first quarter of 2020 stock-up from the initial onset of the COVID-19 pandemic and the unfavourable increase in selling, general and administrative expenses ("SG&A"), partially offset by an increase in retail gross profit.
- Negatively by 0.2% due to a decrease of 0.9% in adjusted EBITDA⁽¹⁾ at Choice Properties, primarily driven by foregone revenue from dispositions in 2020, vacancies in select retail and office assets, a reduction in transient parking revenue in the office portfolio due to the impact of the pandemic on city centres, and an increase in expected credit loss provisions, partially offset by the net contribution from acquisitions and development transfers completed in 2020 and an increase in non-recurring lease surrender revenue.
- Negatively by 1.4% due to a decrease of 34.6% in adjusted EBITDA⁽¹⁾ at Weston Foods driven by the decline in sales as described above, higher input costs and an increase in COVID-19 related expenses, partially offset by lower distribution costs and other cost savings initiatives.

Management's Discussion and Analysis

DEPRECIATION AND AMORTIZATION

(millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 27, 2021	Mar. 21, 2020	\$ Change	% Change
Loblaw	\$ 610	\$ 594	\$ 16	2.7%
Choice Properties	\$ 1	\$ 1	\$ –	–%
Weston Foods	\$ 36	\$ 43	\$ (7)	(16.3)%
Other and Intersegment	\$ (87)	\$ (78)		
Consolidated	\$ 560	\$ 560	\$ –	–%

Depreciation and amortization of \$560 million in the first quarter of 2021 was flat compared to the same period in 2020. Depreciation and amortization in the first quarter of 2021 included \$117 million (2020 – \$119 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation (“Shoppers Drug Mart”) recorded by Loblaw and \$9 million in the first quarter of 2020 of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs. Excluding these amounts, depreciation and amortization increased in the first quarter of 2021 by \$11 million driven by:

- an increase in Loblaw’s information technology (“IT”) assets;
- an increase in Loblaw financial services depreciation due to the launch of *PC Money Account*; and
- an increase in depreciation and amortization due to capital investments at Weston Foods.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 27, 2021	Mar. 21, 2020	\$ Change	% Change
Net interest expense and other financing charges	\$ 546	\$ (258)	\$ 804	311.6%
Add: Fair value adjustment of the Trust Unit liability	(239)	504	(743)	(147.4)%
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	(53)	10	(63)	(630.0)%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 254	\$ 256	\$ (2)	(0.8)%

Net interest expense and other financing charges in the first quarter of 2021 were \$546 million, an increase of \$804 million compared to the first quarter of 2020. The increase was primarily due to the year-over-year impact of adjusting items totaling \$806 million itemized in the table above, and a decrease in adjusted net interest expense and other financing charges⁽¹⁾ of \$2 million. Included in the adjusting items was the unfavourable year-over-year fair value adjustment of the Trust Unit liability of \$743 million, as a result of the increase in Choice Properties’ unit price in the quarter. The Company is exposed to market price fluctuations as a result of units held by unitholders other than the Company which are redeemable for cash at the option of the holder and are presented as a liability on the Company’s consolidated balance sheet.

Adjusted net interest expense and other financing charges⁽¹⁾ decreased by \$2 million. The decrease was primarily driven by:

- lower interest expense at Loblaw financial services due to a decrease in interest rates on borrowings related to credit card receivables and a net decrease in Guaranteed Investment Certificates (“GICs”); and
 - a decrease in interest expense in the Choice Properties segment primarily due to lower overall debt levels compared to the prior year and the completion of refinancing activity over the last year at lower interest rates;
- partially offset by,
- higher interest expense in Other and Intersegment adjustments, primarily related to interest expense on the financial liabilities recognized on Choice Properties’ transactions in 2019 and 2020; and
 - higher interest expense in the Choice Properties segment including Other and Intersegment adjustments, primarily related to higher distributions from newly issued Trust Units in the third quarter of 2020 and newly issued Class B LP units (“Exchangeable Units”) in the fourth quarter of 2020.

INCOME TAXES

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 27, 2021	Mar. 21, 2020 ⁽⁴⁾	\$ Change	% Change
Income taxes	\$ 166	\$ 113	\$ 53	46.9%
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽¹⁾⁽ⁱ⁾	28	61	(33)	(54.1)%
Outside basis difference in certain Loblaw shares	(16)	(14)	(2)	(14.3)%
Adjusted income taxes ⁽¹⁾	\$ 178	\$ 160	\$ 18	11.3%
Effective tax rate applicable to earnings before taxes	58.5%	13.2%		
Adjusted effective tax rate applicable to adjusted earnings before taxes ⁽¹⁾	27.9%	26.1%		

(i) See the adjusted EBITDA⁽¹⁾ table and the adjusted net interest expense and other financing charges⁽¹⁾ table included in Section 9, "Non-GAAP Financial Measures", of this MD&A for a complete list of items excluded from adjusted earnings before taxes⁽¹⁾.

The effective tax rate in the first quarter of 2021 was 58.5%, compared to 13.2% in the same period in 2020. The increase was primarily attributable to a decrease in the non-taxable fair value adjustment of the Trust Unit liability, an increase in tax expense related to temporary differences in respect of GWL's investment in certain Loblaw shares as a result of GWL's participation in Loblaw's NCIB and the impact of certain other non-deductible items.

The adjusted effective tax rate⁽¹⁾ for the first quarter of 2021 was 27.9%, compared to 26.1% in the same period in 2020. The increase was primarily attributable to the impact of certain other non-deductible items.

Loblaw 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 Loblaw 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, Loblaw filed a Notice of Appeal with the Federal Court of Appeal. On October 15, 2019, the matter was heard by the Federal Court of Appeal, and on April 23, 2020, the Federal Court of Appeal released its decision in the Glenhuron case in favour of Loblaw and reversed the decision of the Tax Court. On October 29, 2020, the Supreme Court of Canada ("Supreme Court") granted the Crown leave to appeal and on November 30, 2020, the Crown filed a Notice of Appeal with the Supreme Court. The Supreme Court hearing of the appeal is scheduled for May 13, 2021. Loblaw has not reversed any portion of the \$367 million of charges recorded during the third quarter of 2018, of which \$176 million was recorded in interest and \$191 million was recorded in income taxes.

1.2 Consolidated Other Business Matters

COVID-19 RELATED COSTS The Company incurred COVID-19 related costs of approximately \$54 million in the first quarter of 2021 (2020 - \$32 million) primarily related to safety and security measures to protect colleagues, customers, tenants and other stakeholders. The estimated COVID-19 related costs incurred by each of the Company's reportable operating segments were as follows:

(unaudited) (\$ millions)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Loblaw	\$ 48	\$ 32
Choice Properties ⁽ⁱ⁾	2	–
Weston Foods	4	–
Consolidated	\$ 54	\$ 32

(i) Choice Properties recorded a provision of \$2 million in the first quarter of 2021 for certain past due amounts, reflecting increased collectability risk and potential abatements.

Refer to Section 7, "COVID-19 Update" of this MD&A for more information.

Management's Discussion and Analysis

2. Results of Reportable Operating Segments

The following discussion provides details of the first quarter of 2021 results of operations of each of the Company's reportable operating segments.

2.1 Loblaw Operating Results

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 27, 2021	Mar. 21, 2020 ⁽⁴⁾	\$ Change	% Change
Revenue	\$ 11,872	\$ 11,800	\$ 72	0.6%
Operating income	\$ 615	\$ 539	\$ 76	14.1%
Adjusted EBITDA ⁽¹⁾	\$ 1,216	\$ 1,163	\$ 53	4.6%
Adjusted EBITDA margin ⁽¹⁾	10.2%	9.9%		
Depreciation and amortization ⁽ⁱ⁾	\$ 610	\$ 594	\$ 16	2.7%

(i) Depreciation and amortization in the first quarter of 2021 includes \$117 million (2020 - \$119 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

REVENUE Loblaw revenue in the first quarter of 2021 was \$11,872 million, an increase of \$72 million, or 0.6%, compared to the same period in 2020, primarily driven by retail sales, partially offset by a decrease in financial services revenue.

Retail sales increased by \$86 million, or 0.7%, compared to the same period in 2020 and included food retail sales of \$8,479 million (2020 - \$8,332 million) and drug retail sales of \$3,191 million (2020 - \$3,252 million). The increase was primarily driven by the following factors:

- food retail same-store sales growth was 0.1% for the quarter. During the first quarter of 2021, retail experienced continued strong same-store sales growth before lapping the late first quarter of 2020 stock-up from the initial onset of the COVID-19 pandemic. Food retail basket size increased and traffic decreased in the quarter, as compared to the first quarter of 2020;
- Loblaw's food retail average article price was higher by 3.9% (2020 - 1.5%), which reflects the year-over-year growth in food retail revenue over the average number of articles sold in Loblaw's stores in the quarter. The increase in average article price was due to sales mix; and
- drug retail same-store sales decreased by 1.7% for the quarter. The drug retail same-store sales decline reflects the initial demand for grocery and pharmacy products late in the first quarter of 2020 following the onset of the COVID-19 pandemic in Canada. Pharmacy same-store sales growth was 3.5% and front store same-store sales declined by 6.4%.

In the last 12 months, 20 food and drug stores were opened and nine food and drug stores were closed, resulting in a net increase in retail square footage of 0.4 million square feet, or 0.6%.

Financial services revenue in the first quarter of 2021 decreased by \$13 million compared to the same period in 2020 due to lower interest income and credit card related fees attributable to a lower volume of credit card receivables, partially offset by higher sales attributable to *The Mobile Shop* and higher interchange income due to an increase in customer spending.

OPERATING INCOME Loblaw operating income in the first quarter of 2021 was \$615 million, an increase of \$76 million, or 14.1%, compared to the same period in 2020. The increase included an improvement in underlying operating performance of \$35 million and the favourable year-over-year net impact of adjusting items totaling \$41 million, as described below:

- the improvement in underlying operating performance of \$35 million was primarily due to the improvement in the underlying operating performance of financial services, partially offset by a decline in the underlying operating performance of retail driven by the lapping of the late first quarter of 2020 stock-up from the initial onset of the COVID-19 pandemic;
- the favourable year-over-year net impact of adjusting items totaling \$41 million was primarily due to the following:
 - the favourable year-over-year impact of the fair value adjustments on derivatives of \$23 million;
 - the favourable year-over-year impact of restructuring and other related costs of \$11 million; and
 - the favourable impact of the gain on sale of non-operating properties of \$5 million.

ADJUSTED EBITDA⁽¹⁾ Loblaw adjusted EBITDA⁽¹⁾ in the first quarter of 2021 was \$1,216 million, an increase of \$53 million, or 4.6%, compared to the same period in 2020. The increase was primarily due to an increase in financial services of \$65 million, partially offset by a decline in retail of \$12 million.

Retail adjusted EBITDA⁽¹⁾ in the first quarter of 2021 decreased by \$12 million driven by the lapping of the late first quarter of 2020 stock-up from the initial onset of the COVID-19 pandemic and the unfavourable increase in SG&A, partially offset by an increase in retail gross profit.

- Retail gross profit percentage of 30.3% increased by 50 basis points compared to the same period in 2020, from underlying improvements in business initiatives.
- Retail SG&A as a percentage of sales was 20.5%, an increase of 70 basis points compared to the same period of 2020. The unfavourable increase of 70 basis points was primarily due to COVID-19 related costs and incremental e-commerce labour costs as a result of increased online sales.

Financial services adjusted EBITDA⁽¹⁾ increased by \$65 million compared to the same period in 2020, primarily driven by a \$20 million reduction in the expected credit loss provision in the current quarter and the lapping of the \$50 million increase in the expected credit loss provision recorded in the first quarter of 2020, lower contractual charge-off, lower funding costs due to lower credit card receivables, and reversal of certain commodity taxes remitted. The increase was partially offset by lower revenue as described above and higher customer acquisition costs.

DEPRECIATION AND AMORTIZATION Loblaw's depreciation and amortization in the first quarter of 2021 was \$610 million, an increase of \$16 million compared to the same period in 2020. The increase in depreciation and amortization in the first quarter of 2021 was primarily driven by an increase in IT assets, an increase in depreciation of leased assets and an increase in depreciation and amortization in financial services due to the launch of *PC Money* Account.

Depreciation and amortization included \$117 million (2020 – \$119 million) in the first quarter of 2021 of amortization of intangible assets related to the acquisition of Shoppers Drug Mart.

CONSOLIDATION OF FRANCHISES Loblaw has more than 500 franchise food retail stores in its network. Non-controlling interests at Loblaw represent the franchise's earnings in food. Loblaw's net earnings attributable to non-controlling interests was \$19 million in the first quarter of 2021. When compared to the first quarter of 2020, this represented a decrease of \$14 million or 42.4%. The decrease in non-controlling interests was primarily driven by lower franchise earnings in comparison to the first quarter of 2020 when franchises experienced improved profitability from the initial onset of the COVID-19 pandemic.

Management's Discussion and Analysis

2.2 Choice Properties Operating Results

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 27, 2021	Mar. 21, 2020	\$ Change	% Change
Revenue	\$ 327	\$ 325	\$ 2	0.6%
Net interest expense (income) and other financing charges ⁽ⁱ⁾	\$ 347	\$ (256)	\$ 603	(235.5)%
Net (loss) income	\$ (62)	\$ 333	\$ (395)	118.6%
Funds from Operations ⁽¹⁾⁽ⁱⁱ⁾	\$ 171	\$ 171	\$ –	–%

(i) Net interest expense (income) and other financing charges includes a fair value adjustment on Exchangeable Units.

(ii) Funds from operations is calculated in accordance with the Real Property Association of Canada's White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS issued in February 2019.

REVENUE Revenue in the first quarter of 2021 was \$327 million, an increase of \$2 million, or 0.6%, compared to the same period in 2020, and included \$182 million (2020 – \$186 million) generated from tenants within Loblaw retail.

The increase in revenue in the first quarter of 2021 was primarily driven by:

- the net contribution from acquisitions and development transfers completed in 2020; and
- an increase in lease surrender revenue;

partially offset by,

- foregone revenue from dispositions in 2020;
- vacancies in select retail and office assets; and
- a reduction in transient parking revenue in the office portfolio due to the impact of the pandemic on city centres.

NET INTEREST EXPENSE (INCOME) AND OTHER FINANCING CHARGES Net interest expense and other financing charges in the first quarter of 2021 were \$347 million compared to net interest income and other financing charges of \$256 million in the same period in 2020. The change of \$603 million was primarily driven by the unfavourable year-over-year impact of the fair value adjustment on Class B LP units ("Exchangeable Units") of \$604 million.

NET (LOSS) INCOME Net loss in the first quarter of 2021 was \$62 million, compared to net income of \$333 million in the same period in 2020. The decrease of \$395 million was primarily driven by:

- the unfavourable impact of higher net interest expense and other financing charges described above;

partially offset by,

- a favourable change in the adjustment to fair value of investment properties, including those held within equity accounted joint ventures.

FUNDS FROM OPERATIONS⁽¹⁾ Funds from Operations⁽¹⁾ in the first quarter of 2021 was \$171 million, which was flat compared to the same period in 2020, as an increase in non-recurring lease surrender revenue and savings from lower borrowing costs was offset by higher bad debt expense and a decline in interest income due to fewer mortgages receivable outstanding as compared to prior year.

CHOICE PROPERTIES OTHER BUSINESS MATTERS

Investment Property Transactions Subsequent to the quarter end, Choice Properties acquired an 85% interest in approximately 300 developable acres of future industrial development land in Caledon, Ontario, for \$138 million. The purchase price comprised of a \$100 million cash payment and a commitment to pay the remaining \$38 million balance contingent on certain milestones being met over the development lifecycle.

2.3 Weston Foods Operating Results

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 27, 2021	Mar. 21, 2020	\$ Change	% Change
Sales	\$ 472	\$ 535	\$ (63)	(11.8)%
Operating income	\$ –	\$ 1	\$ (1)	(100.0)%
Adjusted EBITDA ⁽¹⁾	\$ 34	\$ 52	\$ (18)	(34.6)%
Adjusted EBITDA margin ⁽¹⁾	7.2%	9.7%		
Depreciation and amortization ⁽ⁱ⁾	\$ 36	\$ 43	\$ (7)	(16.3)%

(i) Depreciation and amortization in the first quarter of 2020 includes \$9 million of accelerated depreciation related to restructuring and other related costs.

SALES Weston Foods sales in the first quarter of 2021 were \$472 million, a decrease of \$63 million, or 11.8%, compared to the same period in 2020. Sales included the unfavourable impact of foreign currency translation of approximately 2.6%. Excluding the unfavourable impact of foreign currency translation, sales decreased by 9.2%. Sales were impacted by a decrease in volumes mainly due to the impact of the COVID-19 pandemic. Volumes declined in retail celebratory categories and certain foodservice channels, and reflect the impact of lapping strong performance and stockpiling in the last two weeks of the first quarter of 2020 at the onset of the pandemic. In addition, Girl Scout cookie sales in the United States were lower compared to the same period in 2020 due to restrictions on in-person sales. The combined impact of pricing and changes in sales mix had a nominal impact on sales when compared to the same period in 2020.

OPERATING INCOME Weston Foods operating income in the first quarter of 2021 was a nominal loss compared to \$1 million in the same period in 2020, a decrease of \$1 million. The decrease was due to the decline in the underlying operating performance of \$20 million including an increase in depreciation and amortization, partially offset by the favourable year-over-year net impact of adjusting items totaling \$19 million. The year-over-year net impact of adjusting items included the following:

- the favourable year-over-year impact of restructuring and other related costs of \$16 million; and
- the favourable year-over-year impact of the fair value adjustment of derivatives of \$3 million.

ADJUSTED EBITDA⁽¹⁾ Weston Foods adjusted EBITDA⁽¹⁾ in the first quarter of 2021 was \$34 million compared to \$52 million in the same period in 2020, a decrease of \$18 million, or 34.6%. The decrease was driven by the decline in sales as described above, higher input costs and an increase in COVID-19 related expenses, partially offset by lower distribution costs and other cost savings initiatives.

Weston Foods adjusted EBITDA margin⁽¹⁾ in the first quarter of 2021 decreased to 7.2% compared to 9.7% in first quarter of 2020. The decline in adjusted EBITDA margin⁽¹⁾ in the first quarter of 2021 was driven by the factors described above.

DEPRECIATION AND AMORTIZATION Weston Foods depreciation and amortization in the first quarter of 2021 was \$36 million, a decrease of \$7 million compared to the same period in 2020. In the first quarter of 2020, depreciation and amortization included \$9 million of accelerated depreciation related to Weston Foods' transformation program. Excluding this amount, depreciation and amortization in the first quarter of 2021 increased by \$2 million due to capital investments.

WESTON FOODS OTHER BUSINESS MATTERS

Restructuring and other related costs Weston Foods continuously evaluates strategic and cost reduction initiatives related to its manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. There were no restructuring and other related costs at Weston Foods recorded in the first quarter of 2021. In the first quarter of 2020, Weston Foods recorded restructuring and other related costs of \$16 million which were primarily related to Weston Foods' transformation program.

Management's Discussion and Analysis

3. Liquidity and Capital Resources

3.1 Cash Flows

(\$ millions) For the periods ended as indicated	12 Weeks Ended		
	Mar. 27, 2021	Mar. 21, 2020 ⁽⁵⁾	\$ Change
Cash and cash equivalents, beginning of period	\$ 2,581	\$ 1,834	\$ 747
Cash flows from operating activities	\$ 911	\$ 1,764	\$ (853)
Cash flows from (used) in investing activities	\$ 123	\$ (290)	\$ 413
Cash flows used in financing activities	\$ (788)	\$ (530)	\$ (258)
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ —	\$ 6	\$ (6)
Cash and cash equivalents, end of period	\$ 2,827	\$ 2,784	\$ 43

CASH FLOWS FROM OPERATING ACTIVITIES Cash flows from operating activities were \$911 million in the first quarter of 2021, a decrease of \$853 million compared to the same period in 2020. The decrease in cash flows from operating activities was primarily driven by a significant sell-through of inventory due to COVID-19 in the late first quarter of 2020.

CASH FLOWS FROM (USED IN) IN INVESTING ACTIVITIES Cash flows from investing activities were \$123 million in the first quarter of 2021, an increase of \$413 million compared to the same period in 2020. The increase in cash flows from investing activities was primarily driven by a decrease in short-term investments, partially offset by lower proceeds from the sale of assets.

The following table summarizes the Company's capital investments by each of its reportable operating segments:

(\$ millions) For the periods ended as indicated	12 Weeks Ended		
	Mar. 27, 2021	Mar. 21, 2020	\$ Change
Loblaw ⁽ⁱ⁾	\$ 203	\$ 211	\$ (8)
Choice Properties	18	49	(31)
Weston Foods	13	24	(11)
Other	2	2	—
Total capital investments	\$ 236	\$ 286	\$ (50)

(i) In the first quarter of 2021, additions to fixed assets in Loblaw includes prepayments that were made in 2020 and transferred from other assets in 2021 of \$1 million. In the first quarter of 2020, additions to fixed assets in Loblaw includes prepayments that were made in 2019 and transferred from other assets in 2020 of \$20 million.

CASH FLOWS USED IN FINANCING ACTIVITIES Cash flows used in financing activities were \$788 million in the first quarter of 2021, an increase of \$258 million compared to the same period in 2020. The increase in cash flows used in financing activities was primarily driven by a higher net issuance of long-term debt in the first quarter of 2020 attributable to the withdrawal of \$350 million from Loblaw's committed credit facility and an increase in share buybacks in the first quarter of 2021, partially offset by an increase in bank indebtedness and timing of the Loblaw dividend payment in the fourth quarter of 2020.

The Company's significant long-term debt transactions are set out in Section 3.3, "Components of Total Debt".

FREE CASH FLOW⁽¹⁾

(\$ millions) For the periods ended as indicated	12 Weeks Ended		
	Mar. 27, 2021	Mar. 21, 2020 ⁽⁵⁾	\$ Change
Cash flows from operating activities	\$ 911	\$ 1,764	\$ (853)
Less: Interest paid	244	254	(10)
Capital Investments ⁽ⁱ⁾	236	286	(50)
Lease payments, net	141	195	(54)
Free cash flow ⁽¹⁾	\$ 290	\$ 1,029	\$ (739)

(i) In the first quarter of 2021, additions to fixed assets in Loblaw includes prepayments that were made in 2020 and transferred from other assets in 2021 of \$1 million. In the first quarter of 2020, additions to fixed assets in Loblaw includes prepayments that were made in 2019 and transferred from other assets in 2020 of \$20 million.

Free cash flow⁽¹⁾ in the first quarter 2021 was \$290 million, a decrease of \$739 million compared to the same period in 2020. The decrease in free cash flow⁽¹⁾ was primarily driven by significant sell-through of inventory due to COVID-19 in the late first quarter of 2020, partially offset by timing of lease payments and lower capital investments.

3.2 Liquidity

The Company (excluding Loblaw and Choice Properties) expects that cash and cash equivalents, short-term investments and future operating cash flows will enable it to finance its capital investment program and fund its ongoing business requirements, including working capital, pension plan funding requirements and financial obligations, over the next 12 months. The Company (excluding Loblaw and Choice Properties) does not foresee any impediments in obtaining financing to satisfy its long-term obligations.

Loblaw 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 it 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 GICs.

Choice Properties expects to obtain long-term financing for the acquisition of properties primarily through the issuance of unsecured debentures and equity.

For details on the Company's cash flows, see Section 3.1 "Cash Flows", of this MD&A.

Management's Discussion and Analysis

TOTAL DEBT The following table presents total debt, as monitored by management:

(\$ millions)	Mar. 27, 2021					As at Mar. 21, 2020					Dec. 31, 2020				
	Loblaw	Choice Properties	Weston Foods	Other/Intersegment	Total	Loblaw	Choice Properties	Weston Foods	Other/Intersegment	Total	Loblaw	Choice Properties	Weston Foods	Other/Intersegment	Total
	Bank indebtedness	\$ 282	\$ -	\$ -	\$ -	\$ 282	\$ 83	\$ -	\$ -	\$ -	\$ 83	\$ 86	\$ -	\$ -	\$ -
Demand deposits from customers	36	-	-	-	36	-	-	-	-	-	24	-	-	-	24
Short-term debt	300	-	-	770	1,070	500	-	-	727	1,227	575	-	-	760	1,335
Long-term debt due within one year	576	632	-	36	1,244	1,128	512	-	-	1,640	597	327	-	-	924
Long-term debt	6,447	5,849	-	879	13,175	6,338	6,051	-	915	13,304	6,449	6,155	-	915	13,519
Certain other liabilities ⁽ⁱ⁾	71	666	-	-	737	62	433	-	-	495	71	666	-	-	737
Fair value of financial derivatives related to the above debt	-	-	-	(585)	(585)	-	-	-	(559)	(559)	-	-	-	(630)	(630)
Total debt excluding lease liabilities	\$ 7,712	\$ 7,147	\$ -	\$ 1,100	\$15,959	\$ 8,111	\$ 6,996	\$ -	\$ 1,083	\$16,190	\$ 7,802	\$ 7,148	\$ -	\$ 1,045	\$15,995
Lease liabilities due within one year ⁽ⁱⁱ⁾	\$ 1,341	\$ 1	\$ 15	\$ (558)	\$ 799	\$ 1,317	\$ 1	\$ 13	\$ (533)	\$ 798	\$ 1,379	\$ 1	\$ 15	\$ (596)	\$ 799
Lease liabilities ⁽ⁱⁱ⁾	\$ 7,580	\$ 3	\$ 130	\$ (3,419)	\$ 4,294	\$ 7,738	\$ 5	\$ 58	\$ (3,486)	\$ 4,315	\$ 7,522	\$ 3	\$ 130	\$ (3,449)	\$ 4,206
Total debt including lease liabilities	\$16,633	\$ 7,151	\$ 145	\$ (2,877)	\$21,052	\$17,166	\$ 7,002	\$ 71	\$ (2,936)	\$21,303	\$16,703	\$ 7,152	\$ 145	\$ (3,000)	\$21,000

- (i) Includes financial liabilities of \$666 million (March 21, 2020 - \$433 million; December 31, 2020 - \$666 million) recorded primarily as a result of Choice Properties' transactions.
- (ii) Lease liabilities due within one year of \$3 million (March 21, 2020 - \$3 million; December 31, 2020 - \$3 million) and lease liabilities of \$8 million (March 21, 2020 - \$11 million; December 31, 2020 - \$8 million) relating to GWL Corporate are included in Other and Intersegment.

Management targets credit metrics consistent with those of an investment grade profile. GWL Corporate holds cash and cash equivalents and short-term investments and as a result monitors its leverage on a net debt basis. GWL Corporate has total debt including lease liabilities of \$1,111 million (March 21, 2020 - \$1,097 million; December 31, 2020 - \$1,056 million) and cash and cash equivalents and short-term investments of \$1,108 million (March 21, 2020 - \$806 million; December 31, 2020 - \$1,013 million), resulting in a net debt position of \$3 million (March 21, 2020 - \$291 million; December 31, 2020 - \$43 million).

Loblaw's management is focused on managing its capital structure on a segmented basis to ensure that each of its operating segments is employing a capital structure that is appropriate for the industry in which it operates.

- Loblaw targets maintaining retail segment credit metrics consistent with those of investment grade retailers. Loblaw monitors the retail segment's debt to rolling year retail adjusted EBITDA⁽¹⁾ ratio as a measure of the leverage being employed. Loblaw retail segment debt to rolling year retail adjusted EBITDA⁽¹⁾ ratio as at the end of the first quarter of 2021 was flat compared to the first quarter of 2020 and year end 2020.
- PC Bank 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.

Choice Properties targets maintaining credit metrics consistent with those of investment grade Real Estate Investment Trusts ("REIT"). Choice Properties monitors metrics relevant to the REIT industry including targeting an appropriate debt to total assets ratio.

COVENANTS AND REGULATORY REQUIREMENTS The Company, Loblaw and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at the end of and throughout the first quarter of 2021, the Company, Loblaw and Choice Properties were in compliance with their respective covenants.

As at the end of and throughout the first quarter of 2021, PC Bank and Choice Properties met all applicable regulatory requirements.

3.3 Components of Total Debt

DEBENTURES The following table summarizes the debentures issued in the periods ended as indicated:

(\$ millions)	Interest Rate	Maturity Date	12 Weeks Ended	
			Mar. 27, 2021	Mar. 21, 2020
			Principal Amount	Principal Amount
Choice Properties senior unsecured debentures				
- Series N	2.98%	March 4, 2030	\$ -	\$ 400
- Series O	3.83%	March 4, 2050	-	100
Total debentures issued			\$ -	\$ 500

The following table summarizes the debentures repaid in the periods ended as indicated:

(\$ millions)	Interest Rate	Maturity Date	12 Weeks Ended	
			Mar. 27, 2021	Mar. 21, 2020
			Principal Amount	Principal Amount
Choice Properties senior unsecured debentures				
- Series 8	3.60%	April 20, 2020	\$ -	\$ 300
- Series E	2.30%	September 14, 2020	-	250
Total debentures repaid			\$ -	\$ 550

COMMITTED CREDIT FACILITIES The components of the committed lines of credit available were as follows:

(\$ millions)	Maturity Date	As at					
		Mar. 27, 2021		Mar. 21, 2020		Dec. 31, 2020	
		Available Credit	Drawn	Available Credit	Drawn	Available Credit	Drawn
Loblaw committed credit facility	October 7, 2023 ⁽ⁱ⁾	\$ 1,000	\$ -	\$ 1,000	\$ 350	\$ 1,000	\$ -
Choice Properties committed syndicated credit facility	May 4, 2023	1,500	-	1,500	240	1,500	-
Total committed credit facilities		\$ 2,500	\$ -	\$ 2,500	\$ 590	\$ 2,500	\$ -

(i) In 2020, Loblaw amended its committed credit facility and extended the maturity date from June 10, 2021 to October 7, 2023.

Management's Discussion and Analysis

INDEPENDENT SECURITIZATION TRUSTS Loblaw, 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 the Other Independent Securitization Trusts, in accordance with its financing requirements.

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

(\$ millions)	Mar. 27, 2021	As at	
		Mar. 21, 2020	Dec. 31, 2020
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> [®]	\$ 1,050	\$ 1,000	\$ 1,050
Securitized to Other Independent Securitization Trusts	300	500	575
Total securitized to independent securitization trusts	\$ 1,350	\$ 1,500	\$ 1,625

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 the end of the first quarter of 2021 and throughout the quarter.

INDEPENDENT FUNDING TRUSTS As at the end of the first quarter of 2021, the independent funding trusts had drawn \$514 million (March 21, 2020 - \$511 million; December 31, 2020 - \$512 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts. As at the end of the first quarter of 2020, Loblaw provided a credit enhancement of \$64 million (March 21, 2020 and December 31, 2020 - \$64 million) for the benefit of the independent funding trusts representing not less than 10% (March 21, 2020 and December 31, 2020 - not less than 10%) of the principal amount of loans outstanding.

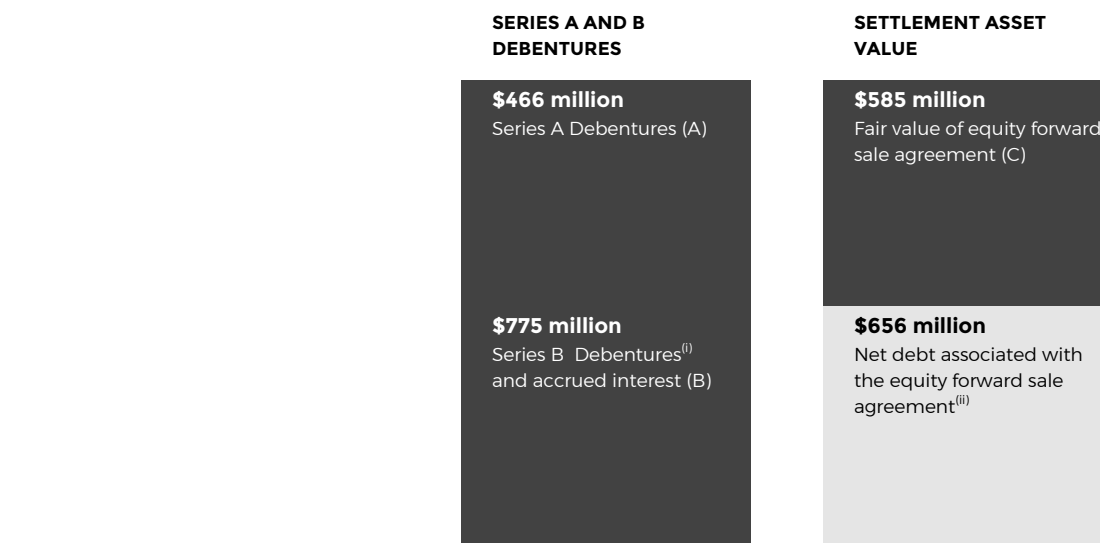
The revolving committed credit facility relating to the independent funding trusts has a maturity date of May 27, 2022.

DEBT ASSOCIATED WITH EQUITY FORWARD SALE AGREEMENT In 2001, Weston Holdings Limited (“WHL”), a subsidiary of GWL, issued \$466 million of 7.00% Series A Debentures due 2031, which are serviced by the issuance of Series B Debentures. In addition, WHL entered into an equity forward sale agreement with the lender to sell 9.6 million Loblaw common shares at an initial forward sale price of \$48.50 which increases by the interest rates on Series A Debentures and Series B Debentures. As at the end of the first quarter of 2021 the forward rate was \$129.26 (March 21, 2020 – \$124.85; December 31, 2020 – \$128.30) and Series B Debentures were \$770 million (March 21, 2020 – \$727 million; December 31, 2020 – \$760 million). The Series A Debentures (“A”), Series B Debentures and the accrued interest (“B”), and the fair value of the equity forward sale agreement (“C”) should be considered together. At any time, the aggregate value of A, B, and C will be equivalent to the market value of the 9.6 million shares (see chart below). WHL is permitted to settle the transaction in whole or in part, at any time prior to 2031.

Interest charges on Series A Debentures and Series B Debentures are non-cash and accrued at an interest rate of 7% and bankers’ acceptance plus 0.50%, respectively and are serviced by the issuance of Series B Debentures. The amount is offset by non-cash forward accretion income associated with the equity forward sale agreement. WHL recognizes a non-cash charge or income, representing the fair value adjustment of the forward sale agreement based on the changes in the value of the underlying 9.6 million Loblaw common shares. WHL has to pay a forward fee of \$5 million (March 21, 2020 – \$5 million; December 31, 2020 – \$22 million) to the lender comprised of servicing fees and estimated dividends associated with the underlying 9.6 million Loblaw common shares.

Subsequent to quarter end, the Company paid approximately \$53 million to redeem 7.8% of the Series A Debentures (A), the Series B Debentures and accrued interest (B), net of the gain on the settlement of 0.75 million of the 9.6 million shares under the equity forward sale agreement (C).

As at March 27, 2021



Recognized in financial statements

- (i) Included the accrued interest of Series A Debentures and Series B Debentures of \$5 million.
- (ii) Calculated as the bid price of Loblaw of \$68.35 multiplied by 9.6 million Loblaw common shares.

Management's Discussion and Analysis

The following table summarizes the Company's (excluding Loblaw and Choice Properties) debt in Other and Intersegment:

(\$ millions)	Maturity Date	As at		
		Mar. 27, 2021	Mar. 21, 2020	Dec. 31, 2020
Series A	2031	\$ 466	\$ 466	\$ 466
Series B	On demand	770	727	760
Fair value of financial derivatives related to the above debt	n/a	(585)	(559)	(630)
Debt associated with equity forward sale agreement		\$ 651	\$ 634	\$ 596
Debentures	2024 - 2033	450	450	450
Transaction costs and other	n/a	(1)	(1)	(1)
Other and Intersegment debt		\$ 1,100	\$ 1,083	\$ 1,045

3.4 Financial Condition

	As at		
	Mar. 27, 2021	Mar. 21, 2020	Dec. 31, 2020 ⁽⁴⁾
Rolling return on average equity attributable to common shareholders of the Company ⁽¹⁾	14.8%	16.7%	15.1%
Rolling return on capital ⁽¹⁾	10.3%	10.6%	10.7%

The rolling year adjusted return on average equity attributable to common shareholders of the Company⁽¹⁾ decreased as at the end of the first quarter of 2021 compared to the end of the first quarter of 2020, primarily due to a decrease in adjusted net earnings and an increase in average equity attributable to common shareholders of the Company⁽¹⁾. The rolling year adjusted return on average equity attributable to common shareholders of the Company⁽¹⁾ decreased as at the end of the first quarter of 2021 compared to year end 2020, primarily due to an increase in average equity attributable to common shareholders of the Company⁽¹⁾.

The rolling year adjusted return on capital⁽¹⁾ decreased as at the end of the first quarter of 2021 compared to the end of the first quarter of 2020 and year end 2020, primarily due to a decrease in adjusted operating income⁽¹⁾.

3.5 Credit Ratings

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

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

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

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

The following table sets out the current credit ratings of Choice Properties:

Credit Ratings (Canadian Standards)	Dominion Bond Rating Service		Standard & Poor's	
	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB (high)	Stable	BBB	Stable
Senior unsecured debentures	BBB (high)	Stable	BBB	n/a

Management's Discussion and Analysis

3.6 Share Capital

COMMON SHARE CAPITAL The following table summarizes the activity in the Company's common shares issued and outstanding for the periods ended as indicated:

(\$ millions except where otherwise indicated)	12 Weeks Ended			
	Mar. 27, 2021		Mar. 21, 2020	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	152,374,416	\$ 2,786	153,667,750	\$ 2,809
Issued for settlement of stock options	90,495	8	2,813	–
Purchased and cancelled	(531,164)	(9)	–	–
Issued and outstanding, end of period	151,933,747	\$ 2,785	153,670,563	\$ 2,809
Shares held in trusts, beginning of period	(254,525)	\$ (4)	(88,832)	\$ –
Purchased for future settlement of RSUs and PSUs	–	–	(229,000)	(4)
Released for settlement of RSUs and PSUs	72,900	1	56,009	–
Shares held in trusts, end of period	(181,625)	\$ (3)	(261,823)	\$ (4)
Issued and outstanding, net of shares held in trusts, end of period	151,752,122	\$ 2,782	153,408,740	\$ 2,805
Weighted average outstanding, net of shares held in trusts	152,092,797		153,569,698	

NORMAL COURSE ISSUER BID PROGRAM The following table summarizes the Company's activity under its NCIB program:

(\$ millions except where otherwise indicated)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Purchased for future settlement of RSUs and PSUs (number of shares)	–	229,000
Purchased for current settlement of RSUs and DSUs (number of shares)	1,588	1,090
Purchased and cancelled (number of shares)	531,164	–
Cash consideration paid		
Purchased and held in trusts	\$ –	\$ (21)
Purchased and cancelled ⁽ⁱ⁾	(25)	–
Premium charged to retained earnings		
Purchased and held in trusts	\$ –	\$ 17
Purchased and cancelled	\$ 46	\$ –
Reduction in share capital	\$ 9	\$ –

(i) \$30 million of cash consideration was paid in the second quarter of 2021.

In the second quarter of 2020, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 7,683,528 of its 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.

Pursuant to an exemption order granted by the Ontario Securities Commission, on December 21, 2020, the Company purchased for cancellation 1,300,000 common shares from an entity controlled by Mr. W. Galen Weston ("Mr. Weston"), the then controlling shareholder of the Company. The common shares were purchased at a price approved by the Ontario Securities Commission and count towards the common shares the Company is entitled to purchase under its NCIB, for aggregate cash consideration of \$123 million.

As of March 27, 2021, 1,833,117 common shares were purchased under its current NCIB, including 1,300,000 common shares purchased from Mr. Weston.

GWL will file a Notice of Intention to make a NCIB with the TSX upon the expiry of its current NCIB.

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

(\$)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Dividends declared per share ⁽ⁱ⁾ :		
Common share	\$ 0.550	\$ 0.525
Preferred share:		
Series I	\$ 0.3625	\$ 0.3625
Series III	\$ 0.3250	\$ 0.3250
Series IV	\$ 0.3250	\$ 0.3250
Series V	\$ 0.296875	\$ 0.296875

- (i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on April 1, 2021. Dividends declared on Preferred Shares, Series I were paid on March 15, 2021.

The following table summarizes the Company's cash dividends declared subsequent to the end of the first quarter of 2021:

(\$)	
Dividends declared per share ⁽¹⁾ – Common share	\$ 0.550
– Preferred share:	
Series I	\$ 0.3625
Series III	\$ 0.3250
Series IV	\$ 0.3250
Series V	\$ 0.296875

- (i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V are payable on July 1, 2021. Dividends declared on Preferred Shares, Series I are payable on June 15, 2021.

At the time such dividends are declared, GWL identifies on its website (www.weston.ca) the designation of eligible and ineligible dividends in accordance with the administrative position of the Canada Revenue Agency.

3.7 Off-Balance Sheet Arrangements

The Company uses off-balance sheet arrangements including letters of credit, guarantees and cash collateralization in connection with certain obligations. There were no significant changes to these off-balance sheet arrangements during 2021. For a discussion of the Company's significant off-balance sheet arrangements see Section 3.7, "Off-Balance Sheet Arrangements", of the Company's 2020 Annual Report.

Management's Discussion and Analysis

4. Quarterly Results of Operations

The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. The year ended December 31, 2020 contained 53 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.

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.

SELECTED QUARTERLY INFORMATION

(\$ millions except where otherwise indicated)	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2021 (12 weeks)	2020 ⁽⁴⁾ (12 weeks)	2020 ⁽⁴⁾ (13 weeks)	2019 ⁽⁴⁾ (12 weeks)	2020 ⁽⁴⁾ (16 weeks)	2019 ⁽⁴⁾ (16 weeks)	2020 ⁽⁴⁾ (12 weeks)	2019 ⁽⁴⁾ (12 weeks)
Revenue	\$ 12,352	\$ 12,333	\$ 13,806	\$ 12,107	\$ 16,209	\$ 15,226	\$ 12,357	\$ 11,603
Operating income	830	598	906	718	983	884	401	770
Adjusted EBITDA ⁽¹⁾	1,335	1,300	1,476	1,297	1,709	1,639	1,079	1,312
Depreciation and amortization ⁽¹⁾	560	560	572	548	729	701	566	534
Net earnings (loss)	118	743	513	578	498	264	(172)	353
Net (loss) earnings attributable to shareholders of the Company	(52)	592	299	443	317	83	(245)	194
Net (loss) earnings available to common shareholders of the Company	(62)	582	289	433	303	69	(255)	184
Net (loss) earnings per common share (\$) - basic	\$ (0.41)	\$ 3.79	\$ 1.89	\$ 2.82	\$ 1.98	\$ 0.45	\$ (1.66)	\$ 1.20
Net (loss) earnings per common share (\$) - diluted	\$ (0.41)	\$ 3.78	\$ 1.88	\$ 2.81	\$ 1.96	\$ 0.44	\$ (1.66)	\$ 1.19
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 1.59	\$ 1.55	\$ 1.96	\$ 1.65	\$ 2.32	\$ 2.52	\$ 0.91	\$ 1.76
Loblaw's food retail same-store sales growth	0.1%	9.6%	8.6%	1.9%	6.9%	0.1%	10.0%	0.6%
Loblaw's drug retail same-store sales (decline) growth	(1.7)%	10.7%	3.7%	3.9%	6.1%	4.1%	(1.1)%	4.0%
Choice Properties' Funds From Operations per unit - diluted	\$ 0.236	\$ 0.244	\$ 0.239	\$ 0.237	\$ 0.238	\$ 0.250	\$ 0.201	\$ 0.248
Choice Properties' Net Operating Income (cash basis)	\$ 230	\$ 232	\$ 230	\$ 235	\$ 230	\$ 239	\$ 216	\$ 235
Weston Foods sales (decline) growth	(11.8)%	3.7%	0.2%	3.0%	(7.2)%	1.3%	(14.0)%	2.4%
Weston Foods sales (decline) growth excluding impact of foreign currency translation	(9.2)%	3.7%	1.0%	3.2%	(7.7)%	0.6%	(15.7)%	0.2%

(i) Depreciation and amortization includes amortization of intangible assets acquired with Shoppers Drug Mart recorded by Loblaw and accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

IMPACT OF TRENDS AND SEASONALITY ON QUARTERLY RESULTS Consolidated quarterly results for the last eight quarters were impacted by the following significant items: foreign currency exchange rates, seasonality, the timing of holidays and the 53rd week in the fourth quarter of fiscal year 2020. The impact of Loblaw seasonality is greatest in the fourth quarter and least in the first quarter. The impact of Weston Foods seasonality is greatest in the third and fourth quarters and least in the first quarter.

Since the first quarter of 2020, the COVID-19 pandemic has had a significant impact on the Company's financial results. The Company's financial results in the first quarter of 2020 show increased revenue, driven by increased demands for the Company's products following the onset of the COVID-19 pandemic in March of 2020. In the first quarter of 2021, the Company continues to experience an increase in revenue, as well as increased cost of inventories sold and SG&A as a result of incurring incremental COVID-19 related costs. SG&A also increased as the Company increased its spending on temporary pay premiums, pay protection safeguards, security, customer convenience and health and safety measures to protect colleagues, customers, tenants and other stakeholders, incurring incremental COVID-19 related costs, as described in Section 1.2, "Consolidated Other Business Matters" of this MD&A.

NET (LOSS) EARNINGS AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY AND DILUTED NET (LOSS) EARNINGS PER COMMON SHARE Consolidated quarterly 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. In the Company's first quarter of 2020, financial results reflected an increase in revenue from the impact of COVID-19 in Loblaw and a decrease in revenue in Weston Foods in the second and third quarters of 2020 and the first quarter of 2021. In addition, the Company incurred incremental COVID-19 related costs and investments in the second, third and fourth quarters of 2020 and the first quarter of 2021;
- underlying operating performance of each of the Company's reportable operating segments;
- the impact of Loblaw's store closure plan;
- the impact of Choice Properties transactions, certain one-time gains recorded on consolidation in Other and Intersegment related to Choice Properties transactions; and
- the impact of certain adjusting items as set out in Section 9, "Non-GAAP Financial Measures", of this MD&A, including:
 - the change in fair value adjustment of the Trust Unit liability;
 - the change in fair value adjustment on investment properties;
 - the change in fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares;
 - restructuring and other related costs;
 - outside basis difference in certain Loblaw shares;
 - the change in fair value adjustment of derivatives;
 - the remeasurement of deferred tax balances;
 - gain or loss on sale of non-operating properties;
 - certain prior period adjustments; and
 - the change in foreign currency translation and other company level activities.

5. 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 2021 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Discussion and Analysis

6. Enterprise Risks and Risk Management

A detailed full set of risks inherent in the Company's business are included in the Company's AIF for the year ended December 31, 2020 and the MD&A included in the Company's 2020 Annual Report, which are hereby incorporated by reference. The Company's 2020 Annual Report and AIF are available at www.sedar.com. Those risks and risk management strategies remain unchanged.

On March 23, 2021, the Company announced its intention to launch a process to sell the Weston Foods operating segment. The Company is subject to risks and uncertainties presented by the announced Weston Foods Transaction, including: (a) the ability of the Company to successfully conclude a sale of the Weston Foods operating segment; (b) the net proceeds to be derived from a sale; (c) loss of customers during the sale process; (d) loss of key talent during the sale process; (e) provision of Weston Foods confidential information during the sale process; and (f) diverting management attention during the sale process from the day-to-day operations of Weston Foods. Failure to complete the Weston Foods Transaction could negatively impact the value of the Company's common shares or otherwise adversely affect the business, operating and financial results of Weston Foods and the Company.

7. COVID-19 Update⁽³⁾

The COVID-19 pandemic continued to impact the Company's operating segments, colleagues, customers, tenants and other stakeholders. The duration and longer-term impact of the COVID-19 pandemic cannot be predicted.

In the second quarter of 2021, Loblaw will lap last year's surge in revenues and its highest periods of COVID-19 related costs. In the four weeks following the end of the first quarter, food same-store sales have declined slightly, while drug same-store sales have trended positively, compared to same-store sales growth of 10.0% in food retail and a decline of 1.1% in drug retail in the second quarter of last year. Loblaw expects to incur COVID-19 related costs in the range of approximately \$65 million to \$75 million in the second quarter of 2021 compared to \$282 million in COVID-19 related costs incurred in the second quarter of 2020.

Choice Properties remains confident that its business model and disciplined approach to financial management will enable it to weather the impact of the pandemic. Rent collection at 98% of contractual rents for the first quarter of 2021 was at the higher end of collection within the industry and was primarily due to the stability of Choice Properties' necessity-based portfolio.

In the second quarter of 2021, Weston Foods will lap the negative impact of COVID-19 on sales and the period of its highest pandemic-related costs. Looking ahead to the second quarter, although continued lockdowns will negatively impact sales in certain categories, we expect sales to be higher and COVID-19 related costs to be lower, in each case compared to the second quarter of 2020. In the four weeks following the end of the first quarter, sales excluding the impact of foreign currency translation were 6% higher compared to the same period in 2020 and the weekly run rate for COVID-19 related costs was approximately \$0.3 million compared to \$1.5 million in the same period in 2020.

8. Outlook⁽³⁾

For 2021, the Company expects adjusted net earnings⁽¹⁾ to increase due to the results from its operating segments as described below. Additionally, the Company expects to return capital to shareholders through share repurchases by allocating a portion of the free cash flow received from its operating businesses and proceeds from participating in Loblaw's normal course issuer bid.

Loblaw Loblaw cannot predict the precise impacts of COVID-19 on 2021 financial results. However, Loblaw anticipates that grocery sales will remain elevated due to continued impact of the pandemic, including the impact of lockdown measures in many jurisdictions. As economies reopen, revenue growth will be challenged while lapping elevated 2020 sales. Costs are expected to improve, as Loblaw laps elevated COVID-19 related expenses, and as Process & Efficiencies and Data-Driven Insights programs continue to deliver benefits. Moderate levels of regulatory reform are anticipated.

Loblaw previously announced that, on a full year basis, it expects:

- its core retail business to grow earnings faster than sales;
- growth in financial services profitability;
- EPS growth in the low double digits, excluding the impact of the 53rd week in the fourth quarter of 2020;
- to invest approximately \$1.2 billion in capital expenditures, net of proceeds from property disposals; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

Loblaw delivered strong financial performance in the first quarter and that momentum has continued into the first four weeks of the second quarter, positioning Loblaw to exceed its full year EPS growth outlook. However, it is still early in the year and given the on-going uncertainty and volatility caused by the COVID-19 pandemic, Loblaw will not update its full year outlook at the current time.

Choice Properties Choice Properties' goal is to provide net asset value appreciation, stable net operating income growth and capital preservation, all with a long-term focus.

Although there remains uncertainty on the longer-term impact of the COVID-19 pandemic, Choice Properties remains confident that its business model and disciplined approach to financial management will continue to position it well. Choice Properties' diversified portfolio of office, retail and industrial properties is 97.0% occupied and leased to high-quality tenants across Canada. Its retail portfolio is primarily leased to grocery stores, pharmacies and other necessity-based tenants, who continue to perform well in this environment, and the diversification of income provided by Choice Properties' industrial and office assets provides stability to Choice Properties' overall portfolio.

Choice Properties continues to advance its development initiatives, which provide Choice Properties with the best opportunity to add high-quality real estate to its portfolio at a reasonable cost. Choice Properties has a mix of development projects ranging in size, scale, and complexity, including retail intensification projects, which provide incremental growth to its existing sites, to larger, more complex mixed-use developments which are expected to drive net asset value growth in the future.

In 2021, Choice Properties plans to continue improving its portfolio quality and seek out opportunities to strengthen its balance sheet. In addition, Choice Properties has approximately \$470 million in debt obligations coming due, which is a manageable amount which Choice Properties intends to refinance with longer term debt or repay with excess cash on hand.

Weston Foods The uncertainty associated with the pandemic makes it difficult to reliably estimate future sales trends and the overall financial performance of the business. The current assumption of management is that stricter government-mandated lockdowns implemented in many regions in the fourth quarter of 2020 will ease by the second half of 2021. On that basis, Weston Foods expects:

- sales to be modestly higher compared to 2020, after excluding the impact of foreign currency translation and the impact of the 53rd week in fiscal 2020;
- adjusted EBITDA⁽¹⁾ to be higher compared to 2020;
- capital expenditures to decrease to approximately \$145 million; and
- depreciation to increase compared to 2020.

Management's Discussion and Analysis

9. Non-GAAP Financial Measures

The Company uses non-GAAP financial measures in this document, such as: adjusted EBITDA and adjusted EBITDA margin, adjusted net earnings attributable to shareholders of the Company, adjusted net earnings available to common shareholders of the Company, adjusted diluted net earnings per common share, free cash flow and Choice Properties funds from operations, among others. In addition to these items, the following measures are used by management in calculating adjusted diluted net earnings per common share: adjusted operating income, adjusted net interest expense and other financing charges, adjusted income taxes and adjusted effective tax rate. The Company believes these non-GAAP financial measures provide useful information to both management and investors with regard to accurately assessing the Company's financial performance and financial condition for the reasons outlined below.

Further, certain non-GAAP measures of Loblaw and Choice Properties are included in this document. For more information on these measures, refer to the materials filed by Loblaw and Choice Properties, which are available on sedar.com or at loblaw.ca or choicereit.ca, respectively.

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.

ADJUSTED EBITDA The Company believes adjusted EBITDA is useful in assessing and making decisions regarding the underlying operating performance of the Company's ongoing operations and in assessing the Company's ability to generate cash flows to fund its cash requirements, including its capital investment program.

The following table reconciles adjusted EBITDA to operating income, which is reconciled to GAAP net earnings attributable to shareholders of the Company reported for the periods ended as indicated.

(unaudited) (\$ millions)	12 Weeks Ended									
	Mar. 27, 2021					Mar. 21, 2020 ⁽ⁱⁱ⁾				
	Loblaw	Choice Properties	Weston Foods	Other & Intersegment	Consolidated	Loblaw	Choice Properties	Weston Foods	Other & Intersegment	Consolidated
Net (loss) earnings attributable to shareholders of the Company					\$ (52)					\$ 592
Add impact of the following:										
Non-controlling interests					170					151
Income taxes					166					113
Net interest expense and other financing charges					546					(258)
Operating income	\$ 615	\$ 285	\$ –	\$ (70)	\$ 830	\$ 539	\$ 77	\$ 1	\$ (19)	\$ 598
Add impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 117	\$ –	\$ –	\$ –	\$ 117	\$ 119	\$ –	\$ –	\$ –	\$ 119
Fair value adjustment on investment properties	–	(61)	–	15	(46)	–	148	–	(46)	102
Restructuring and other related costs	4	–	–	–	4	15	–	16	–	31
Fair value adjustment of derivatives	(8)	–	(2)	–	(10)	15	–	1	–	16
(Gain) loss on sale of non-operating properties	(5)	–	–	2	(3)	–	–	–	–	–
Acquisition transaction costs and other related costs	–	–	–	–	–	–	2	–	–	2
Foreign currency translation and other company level activities	–	–	–	–	–	–	(1)	–	1	–
Adjusting items	\$ 108	\$ (61)	\$ (2)	\$ 17	\$ 62	\$ 149	\$ 149	\$ 17	\$ (45)	\$ 270
Adjusted operating income	\$ 723	\$ 224	\$ (2)	\$ (53)	\$ 892	\$ 688	\$ 226	\$ 18	\$ (64)	\$ 868
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱ⁾	493	1	36	(87)	443	475	1	34	(78)	432
Adjusted EBITDA	\$ 1,216	\$ 225	\$ 34	\$ (140)	\$ 1,335	\$ 1,163	\$ 227	\$ 52	\$ (142)	\$ 1,300

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes \$117 million (2020 – \$119 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and \$9 million in 2020 of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

(ii) Certain figures have been restated due to the non-GAAP financial measures policy change.

Management's Discussion and Analysis

The following items impacted adjusted EBITDA in 2021 and 2020:

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

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.

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

In the first quarter of 2021, Loblaw recorded \$4 million of restructuring and other related charges related to the previously announced closure of two distribution centres in Laval and Ottawa. Loblaw is investing to build a modern and efficient expansion to its Cornwall distribution centre to serve its food and drug retail businesses in Ontario and Quebec. Volumes from the distribution centres in Laval and Ottawa will be transferred to Cornwall and Loblaw expects to incur additional restructuring costs throughout 2021 and through to 2022 related to these closures.

For details on the restructuring and other related costs incurred by Weston Foods see Section 2.3, "Weston Foods Operating Results", of this MD&A.

Fair value adjustment of derivatives The Company is exposed to commodity price and U.S. dollar exchange rate fluctuations primarily as a result of purchases of certain raw materials, fuels and utilities. In accordance with the Company's commodity risk management policy, the Company enters into commodity and foreign currency derivatives to reduce the impact of price fluctuations in forecasted raw material and fuel purchases over a specified period of time. These derivatives are not acquired for trading or speculative purposes. Pursuant to the Company's derivative instruments accounting policy, certain changes in fair value, which include realized and unrealized gains and losses related to future purchases of raw materials and fuel, are recorded in operating income. Despite the impact of accounting for these commodity and foreign currency derivatives on the Company's reported results, the derivatives have the economic impact of largely mitigating the associated risks arising from price and exchange rate fluctuations in the underlying commodities and U.S. dollar commitments.

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

During the first quarter of 2021, Choice Properties disposed of a property and incurred a nominal loss recognized in fair value adjustment of investment properties. On consolidation, the Company recorded the property as fixed asset and recognized at cost less accumulated depreciation. As a result, on consolidation an incremental \$2 million loss was recognized in Other and Intersegment.

Acquisition transaction costs and other related costs Choice Properties recorded transaction and other related costs in connection with the acquisition of Canadian Real Estate Investment Trust.

Foreign currency translation and other company level activities The Company's consolidated financial statements are expressed in Canadian dollars. A portion of the Company's (excluding Loblaw's) net assets are denominated in U.S. dollars and as a result, the Company is exposed to foreign currency translation gains and losses. The impact of foreign currency translation on a portion of the U.S. dollar denominated net assets, primarily cash and cash equivalents and short-term investments held by foreign operations, is recorded in SG&A and the associated tax, if any, is recorded in income taxes. Other company level activities include fair value adjustments related to investments and certain financial assets and liabilities held by the Company.

ADJUSTED NET INTEREST EXPENSE AND OTHER FINANCING CHARGES The Company believes adjusted net interest expense and other financing charges is useful in assessing the ongoing net financing costs of the Company.

The following table reconciles adjusted net interest expense and other financing charges to GAAP net interest expense and other financing charges reported for the periods ended as indicated.

(unaudited) (\$ millions)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Net interest expense and other financing charges	\$ 546	\$ (258)
Add: Fair value adjustment of the Trust Unit liability	(239)	504
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	(53)	10
Adjusted net interest expense and other financing charges	\$ 254	\$ 256

In addition to certain items described in the "Adjusted EBITDA" section above, the following items impacted adjusted net interest expense and other financing charges in the first quarters of 2021 and 2020:

Fair value adjustment of the Trust Unit liability The Company is exposed to market price fluctuations as a result of the Choice Properties Trust Units held by unitholders other than the Company. These Trust Units are presented as a liability on the Company's consolidated balance sheets as they are redeemable for cash at the option of the holder, subject to certain restrictions. This liability is recorded at fair value at each reporting date based on the market price of Trust Units at the end of each period. An increase (decrease) in the market price of Trust Units results in a charge (income) to net interest expense and other financing charges.

Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares The fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares is non-cash and is included in net interest expense and other financing charges. The adjustment is determined by changes in the value of the underlying Loblaw common shares. An increase (decrease) in the market price of Loblaw common shares results in a charge (income) to net interest expense and other financing charges.

ADJUSTED INCOME TAXES AND ADJUSTED EFFECTIVE TAX RATE The Company believes the adjusted effective tax rate applicable to adjusted earnings before taxes is useful in assessing the underlying operating performance of its business.

The following table reconciles the effective tax rate applicable to adjusted earnings before taxes to the GAAP effective tax rate applicable to earnings before taxes as reported for the periods ended as indicated.

(unaudited) (\$ millions except where otherwise indicated)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020 ⁽⁴⁾
Adjusted operating income ⁽ⁱ⁾	\$ 892	\$ 868
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	254	256
Adjusted earnings before taxes	\$ 638	\$ 612
Income taxes	\$ 166	\$ 113
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽ⁱⁱ⁾	28	61
Outside basis difference in certain Loblaw shares	(16)	(14)
Adjusted income taxes	\$ 178	\$ 160
Effective tax rate applicable to earnings before taxes	58.5%	13.2%
Adjusted effective tax rate applicable to adjusted earnings before taxes	27.9%	26.1%

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

(ii) See the adjusted EBITDA table and the adjusted net interest expense and other financing charges table above for a complete list of items excluded from adjusted earnings before taxes.

Management's Discussion and Analysis

In addition to certain items described in the "Adjusted EBITDA" and "Adjusted Net Interest Expense and Other Financing Charges" sections above, the following items impacted adjusted income taxes and the adjusted effective tax rate in the first quarters of 2021 and 2020:

Outside basis difference in certain Loblaw shares The Company recorded a deferred tax (expense) recovery on temporary differences in respect of GWL's investment in certain Loblaw shares that are expected to reverse in the foreseeable future as a result of GWL's participation in Loblaw's NCIB program.

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS AND ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE 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.

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 reported for the periods ended as indicated.

(unaudited) (\$ millions except where otherwise indicated)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Net (loss) earnings attributable to shareholders of the Company	\$ (52)	\$ 592
Less: Prescribed dividends on preferred shares in share capital	(10)	(10)
Net (loss) earnings available to common shareholders of the Company	\$ (62)	\$ 582
Less: Reduction in net earnings due to dilution at Loblaw	(1)	(1)
Net (loss) earnings available to common shareholders for diluted earnings per share	\$ (63)	\$ 581
Net (loss) earnings attributable to shareholders of the Company	\$ (52)	\$ 592
Adjusting items (refer to the following table)	305	(343)
Adjusted net earnings attributable to shareholders of the Company	\$ 253	\$ 249
Less: Prescribed dividends on preferred shares in share capital	(10)	(10)
Adjusted net earnings available to common shareholders of the Company	\$ 243	\$ 239
Less: Reduction in net earnings due to dilution at Loblaw	(1)	(1)
Adjusted net earnings available to common shareholders for diluted earnings per share	\$ 242	\$ 238
Diluted weighted average common shares outstanding (in millions)	152.1	153.8

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

	12 Weeks Ended			
	Mar. 27, 2021		Mar. 21, 2020 ⁽ⁱⁱ⁾	
(unaudited) (\$ except where otherwise indicated)	Net (Loss) Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net (Loss) Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share
As reported	\$ (62)	\$ (0.41)	\$ 582	\$ 3.78
Add (deduct) impact of the following ⁽ⁱ⁾ :				
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 45	\$ 0.29	\$ 46	\$ 0.30
Fair value adjustment on investment properties	(38)	(0.25)	85	0.56
Restructuring and other related costs	2	0.01	16	0.10
Fair value adjustment of derivatives	(5)	(0.03)	7	0.05
Acquisition transaction costs and other related costs	—	—	2	0.01
Fair value adjustment of the Trust Unit liability	239	1.57	(504)	(3.28)
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	46	0.30	(9)	(0.06)
Outside basis difference in certain Loblaw shares	16	0.11	14	0.09
Adjusting items	\$ 305	\$ 2.00	\$ (343)	\$ (2.23)
Adjusted	\$ 243	\$ 1.59	\$ 239	\$ 1.55

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

(ii) Certain figures have been restated due to the non-GAAP financial measures policy change.

Free Cash Flow The Company believes free cash flow is useful in assessing the Company's cash available for additional financing and investing activities.

The following table reconciles free cash flow to GAAP measures reported for the periods ended as indicated.

(unaudited) (\$ millions)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020 ⁽⁵⁾
Cash flows from operating activities	\$ 911	\$ 1,764
Less: Interest paid	244	254
Capital Investments ⁽ⁱ⁾	236	286
Lease payments, net	141	195
Free cash flow ⁽¹⁾	\$ 290	\$ 1,029

(i) In the first quarter of 2021, additions to fixed assets in Loblaw includes prepayments that were made in 2020 and transferred from other assets in 2021 of \$1 million. In the first quarter of 2020, additions to fixed assets in Loblaw includes prepayments that were made in 2019 and transferred from other assets in 2020 of \$20 million.

Management's Discussion and Analysis

Choice Properties' Funds from Operations Choice Properties considers Funds from Operations to be a useful measure of operating performance as it adjusts for items included in net income that do not arise from operating activities or do not necessarily provide an accurate depiction of its performance.

The following table reconciles Choice Properties' Funds from Operations to net income for the periods ended as indicated.

(unaudited) (\$ millions)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Net (loss) income	\$ (62)	\$ 333
Add (deduct) impact of the following:		
Fair value adjustment on Exchangeable Units	218	(386)
Unit distributions on Exchangeable Units	73	72
Fair value adjustment on investment properties	(59)	136
Fair value adjustment on investment property held in equity accounted joint ventures	(2)	12
Internal expenses for leasing	2	2
Capitalized interest on equity accounted joint ventures	1	2
Acquisition transaction costs and other related costs	–	2
Amortization of intangible assets	–	–
Foreign exchange gain	–	(1)
Other fair value gains (losses), net	–	(1)
Funds from Operations	\$ 171	\$ 171

9.1 Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021

In 2020, management undertook a review of historical adjusting items as part of an effort to reduce the number of non-GAAP items it adjusts for in its financial reporting. Management concluded that, in order to present adjusting items in a manner more consistent with that of its Canadian and U.S. peers, the Company will no longer adjust for asset impairments (net of recoveries), certain restructuring and other related costs, pension settlement costs, statutory corporate income tax rate changes or other items.

Starting in the first quarter of 2021, restructuring and other related costs will be considered an adjusting item only if significant and if part of a publicly announced restructuring plan. Other unusual items will be assessed on a case by case basis based on their nature, magnitude and propensity to re-occur. This change took effect in the first quarter of 2021 with restatement of comparative periods at that time.

The summaries below reconcile the non-GAAP financial measures as previously reported in 2020 to those reported under the new policy starting in the first quarter of 2021.

Adjusted Operating Income and Adjusted EBITDA:

(unaudited) (\$ millions)	Quarters Ended														
	March 21, 2020 (12 weeks)					June 13, 2020 (12 weeks)					October 3, 2020 (16 weeks)				
	Loblaw	Choice Properties	Weston Foods	Other	Consoli- dated	Loblaw	Choice Properties	Weston Foods	Other	Consoli- dated	Loblaw	Choice Properties	Weston Foods	Other	Consoli- dated
Adjusted Operating income - previously reported	\$ 692	\$ 226	\$ 18	\$ (64)	\$ 872	\$ 534	\$ 201	\$ (27)	\$ (59)	\$ 649	\$ 882	\$ 224	\$ 18	\$ 20	\$ 1,144
Add (deduct) impact of the following:															
Asset Impairments, net of recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring and other related costs	(4)	-	-	-	(4)	(8)	-	-	-	(8)	(6)	-	-	-	(6)
Adjusting Items	\$ (4)	\$ -	\$ -	\$ -	\$ (4)	\$ (8)	\$ -	\$ -	\$ -	\$ (8)	\$ (6)	\$ -	\$ -	\$ -	\$ (6)
Adjusted operating income - Restated	\$ 688	\$ 226	\$ 18	\$ (64)	\$ 868	\$ 526	\$ 201	\$ (27)	\$ (59)	\$ 641	\$ 876	\$ 224	\$ 18	\$ 20	\$ 1,138
Depreciation and amortization	594	1	43	(78)	560	598	-	44	(76)	566	795	1	47	(114)	729
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(119)	-	-	-	(119)	(118)	-	-	-	(118)	(155)	-	-	-	(155)
Less: Accelerated Depreciation	-	-	(9)	-	(9)	-	-	(10)	-	(10)	-	-	(3)	-	(3)
Adjusted EBITDA - Restated	\$1,163	\$ 227	\$ 52	\$ (142)	\$1,300	\$1,006	\$ 201	\$ 7	\$ (135)	\$1,079	\$1,516	\$ 225	\$ 62	\$ (94)	\$1,709

Management's Discussion and Analysis

(unaudited) (\$ millions)	Quarter Ended					Year Ended				
	December 31, 2020					December 31, 2020				
	(13 weeks)					(53 weeks)				
	Loblaw	Choice Properties	Weston Foods	Other	Consolidated	Loblaw	Choice Properties	Weston Foods	Other	Consolidated
Adjusted Operating income - previously reported	\$ 838	\$ 225	\$ 46	\$ (55)	\$ 1,054	\$ 2,946	\$ 876	\$ 55	\$ (158)	\$ 3,719
Add (deduct) impact of the following:										
Asset Impairments, net of recoveries	(17)	–	–	(6)	(23)	(17)	–	–	(6)	(23)
Restructuring and other related costs	(2)	–	–	–	(2)	(20)	–	–	–	(20)
Adjusting Items	\$ (19)	\$ –	\$ –	\$ (6)	\$ (25)	\$ (37)	\$ –	\$ –	\$ (6)	\$ (43)
Adjusted operating income - Restated	\$ 819	\$ 225	\$ 46	\$ (61)	\$ 1,029	\$ 2,909	\$ 876	\$ 55	\$ (164)	\$ 3,676
Depreciation and amortization	609	1	41	(79)	572	2,596	3	175	(347)	2,427
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(117)	–	–	–	(117)	(509)	–	–	–	(509)
Less: Accelerated Depreciation	–	–	(8)	–	(8)	–	–	(30)	–	(30)
Adjusted EBITDA - Restated	\$ 1,311	\$ 226	\$ 79	\$ (140)	\$ 1,476	\$ 4,996	\$ 879	\$ 200	\$ (511)	\$ 5,564

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net earnings per Common Share are presented below:

(unaudited) (\$ except where otherwise indicated)	Quarters Ended								Year Ended	
	March 21, 2020		June 13, 2020		October 3, 2020		December 31, 2020		December 31, 2020	
	(12 weeks)		(12 weeks)		(16 weeks)		(13 weeks)		(53 weeks)	
	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share
Adjusted - As previously reported	\$ 239	\$ 1.55	\$ 142	\$ 0.93	\$ 362	\$ 2.35	\$ 312	\$ 2.03	\$ 1,055	\$ 6.85
Add (deduct) impact of the following:										
Asset impairments, net of recoveries	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ (11)	\$ (0.08)	\$ (11)	\$ (0.08)
Restructuring and other related costs	(2)	(0.01)	(3)	(0.02)	(3)	(0.02)	–	–	(8)	(0.04)
Statutory corporate income tax rate change	2	0.01	–	–	(1)	(0.01)	1	0.01	2	0.01
Adjusting items	\$ –	\$ –	\$ (3)	\$ (0.02)	\$ (4)	\$ (0.03)	\$ (10)	\$ (0.07)	\$ (17)	\$ (0.11)
Adjusted - Restated	\$ 239	\$ 1.55	\$ 139	\$ 0.91	\$ 358	\$ 2.32	\$ 302	\$ 1.96	\$ 1,038	\$ 6.74

There were no impacts to previously reported adjusted net interest expense and other financing charges as a result of this change as reported in the Company's 2020 annual and interim MD&A.

10. 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 IT systems implementations. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, in Section 3, "Liquidity and Capital Resources", Section 7, "COVID-19 Update", Section 8, "Outlook", and Section 9, "Non-GAAP Financial Measures", of this MD&A. 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 2021 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 the "Enterprise Risks and Risk Management" of the Company's 2020 Annual Report and the Company's AIF for the year ended December 31, 2020. Such risks and uncertainties include:

- the duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the Company, as well as on vendor operations, consumer behaviour and the economy in general;
- 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;
- 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 effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- 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 realize benefits from investments in the Company's new IT systems;
- failure to maintain an effective supply chain and consequently an appropriate assortment of available product at store level;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- public health events including those related to food and drug safety;
- errors made through medication dispensing or errors related to patient services or consultation;
- adverse outcomes of legal and regulatory proceedings and related matters;
- failure by Choice Properties to realize the anticipated benefits associated with its strategic priorities and major initiatives, including failure to develop quality assets and effectively manage development, redevelopment, and renovation initiatives;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- 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;
- 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;
- 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;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;
- the inability of the Company to effectively develop and execute its strategy, including the failure by the Company to complete the Weston Food Transaction; and
- the inability of the Company to anticipate, identify and react to consumer and retail trends.

Management's Discussion and Analysis

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 from time to time, including without limitation, the section entitled "Operating and Financial Risks and Risk Management" in the Company's AIF for the year ended December 31, 2020. 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.

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 www.sedar.com.

This Quarterly Report includes selected information on Loblaw, a public company with shares trading on the TSX. For information regarding Loblaw, readers should also refer to the materials filed by Loblaw on SEDAR from time to time. These filings are also maintained on Loblaw's website at www.loblaw.ca.

This Quarterly Report also includes selected information on Choice Properties, a public real estate investment trust with units trading on the TSX. For information regarding Choice Properties, readers should also refer to the materials filed by Choice Properties on SEDAR from time to time. These filings are also maintained on Choice Properties' website at www.choicereit.ca.

Toronto, Canada

May 10, 2021

Financial Results

Condensed Consolidated Financial Statements	42
Condensed Consolidated Statements of Earnings	42
Condensed Consolidated Statements of Comprehensive Income	42
Condensed Consolidated Balance Sheets	43
Condensed Consolidated Statements of Changes in Equity	44
Condensed Consolidated Statements of Cash Flows	45
Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements	46
Note 1. Nature and Description of the Reporting Entity	46
Note 2. Significant Accounting Policies	46
Note 3. Subsidiaries	47
Note 4. Business Acquisitions	47
Note 5. Net Interest Expense and Other Financing Charges	48
Note 6. Income Taxes	48
Note 7. Basic and Diluted Net Earnings per Common Share	49
Note 8. Cash and Cash Equivalents, Short-Term Investments and Security Deposits	49
Note 9. Credit Card Receivables	50
Note 10. Inventories	50
Note 11. Assets Held for Sale	51
Note 12. Other Assets	51
Note 13. Short-Term Debt	51
Note 14. Long-Term Debt	52
Note 15. Other Liabilities	54
Note 16. Share Capital	54
Note 17. Loblaw Capital Transactions	56
Note 18. Post-Employment and Other Long-Term Employee Benefits	57
Note 19. Equity-Based Compensation	57
Note 20. Financial Instruments	60
Note 21. Contingent Liabilities	63
Note 22. Segment Information	65
Note 23. Related Party Transaction	67
Note 24. Subsequent Events	67

Condensed Consolidated Statements of Earnings

(unaudited) (millions of Canadian dollars except where otherwise indicated)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Revenue	\$ 12,352	\$ 12,333
Operating Expenses		
Cost of inventories sold (note 10)	8,386	8,392
Selling, general and administrative expenses	3,136	3,343
	11,522	11,735
Operating Income	830	598
Net Interest Expense and Other Financing Charges (note 5)	546	(258)
Earnings Before Income Taxes	284	856
Income Taxes (note 6)	166	113
Net Earnings	118	743
Attributable to:		
Shareholders of the Company (note 7)	(52)	592
Non-Controlling Interests	170	151
Net Earnings	\$ 118	\$ 743
Net (Loss) Earnings per Common Share (\$) (note 7)		
Basic	\$ (0.41)	\$ 3.79
Diluted	\$ (0.41)	\$ 3.78

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

Condensed Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Net earnings	\$ 118	\$ 743
Other comprehensive (loss) income, net of taxes		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustment (note 20)	(13)	113
Unrealized losses on cash flow hedges (note 20)	–	(27)
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial gains (note 18)	67	36
Other comprehensive income	54	122
Comprehensive Income	172	865
Attributable to:		
Shareholders of the Company	(30)	711
Non-Controlling Interests	202	154
Comprehensive Income	\$ 172	\$ 865

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

Condensed Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)	As at		
	Mar. 27, 2021	Mar. 21, 2020 ⁽ⁱ⁾	Dec. 31, 2020 ⁽ⁱ⁾
ASSETS			
Current Assets			
Cash and cash equivalents (note 8)	\$ 2,827	\$ 2,784	\$ 2,581
Short-term investments (note 8)	314	350	575
Accounts receivable	1,057	1,191	1,192
Credit card receivables (note 9)	2,902	3,248	3,109
Inventories (note 10)	5,404	4,666	5,385
Prepaid expenses and other assets	333	434	304
Assets held for sale (note 11)	99	151	108
Total Current Assets	12,936	12,824	13,254
Fixed Assets	11,905	11,798	11,943
Right-of-Use Assets	4,095	4,092	4,043
Investment Properties	5,043	4,743	4,930
Equity Accounted Joint Ventures	414	602	573
Intangible Assets	6,921	7,415	7,032
Goodwill	4,770	4,794	4,772
Deferred Income Taxes	124	225	139
Security Deposits (note 8)	75	79	75
Other Assets (note 12)	1,255	1,235	1,314
Total Assets	\$ 47,538	\$ 47,807	\$ 48,075
LIABILITIES			
Current Liabilities			
Bank indebtedness	\$ 282	\$ 83	\$ 86
Trade payables and other liabilities	5,548	5,586	6,023
Loyalty liability	209	198	194
Provisions	90	147	98
Income taxes payable	85	112	128
Demand deposits from customers	36	–	24
Short-term debt (note 13)	1,070	1,227	1,335
Long-term debt due within one year (note 14)	1,244	1,640	924
Lease liabilities due within one year	799	798	799
Associate interest	339	272	349
Total Current Liabilities	9,702	10,063	9,960
Provisions	118	95	116
Long-Term Debt (note 14)	13,175	13,304	13,519
Lease Liabilities	4,294	4,315	4,206
Trust Unit Liability (note 20)	3,838	3,102	3,600
Deferred Income Taxes	2,079	2,197	2,059
Other Liabilities (note 15)	1,136	950	1,197
Total Liabilities	34,342	34,026	34,657
EQUITY			
Share Capital (note 16)	3,599	3,622	3,599
Retained Earnings	5,076	5,277	5,226
Contributed Surplus (notes 17 & 19)	(1,269)	(1,031)	(1,180)
Accumulated Other Comprehensive Income	153	293	166
Total Equity Attributable to Shareholders of the Company	7,559	8,161	7,811
Non-Controlling Interests	5,637	5,620	5,607
Total Equity	13,196	13,781	13,418
Total Liabilities and Equity	\$ 47,538	\$ 47,807	\$ 48,075

(i) Certain comparative figures have been restated to conform with current year presentation. Contingent liabilities (note 21). Subsequent events (note 24). 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 Shares	Preferred Shares	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Total Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at Dec. 31, 2020	\$ 2,782	\$ 817	\$ 3,599	\$ 5,226	\$ (1,180)	\$ 153	\$ (22)	\$ 35	\$ 166	\$ 5,607	\$ 13,418
Net earnings	-	-	-	(52)	-	-	-	-	-	170	118
Other comprehensive income (loss) ⁽ⁱ⁾	-	-	-	35	-	(13)	-	-	(13)	32	54
Comprehensive income (loss)	\$ -	\$ -	\$ -	\$ (17)	\$ -	\$ (13)	\$ -	\$ -	\$ (13)	\$ 202	\$ 172
Effect of equity-based compensation (notes 16 & 19)	8	-	8	-	(9)	-	-	-	-	(6)	(7)
Shares purchased and cancelled (note 16)	(9)	-	(9)	(46)	-	-	-	-	-	-	(55)
Net effect of shares held in trusts (notes 16 & 19)	1	-	1	7	-	-	-	-	-	-	8
Loblaw capital transactions and dividends (notes 17 & 19)	-	-	-	-	(80)	-	-	-	-	(166)	(246)
Dividends declared											
Per common share (\$) (note 16)											
- \$0.550	-	-	-	(83)	-	-	-	-	-	-	(83)
Per preferred share (\$) (note 16)											
- Series I - \$0.3625	-	-	-	(4)	-	-	-	-	-	-	(4)
- Series III - \$0.3250	-	-	-	(3)	-	-	-	-	-	-	(3)
- Series IV - \$0.3250	-	-	-	(2)	-	-	-	-	-	-	(2)
- Series V - \$0.296875	-	-	-	(2)	-	-	-	-	-	-	(2)
	\$ -	\$ -	\$ -	\$ (133)	\$ (89)	\$ -	\$ -	\$ -	\$ -	\$ (172)	\$ (394)
Balance as at Mar. 27, 2021	\$ 2,782	\$ 817	\$ 3,599	\$ 5,076	\$ (1,269)	\$ 140	\$ (22)	\$ 35	\$ 153	\$ 5,637	\$ 13,196

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Shares	Preferred Shares	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Total Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at Dec. 31, 2019	\$ 2,809	\$ 817	\$ 3,626	\$ 4,766	\$ (979)	\$ 182	\$ (4)	\$ 18	\$ 196	\$ 5,566	\$ 13,175
Net earnings	-	-	-	592	-	-	-	-	-	151	743
Other comprehensive income (loss) ⁽ⁱ⁾	-	-	-	22	-	114	(17)	-	97	3	122
Comprehensive income (loss)	\$ -	\$ -	\$ -	\$ 614	\$ -	\$ 114	\$ (17)	\$ -	\$ 97	\$ 154	\$ 865
Effect of equity-based compensation (notes 16 & 19)	-	-	-	-	(11)	-	-	-	-	(7)	(18)
Net effect of shares held in trusts (notes 16 & 19)	(4)	-	(4)	(11)	-	-	-	-	-	-	(15)
Loblaw capital transactions and dividends (notes 17 & 19)	-	-	-	-	(41)	-	-	-	-	(93)	(134)
Dividends declared											
Per common share (\$) (note 16)											
- \$0.525	-	-	-	(81)	-	-	-	-	-	-	(81)
Per preferred share (\$) (note 16)											
- Series I - \$0.3625	-	-	-	(4)	-	-	-	-	-	-	(4)
- Series III - \$0.3250	-	-	-	(3)	-	-	-	-	-	-	(3)
- Series IV - \$0.3250	-	-	-	(2)	-	-	-	-	-	-	(2)
- Series V - \$0.296875	-	-	-	(2)	-	-	-	-	-	-	(2)
	\$ (4)	\$ -	\$ (4)	\$ (103)	\$ (52)	\$ -	\$ -	\$ -	\$ -	\$ (100)	\$ (259)
Balance as at Mar. 21, 2020	\$ 2,805	\$ 817	\$ 3,622	\$ 5,277	\$ (1,031)	\$ 296	\$ (21)	\$ 18	\$ 293	\$ 5,620	\$ 13,781

(i) Other comprehensive income (loss) includes actuarial gains of \$67 million (2020 - \$36 million), of which \$35 million (2020 - \$22 million) is presented in retained earnings, and \$32 million (2020 - \$14 million) in non-controlling interests. Also included in non-controlling interests is foreign currency translation adjustment of nil (2020 - loss of \$1 million) and no unrealized gain or loss on cash flow hedges (2020 - loss of \$10 million).

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

Condensed Consolidated Statements of Cash Flows

(unaudited) (millions of Canadian dollars)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020 ⁽ⁱ⁾
Operating Activities		
Net earnings	\$ 118	\$ 743
Add (deduct):		
Net interest expense and other financing charges (note 5)	546	(258)
Income taxes (note 6)	166	113
Depreciation and amortization	560	560
Asset impairments, net of recoveries	1	6
Adjustment to fair value of investment properties and assets held for sale	(46)	102
Change in allowance for credit card receivables (note 9)	(20)	50
Change in provisions	(2)	3
	1,323	1,319
Change in gross credit card receivables (note 9)	227	220
Change in non-cash working capital	(451)	287
Income taxes paid	(196)	(85)
Interest received	5	8
Interest received from finance leases	1	–
Other	2	15
Cash Flows from Operating Activities	911	1,764
Investing Activities		
Fixed asset and investment properties purchases	(151)	(172)
Intangible asset additions	(84)	(94)
Cash assumed on initial consolidation of franchises (note 4)	–	14
Proceeds from disposal of assets	41	111
Lease payments received from finance leases	2	3
Change in short-term investments (note 8)	261	(119)
Other	54	(33)
Cash Flows from (used in) Investing Activities	123	(290)
Financing Activities		
Change in bank indebtedness	196	65
Change in short-term debt (note 13)	(265)	(262)
Change in demand deposits from customers	12	–
Change in other financing	–	(2)
Interest paid	(244)	(254)
Long-term debt – Issued (note 14)	30	984
– Repayments (note 14)	(55)	(568)
Cash rent paid on lease liabilities – Interest	(46)	(48)
Cash rent paid on lease liabilities – Principal	(97)	(150)
Share capital – Issued (notes 16 & 19)	7	–
– Purchased and held in trusts (note 16)	–	(21)
– Purchased and cancelled (note 16)	(25)	–
Loblaw common share capital – Issued (notes 17 & 19)	7	21
– Purchased and held in trusts (note 17)	–	(10)
– Purchased and cancelled (note 17)	(155)	(96)
Dividends – To common shareholders	(79)	(81)
– To preferred shareholders	(11)	(11)
– To minority shareholders	–	(57)
Other	(63)	(40)
Cash Flows used in Financing Activities	(788)	(530)
Effect of foreign currency exchange rate changes on cash and cash equivalents	–	6
Change in Cash and Cash Equivalents	246	950
Cash and Cash Equivalents, Beginning of Period	2,581	1,834
Cash and Cash Equivalents, End of Period	\$ 2,827	\$ 2,784

(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

Note 1. Nature and Description of the Reporting Entity

George Weston Limited ("GWL" or the "Company") is a Canadian public company incorporated in 1928, with its registered office located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S5. The Company's parent is Wittington Investments, Limited ("Wittington").

The Company operates through its three reportable operating segments, Loblaw Companies Limited ("Loblaw"), Choice Properties Real Estate Investment Trust ("Choice Properties"), and Weston Foods. Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation and cash and short-term investments held by the Company. All other company level activities that are not allocated to the reportable operating segments, such as interest expense, corporate activities and administrative costs are included in Other and Intersegment.

Loblaw has two reportable operating segments, retail and financial services. Loblaw's retail segment consists primarily of food retail and drug retail. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise and financial services.

Choice Properties owns, manages and develops a high-quality portfolio of commercial retail, industrial, office and residential properties across Canada.

Weston Foods is a North American bakery making bread, rolls, cupcakes, donuts, cookies, cakes, pies, cones and wafers, artisan baked goods and more.

Quarterly net earnings are affected by foreign currency exchange rates, seasonality and the timing of holidays, relative to the Company's interim period. Accordingly, quarterly performance is not necessarily indicative of annual performance. Historically, Weston Foods has earned more revenue in the third and fourth quarters and least in the first quarter. Historically, Loblaw has earned more revenue in the fourth quarter relative to the preceding quarters in its fiscal year.

Note 2. Significant Accounting Policies

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company's 2020 audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements.

These unaudited interim period condensed consolidated financial statements are presented in Canadian dollars.

STATEMENT OF COMPLIANCE These unaudited interim period condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2020 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 on May 10, 2021.

Note 3. Subsidiaries

The table below summarizes the Company's principal subsidiaries. The proportion of ownership interests held equals the voting rights held by the Company. GWL's ownership in Loblaw and Choice Properties is impacted by changes in Loblaw's common share equity and Choice Properties' trust units, respectively.

		As at					
		Mar. 27, 2021		Mar. 21, 2020		Dec. 31, 2020	
		Number of shares / units held	Ownership interest	Number of shares / units held	Ownership interest	Number of shares / units held	Ownership interest
Loblaw	Common shares ⁽ⁱ⁾	180,096,379	52.6%	186,460,059	52.1 %	182,874,456	52.6%
	Class B LP Units ⁽ⁱⁱ⁾	395,786,525	n/a	389,961,783	n/a	395,786,525	n/a
	Trust Units	50,661,415	n/a	50,661,415	n/a	50,661,415	n/a
Choice Properties		446,447,940	61.8%	440,623,198	62.9 %	446,447,940	61.8%

- (i) Includes 9.6 million Loblaw common shares pledged under the equity forward sale agreement (see note 20). Additionally, commencing in the first quarter of 2020, GWL participated in Loblaw's Normal Course Issuer Bid ("NCIB") program, in order to maintain its proportionate percentage ownership (see note 17).
- (ii) Class B LP Units ("Exchangeable Units") are economically equivalent to Trust Units, receive distributions equal to the distributions paid on Trust Units and are exchangeable, at the holder's option, into Trust Units.

Note 4. Business Acquisitions

CONSOLIDATION OF FRANCHISES Loblaw accounted for the consolidation of existing franchises as business acquisitions and consolidated its franchises as of the date the franchisee entered into a simplified franchise agreement with Loblaw. The assets acquired and liabilities assumed through the consolidation were valued at the acquisition date using fair values, which approximated the franchise carrying values at the date of acquisition. The results of operations of the acquired franchises have been included in Loblaw's results of operations from the date of acquisition.

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

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)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Net assets acquired:		
Cash and cash equivalents	\$ —	\$ 14
Inventories	—	42
Fixed assets	—	44
Trade payables and other liabilities ⁽ⁱ⁾	—	(54)
Other liabilities ⁽ⁱ⁾	—	(30)
Non-controlling interests	—	(16)
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 Loblaw.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 5. Net Interest Expense and Other Financing Charges

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

(\$ millions)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Interest expense:		
Long-term debt	\$ 140	\$ 150
Lease liabilities	46	48
Borrowings related to credit card receivables	9	12
Trust Unit distributions	51	48
Independent funding trusts	3	5
Post-employment and other long-term employee benefits (note 18)	2	3
Bank indebtedness	–	1
Financial liabilities (note 15)	12	7
Capitalized interest	(1)	(1)
	\$ 262	\$ 273
Interest income:		
Accretion income	\$ (1)	\$ (1)
Short-term interest income	(4)	(9)
	\$ (5)	\$ (10)
Forward sale agreement ⁽ⁱ⁾	\$ 50	\$ (17)
Fair value adjustment of the Trust Unit liability (note 20)	239	(504)
Net interest expense and other financing charges	\$ 546	\$ (258)

- (i) Included in the first quarter of 2021 is a charge of \$53 million (2020 – income of \$10 million) related to the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares (see note 20). The fair value adjustment of the forward sale agreement is non-cash and results from changes in the value of the underlying Loblaw common shares. On settlement, in whole or in part, any cash paid under the forward sale agreement could be offset by the sale of the underlying Loblaw common shares. Also included in the first quarter of 2021 is forward accretion income of \$8 million (2020 – \$12 million), and the forward fee of \$5 million (2020 – \$5 million), associated with the forward sale agreement.

Note 6. Income Taxes

For the first quarter of 2021, income tax expense was \$166 million (2020 – \$113 million) and the effective tax rate was 58.5% (2020 – 13.2%). The increase in the effective tax rate was primarily attributable to a decrease in the non-taxable fair value adjustment of the Trust Unit liability, an increase in tax expense related to temporary differences in respect of GWL's investment in certain Loblaw shares as a result of GWL's participation in Loblaw's NCIB and the impact of certain other non-deductible items.

On April 23, 2020, the Federal Court of Appeal released its decision in the Glenhuron Bank Limited ("Glenhuron") case in favour of Loblaw and reversed the decision of the Tax Court of Canada ("Tax Court"). On October 29, 2020, the Supreme Court of Canada ("Supreme Court") granted the Crown leave to appeal and on November 30, 2020, the Crown filed a Notice of Appeal with the Supreme Court. The Supreme Court hearing of the appeal is scheduled for May 13, 2021. Loblaw has not reversed any portion of the \$367 million of charges recorded during the third quarter of 2018, of which \$176 million was recorded in interest and \$191 million was recorded in income taxes (see note 21).

Note 7. Basic and Diluted Net Earnings per Common Share

(\$ millions except where otherwise indicated)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Net (loss) earnings attributable to shareholders of the Company	\$ (52)	\$ 592
Prescribed dividends on preferred shares in share capital	(10)	(10)
Net (loss) earnings available to common shareholders of the Company	\$ (62)	\$ 582
Reduction in net earnings due to dilution at Loblaw	(1)	(1)
Net (loss) earnings available to common shareholders for diluted earnings per share	\$ (63)	\$ 581
Weighted average common shares outstanding (in millions) (note 16)	152.1	153.6
Dilutive effect of equity-based compensation ⁽ⁱ⁾ (in millions)	–	0.2
Diluted weighted average common shares outstanding (in millions)	152.1	153.8
Basic net (loss) earnings per common share (\$)	\$ (0.41)	\$ 3.79
Diluted net (loss) earnings per common share (\$)	\$ (0.41)	\$ 3.78

(i) In the first quarter of 2021, 1.9 million (2020 - 1.2 million) potentially dilutive instruments were excluded from the computation of diluted net earnings (loss) per common share as they were anti-dilutive.

Note 8. Cash and Cash Equivalents, Short-Term Investments and Security Deposits

The components of cash and cash equivalents, short-term investments and security deposits were as follows:

CASH AND CASH EQUIVALENTS

(\$ millions)	Mar. 27, 2021	As at	
		Mar. 21, 2020	Dec. 31, 2020
Cash	\$ 993	\$ 1,015	\$ 1,228
Cash equivalents:			
Government treasury bills	883	713	758
Bankers' acceptances	944	884	570
Corporate commercial paper	7	172	–
Guaranteed investment certificates	–	–	22
Other	–	–	3
Cash and cash equivalents	\$ 2,827	\$ 2,784	\$ 2,581

SHORT-TERM INVESTMENTS

(\$ millions)	Mar. 27, 2021	As at	
		Mar. 21, 2020	Dec. 31, 2020
Government treasury bills	\$ 228	\$ 83	\$ 485
Bankers' acceptances	60	56	81
Corporate commercial paper	–	211	1
Guaranteed Investment Certificates	26	–	7
Other	–	–	1
Short-term investments	\$ 314	\$ 350	\$ 575

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

SECURITY DEPOSITS

(\$ millions)	Mar. 27, 2021	As at	
		Mar. 21, 2020	Dec. 31, 2020
Cash	\$ 56	\$ 45	\$ 52
Government treasury bills	19	34	23
Security deposits	\$ 75	\$ 79	\$ 75

Note 9. Credit Card Receivables

The components of credit card receivables were as follows:

(\$ millions)	Mar. 27, 2021	As at	
		Mar. 21, 2020	Dec. 31, 2020
Gross credit card receivables	\$ 3,119	\$ 3,494	\$ 3,346
Allowance for credit card receivables	(217)	(246)	(237)
Credit card receivables	\$ 2,902	\$ 3,248	\$ 3,109
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> [®] (note 14)	\$ 1,050	\$ 1,000	\$ 1,050
Securitized to Other Independent Securitization Trusts (note 13)	300	500	575
Total securitized to independent securitization trusts	\$ 1,350	\$ 1,500	\$ 1,625

Loblaw, 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 the Other Independent Securitization Trusts, in accordance with its financing requirements.

The associated liability of *Eagle* is recorded in long-term debt (see note 14). The associated liabilities of credit card receivables securitized to the Other Independent Securitization are recorded in short-term debt.

During the first quarter in 2021, PC Bank recorded a \$275 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts as a result of a decline in the volume of credit card receivables.

As at the end of the first quarter of 2021, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was \$27 million (March 21, 2020 - \$45 million; December 31, 2020 - \$52 million), which represented 9% (March 21, 2020 - 9%; December 31, 2020 - 9%) of the securitized credit card receivables amount.

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at the end of the first quarter of 2021 and throughout the quarter.

Note 10. Inventories

The components of inventories were as follows:

(\$ millions)	Mar. 27, 2021	As at	
		Mar. 21, 2020	Dec. 31, 2020
Raw materials and supplies	\$ 64	\$ 73	\$ 71
Finished goods	5,340	4,593	5,314
Inventories	\$ 5,404	\$ 4,666	\$ 5,385

As at the end of the first quarter of 2021, Loblaw recorded an inventory provision of \$41 million (March 21, 2020 - \$32 million; December 31, 2020 - \$34 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of inventories sold. There were no reversals of previously recorded write-downs of inventories during the quarters ended March 27, 2021 and March 21, 2020.

Note 11. Assets Held for Sale

Loblaw 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 either originally used in Loblaw's retail business segment or held in investment properties. In the first quarter of 2021, Loblaw recorded a net gain of \$5 million (2020 – nominal loss) from the sale of these assets. No fair value changes or impairment charges were recognized on assets held for sale during the quarters ended March 27, 2021 and March 21, 2020.

Note 12. Other Assets

The components of other assets were as follows:

(\$ millions)	As at		
	Mar. 27, 2021	Mar. 21, 2020	Dec. 31, 2020
Fair value of equity forward (note 20)	\$ 585	\$ 559	\$ 630
Sundry investments and other receivables ⁽ⁱ⁾	132	33	145
Net accrued benefit plan asset (note 18)	231	278	184
Finance lease receivable	74	76	77
Mortgages, loans and notes receivable	152	231	168
Other	167	160	159
Total Other Assets	\$ 1,341	\$ 1,337	\$ 1,363
Current portion of mortgages, loans and notes receivable ⁽ⁱⁱ⁾	(40)	(102)	(49)
Current portion of fair value of equity forward ⁽ⁱⁱⁱ⁾	(46)	–	–
Other Assets	\$ 1,255	\$ 1,235	\$ 1,314

- (i) In 2020, Shoppers Drug Mart Inc. agreed to invest a total of \$75 million in Maple Corporation ("Maple"), the leading virtual care provider in Canada, in exchange for a significant minority stake. The investment will be made in two tranches. Tranche one had been executed in 2020 and as at March 27, 2021, the Company had invested \$61 million in exchange for approximately 24% of the ownership interest in Maple.
- (ii) Current portion of mortgages, loans and notes receivable are included in prepaid expenses and other assets in the consolidated balance sheets.
- (iii) Current portion of fair value of equity forward is included in prepaid expenses and other assets in the consolidated balance sheets. Subsequent to quarter end, the Company settled 0.75 million of the 9.6 million shares of the equity forward agreement (see note 14).

Note 13. Short-Term Debt

The components of short-term debt were as follows:

(\$ millions)	As at		
	Mar. 27, 2021	Mar. 21, 2020	Dec. 31, 2020
Other Independent Securitization Trusts (note 9)	\$ 300	\$ 500	\$ 575
Series B Debentures ⁽ⁱ⁾	770	727	760
Short-term debt	\$ 1,070	\$ 1,227	\$ 1,335

- (i) Series B Debentures issued by GWL are due on demand and are secured by a pledge of 9.6 million Loblaw common shares. Subsequent to quarter end, the Company paid approximately \$53 million to redeem 7.8% of the Series A Debentures, the Series B Debentures and accrued interest, net of the gain on the settlement of 0.75 million of the 9.6 million shares the equity forward sale agreement (see note 14).

OTHER INDEPENDENT SECURITIZATION TRUSTS The outstanding short-term debt balances relate to credit card receivables securitized to the Other Independent Securitization Trusts with recourse (see note 9).

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 14. Long-Term Debt

The components of long-term debt were as follows:

(\$ millions)	Mar. 27, 2021	As at	
		Mar. 21, 2020	Dec. 31, 2020
Debentures	\$ 10,504	\$ 10,334	\$ 10,505
Long-term debt secured by mortgage	1,225	1,197	1,207
Construction loans	5	25	25
Guaranteed Investment Certificates	1,159	1,324	1,185
Independent Securitization Trusts (note 9)	1,050	1,000	1,050
Independent funding trusts	514	511	512
Committed credit facilities	–	590	–
Transaction costs and other	(38)	(37)	(41)
Total long-term debt	\$ 14,419	\$ 14,944	\$ 14,443
Long-term debt due within one year	(1,244)	(1,640)	(924)
Long-term debt	\$ 13,175	\$ 13,304	\$ 13,519

The Company, Loblaw and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at the end of and throughout the first quarter of 2021, the Company, Loblaw and Choice Properties were in compliance with the financial covenants.

DEBENTURES The following table summarizes the debentures issued in the periods ended as indicated:

(\$ millions)	Interest Rate	Maturity Date	12 Weeks Ended	
			Mar. 27, 2021	Mar. 21, 2020
			Principal Amount	Principal Amount
Choice Properties senior unsecured debentures				
– Series N	2.98%	March 4, 2030	\$ –	\$ 400
– Series O	3.83%	March 4, 2050	–	100
Total debentures issued			\$ –	\$ 500

The following table summarizes the debentures repaid in the periods ended as indicated:

(\$ millions)	Interest Rate	Maturity Date	12 Weeks Ended	
			Mar. 27, 2021	Mar. 21, 2020
			Principal Amount	Principal Amount
Choice Properties senior unsecured debentures				
– Series 8	3.60%	April 20, 2020	\$ –	\$ 300
– Series E	2.30%	September 14, 2020	–	250
Total debentures repaid			\$ –	\$ 550

Subsequent to quarter end, the Company paid approximately \$53 million to redeem 7.8% of the Series A Debentures, the Series B Debentures and accrued interest, net of the gain on the settlement of 0.75 million of the 9.6 million shares under the equity forward sale agreement (note 20). As at quarter end, 7.8% of the fair value of equity forward and the Series A Debentures were classified as current assets and current liabilities, respectively.

GUARANTEED INVESTMENT CERTIFICATES (“GICs”) The following table summarizes PC Bank’s GIC activity, before commissions, for the periods ended as follows:

(\$ millions)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Balance, beginning of period	\$ 1,185	\$ 1,311
GICs issued	1	20
GICs matured	(27)	(7)
Balance, end of period	\$ 1,159	\$ 1,324

INDEPENDENT FUNDING TRUSTS Loblaw 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 21, 2020 and December 31, 2020 – \$64 million), representing not less than 10% (March 21, 2020 and December 31, 2020 – 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 FACILITIES The components of the committed lines of credit available were as follows:

(\$ millions)	Maturity Date	Mar. 27, 2021		As at			
		Available Credit	Drawn	Mar. 21, 2020		Dec. 31, 2020	
		Available Credit	Drawn	Available Credit	Drawn	Available Credit	Drawn
Loblaw committed credit facility	October 7, 2023 ⁽ⁱ⁾	\$ 1,000	\$ –	\$ 1,000	\$ 350	\$ 1,000	\$ –
Choice Properties committed syndicated credit facility	May 4, 2023	1,500	–	1,500	240	1,500	–
Total committed credit facilities		\$ 2,500	\$ –	\$ 2,500	\$ 590	\$ 2,500	\$ –

(i) In 2020, Loblaw amended its committed credit facility and extended the maturity date from June 10, 2021 to October 7, 2023.

LONG-TERM DEBT DUE WITHIN ONE YEAR The components of long-term debt due within one year were as follows:

(\$ millions)	Mar. 27, 2021		As at	
	Mar. 27, 2021	Mar. 21, 2020	Mar. 21, 2020	Dec. 31, 2020
Debentures	\$ 532	\$ 697	\$ 697	\$ 196
GICs	576	528	528	597
Independent Securitization Trusts	–	250	250	–
Long-term debt secured by mortgage	131	165	165	106
Construction Loans	5	–	–	25
Long-term debt due within one year	\$ 1,244	\$ 1,640	\$ 1,640	\$ 924

RECONCILIATION OF LONG-TERM DEBT The following table reconciles the changes in cash flows from financing activities for long-term debt for the periods ended as indicated:

(\$ millions)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Long-term debt, beginning of period	\$ 14,443	\$ 14,554
Long-term debt issuances ⁽ⁱ⁾	30	984
Long-term debt repayments	(55)	(568)
Total cash flow from long-term debt financing activities	(25)	416
Other non-cash changes	1	(26)
Total long-term debt, end of period	\$ 14,419	\$ 14,944

(i) Includes net movements from the independent funding trusts, which are revolving debt instruments.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 15. Other Liabilities

The components of other liabilities were as follows:

(\$ millions)	As at		
	Mar. 27, 2021	Mar. 21, 2020	Dec. 31, 2020
Financial liabilities ⁽ⁱ⁾	\$ 663	\$ 429	\$ 661
Net defined benefit plan obligation (note 18)	346	358	382
Other long-term employee benefit obligation	128	130	129
Equity-based compensation liability (note 19)	5	5	7
Other	(6)	28	18
Other liabilities	\$ 1,136	\$ 950	\$ 1,197

- (i) Financial liabilities represent land and buildings disposed or partially disposed of by Choice Properties to third parties. On consolidation, these transactions were not recognized as a sale of assets as under the terms of the leases, the Company did not relinquish control of the properties for purposes of IFRS 16 "Leases" and IFRS 15 "Revenue from Contracts with Customers". Instead, the proceeds from the transactions were recognized as financial liabilities and as at March 27, 2021, \$3 million (March 21, 2020 - \$4 million; December 31, 2020 - \$5 million) was recorded in trade payables and other liabilities and \$663 million (March 21, 2020 - \$429 million; December 31, 2020 - \$661 million) was recorded in other liabilities.

Note 16. Share Capital

COMMON SHARE CAPITAL The following table summarizes the activity in the Company's common shares issued and outstanding for the periods ended as indicated:

(\$ millions except where otherwise indicated)	12 Weeks Ended			
	Mar. 27, 2021		Mar. 21, 2020	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	152,374,416	\$ 2,786	153,667,750	\$ 2,809
Issued for settlement of stock options (note 19)	90,495	8	2,813	–
Purchased and cancelled	(531,164)	(9)	–	–
Issued and outstanding, end of period	151,933,747	\$ 2,785	153,670,563	\$ 2,809
Shares held in trusts, beginning of period	(254,525)	\$ (4)	(88,832)	\$ –
Purchased for future settlement of RSUs and PSUs	–	–	(229,000)	(4)
Released for settlement of RSUs and PSUs (note 19)	72,900	1	56,009	–
Shares held in trusts, end of period	(181,625)	\$ (3)	(261,823)	\$ (4)
Issued and outstanding, net of shares held in trusts, end of period	151,752,122	\$ 2,782	153,408,740	\$ 2,805
Weighted average outstanding, net of shares held in trusts (note 7)	152,092,797		153,569,698	

NORMAL COURSE ISSUER BID PROGRAM The following table summarizes the Company's activity under its NCIB program:

(\$ millions except where otherwise indicated)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Purchased for future settlement of RSUs and PSUs (number of shares)	–	229,000
Purchased for current settlement of RSUs and DSUs (number of shares)	1,588	1,090
Purchased and cancelled (number of shares)	531,164	–
Cash consideration paid		
Purchased and held in trusts	\$ –	\$ (21)
Purchased and cancelled ⁽ⁱ⁾	\$ (25)	\$ –
Premium charged to retained earnings		
Purchased and held in trusts	\$ –	\$ 17
Purchased and cancelled	\$ 46	\$ –
Reduction in share capital	\$ 9	\$ –

(i) \$30 million of cash consideration was paid in the second quarter of 2021.

In the second quarter of 2020, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 7,683,528 of its 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.

Pursuant to an exemption order granted by the Ontario Securities Commission, on December 21, 2020, the Company purchased for cancellation 1,300,000 common shares from an entity controlled by Mr. W. Galen Weston ("Mr. Weston"), the then controlling shareholder of the Company. The common shares were purchased at a price approved by the Ontario Securities Commission and count towards the common shares the Company is entitled to purchase under its NCIB, for aggregate cash consideration of \$123 million.

As of March 27, 2021, 1,833,117 common shares were purchased under its current NCIB, including 1,300,000 common shares purchased from Mr. Weston.

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

(\$)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Dividends declared per share ⁽ⁱ⁾ :		
Common share	\$ 0.550	\$ 0.525
Preferred share:		
Series I	\$ 0.3625	\$ 0.3625
Series III	\$ 0.3250	\$ 0.3250
Series IV	\$ 0.3250	\$ 0.3250
Series V	\$ 0.296875	\$ 0.296875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on April 1, 2021. Dividends declared on Preferred Shares, Series I were paid on March 15, 2021.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 17. Loblaw Capital Transactions

LOBLAW PREFERRED SHARES As at the end of the first quarter of 2021, the Second Preferred Shares, Series B in the amount of \$221 million net of \$4 million of after-tax issuance costs, and related cash dividends, were presented as a component of non-controlling interests in the Company's condensed consolidated balance sheet. In the first quarter of 2021, Loblaw declared dividends of \$3 million (2020 - \$3 million) related to the Second Preferred Shares, Series B.

LOBLAW COMMON SHARES The following table summarizes Loblaw's common share activity under its equity-based compensation arrangements and NCIB program, and includes the impact on the Company's unaudited interim period condensed consolidated financial statements for the periods ended as indicated:

(\$ millions except where otherwise indicated)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Issued (number of shares)	555,769	803,594
Purchased and held in trusts (number of shares)	–	(145,000)
Purchased and cancelled (number of shares)	(5,371,864)	(2,757,577)
	(4,816,095)	(2,098,983)
Cash consideration received (paid)		
Equity-based compensation	\$ 7	\$ 21
Purchased and held in trusts	–	(10)
Purchased and cancelled ⁽ⁱ⁾	(321)	(188)
	\$ (314)	\$ (177)
Increase (decrease) in contributed surplus		
Equity-based compensation	\$ 7	\$ 11
Purchased and held in trusts	–	(3)
Purchased and cancelled	(87)	(49)
	\$ (80)	\$ (41)

(i) \$29 million of cash consideration was paid in the second quarter of 2021.

NORMAL COURSE ISSUER BID During the first quarter of 2020, the Toronto Stock Exchange ("TSX") accepted an amendment to Loblaw's NCIB. The amendment permitted Loblaw to purchase its common shares from GWL under Loblaw's NCIB, pursuant to an automatic disposition plan agreement among Loblaw's broker, Loblaw and GWL ("ADP Agreement"), in order for GWL to maintain its proportionate ownership interest in Loblaw. During the first quarter of 2021, 5,371,864 (2020 - 2,757,577) Loblaw common shares were purchased under the Loblaw NCIB for cancellation, for aggregate consideration of \$350 million (2020 - \$188 million), including 2,778,077 common shares (2020 - 1,355,077) purchased from GWL, for aggregate consideration of \$181 million (2020 - \$92 million).

Subsequent to the end of the first quarter of 2021, Loblaw renewed its NCIB to purchase on the TSX or through alternative trading systems up to 17,106,459 of Loblaw's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, Loblaw may purchase its common shares from time to time at the then market price of such shares. Loblaw will continue to be permitted to purchase its common shares from GWL in accordance with the exemption granted by the TSX. Purchases from GWL will be made pursuant to the ADP Agreement. As at March 27, 2021, Loblaw had purchased 15,919,038 common shares for cancellation under its previous NCIB.

Note 18. Post-Employment and Other Long-Term Employee Benefits

The costs and actuarial gains related to the Company's post-employment and other long-term employee benefits were as follows:

(\$ millions)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Post-employment benefit costs recognized in operating income ⁽ⁱ⁾	\$ 48	\$ 40
Other long-term employee benefit costs recognized in operating income ⁽ⁱⁱ⁾	\$ 8	\$ 8
Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 5)	\$ 2	\$ 3
Actuarial gains before income taxes recognized in other comprehensive income	\$ 92	\$ 49

(i) Includes costs related to the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates.

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

The actuarial gains recognized in the first quarter of 2021 and 2020 were primarily driven by an increase in discount rates, partially offset by lower than expected returns on assets.

There were no annuity purchases in the first quarter of 2021 and 2020.

Note 19. Equity-Based Compensation

The Company's equity-based compensation arrangements include Stock Option, Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), Director Deferred Share Unit ("DSU") and Executive Deferred Share Unit ("EDSU") plans and Choice Properties' unit-based compensation plans. The Company's costs recognized in SG&A related to its equity-based compensation arrangements for the first quarter of 2021 were \$22 million (2020 - \$14 million).

The following is the carrying amount of the Company's equity-based compensation arrangements:

(\$ millions)	As at		
	Mar. 27, 2021	Mar. 21, 2020	Dec. 31, 2020
Trade payables and other liabilities	\$ 9	\$ 8	\$ 9
Other liabilities (note 15)	\$ 5	\$ 5	\$ 7
Contributed surplus	\$ 116	\$ 102	\$ 125

Details related to certain equity-based compensation plans of GWL and Loblaw are as follows:

STOCK OPTION PLANS The following is a summary of GWL's stock option plan activity:

	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Outstanding options, beginning of period	1,746,483	1,246,718
Granted	397,183	548,868
Exercised	(90,495)	(2,813)
Forfeited/cancelled	(2,352)	-
Outstanding options, end of period	2,050,819	1,792,773

During the first quarter of 2021, GWL issued common shares on the exercise of stock options with a weighted average market share price of \$106.88 (2020 - \$89.60) per common share and received \$7 million cash consideration (2020 - nominal).

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

During the first quarter of 2021, GWL granted stock options with a weighted average exercise price of \$100.86 (2020 – \$104.15) per common share and a fair value of \$6 million (2020 - \$6 million). The assumptions used to measure the grant date fair value of the GWL options granted during the periods ended as indicated under the Black-Scholes stock option valuation model were as follows:

	2021	2020
Expected dividend yield	2.2%	2.0%
Expected share price volatility	19.1% - 19.5%	14.3% - 14.9%
Risk-free interest rate	0.9% - 1.1%	0.9%
Expected life of options	4.9 - 6.7 years	4.9 - 6.7 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at the end of the first quarter of 2021 was 1.4% (2020 – 0.8 %).

The following is a summary of Loblaw's stock option plan activity:

	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Outstanding options, beginning of period	7,259,645	6,317,922
Granted	1,714,053	1,802,887
Exercised	(124,674)	(419,296)
Forfeited/cancelled	(24,629)	(52,799)
Outstanding options, end of period	8,824,395	7,648,714

During the first quarter of 2021, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of \$65.87 (2020 – \$67.99) per common share and received cash consideration of \$7 million (2020 – \$21 million).

During the first quarter of 2021, Loblaw granted stock options with a weighted average exercise price of \$62.67 (2020 – \$70.06) per common share and a fair value of \$15 million (2020 – \$13 million). The assumptions used to measure the grant date fair value of the Loblaw options granted during the periods ended as indicated under the Black-Scholes stock option valuation model were as follows:

	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Expected dividend yield	2.1%	1.8%
Expected share price volatility	18.6 - 20.3%	13.5% - 14.9%
Risk-free interest rate	0.6 - 1.0%	1.1% - 1.2%
Expected life of options	3.8 - 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 the end of the first quarter of 2021 was 9.0% (2020 – 8.0 %).

RESTRICTED SHARE UNIT PLANS The following is a summary of GWL's RSU and Loblaw's plan activity:

(Number of awards)	GWL		Loblaw	
	12 Weeks Ended		12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020	Mar. 27, 2021	Mar. 21, 2020
Outstanding RSUs, beginning of period	133,038	136,788	894,272	1,032,832
Granted	31,286	36,601	278,117	231,010
Reinvested	771	680	–	4,830
Settled	(50,882)	(42,539)	(234,437)	(207,084)
Forfeited	(428)	(2,333)	(5,446)	(11,556)
Outstanding RSUs, end of period	113,785	129,197	932,506	1,050,032

During the first quarter of 2021, the fair value of GWL's and Loblaw's RSUs granted were \$3 million (2020 – \$4 million) and \$17 million (2020 – \$16 million), respectively.

PERFORMANCE SHARE UNIT PLANS The following is a summary of GWL's PSU plan activity:

(Number of awards)	GWL		Loblaw	
	12 Weeks Ended		12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020	Mar. 27, 2021	Mar. 21, 2020
Outstanding PSUs, beginning of period	151,058	143,473	666,400	662,695
Granted	58,216	58,555	245,874	226,236
Reinvested	872	580	–	3,079
Settled	(23,606)	(18,514)	(196,658)	(177,214)
Forfeited	(5,401)	(1,616)	(14,288)	(13,630)
Outstanding PSUs, end of period	181,139	182,478	701,328	701,166

During the first quarter of 2021, the fair value of GWL's and Loblaw's PSUs granted were \$6 million (2020 – \$6 million) and \$15 million (2020 – \$16 million), respectively.

SETTLEMENT OF AWARDS FROM SHARES HELD IN TRUSTS The following table summarizes GWL's settlement of RSUs and PSUs from shares held in trusts for the periods ended as indicated:

(Number of awards)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020
Settled	74,488	61,053
Released from trusts (note 16)	72,900	56,009

The settlement of awards from shares held in trusts in the first quarter of 2021 resulted in a \$7 million increase (2020 – \$6 million) in retained earnings and a \$1 million increase (2020 – nominal) in share capital.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 20. Financial Instruments

The following table presents the fair value and fair value hierarchy of the Company's financial instruments and excludes financial instruments measured at 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)	Mar. 27, 2021				As at Mar. 21, 2020 ⁽ⁱ⁾				Dec. 31, 2020 ⁽ⁱ⁾			
	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:												
Certain other assets ⁽ⁱⁱ⁾	\$ -	\$ -	\$ 97	\$ 97	\$ -	\$ -	\$ 150	\$ 150	\$ -	\$ -	\$ 113	\$ 113
Fair value through other comprehensive income:												
Certain long-term investments and other assets ⁽ⁱⁱ⁾	117	-	-	117	91	-	-	91	117	-	-	117
Derivatives included in prepaid expenses and other assets	-	1	-	1	-	-	-	-	-	-	-	-
Fair value through profit and loss:												
Security deposits	75	-	-	75	79	-	-	79	75	-	-	75
Certain other assets ⁽ⁱⁱ⁾	-	-	84	84	-	-	83	83	-	-	79	79
Certain long-term investments and other assets ⁽ⁱⁱ⁾	-	21	-	21	-	20	-	20	-	20	-	20
Derivatives included in accounts receivable	3	-	-	3	-	7	-	7	3	-	-	3
Derivatives included in prepaid expenses and other assets	5	-	3	8	-	15	-	15	-	-	3	3
Derivatives included in other assets	-	585	-	585	-	559	-	559	-	630	-	630
Financial liabilities												
Amortized cost:												
Long-term debt	-	15,888	-	15,888	-	15,630	-	15,630	-	16,389	-	16,389
Certain other liabilities ⁽ⁱⁱ⁾	-	-	672	672	-	-	444	444	-	-	671	671
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	-	-	-	-	-	38	-	38	-	-	-	-
Fair value through profit and loss:												
Trust Unit liability	3,838	-	-	3,838	3,102	-	-	3,102	3,600	-	-	3,600
Derivatives included in trade payables and other liabilities	-	14	-	14	25	-	8	33	4	16	-	20

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

(ii) Certain other assets, certain other long-term investments and other assets, and certain other liabilities are included in the consolidated balance sheets in Other Assets and Other Liabilities, respectively.

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

During the first quarter of 2021, a loss of \$1 million (2020 – gain of \$7 million) was recognized in operating income on financial instruments designated as amortized cost. In addition, during the first quarter of 2021, a net loss of \$290 million (2020 – net gain of \$513 million) was recognized in earnings before income taxes on financial instruments required to be classified as fair value through profit or loss.

Cash and Cash Equivalents, Short-Term Investments and Security Deposits As at the end of the first quarter of 2021, the Company had cash and cash equivalents, short-term investments and security deposits of \$3,216 million (March 21, 2020 – \$3,213 million; December 31, 2020 – \$3,231 million), including U.S. dollars of \$224 million (March 21, 2020 – \$170 million; December 31, 2020 – \$199 million).

In the first quarter of 2021, a loss of \$13 million (2020 – gain of \$113 million) was recognized in other comprehensive income related to the effect of foreign currency translation on the Company's U.S. net investment in foreign operations.

Embedded Derivatives The Level 3 financial instruments classified as fair value through profit or loss consist of Loblaw 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 would result in a significantly higher (lower) fair value measurement.

In the first quarter of 2021, a nominal loss (2020 – loss of \$9 million) was recognized in operating income related to these derivatives. In addition, a corresponding \$3 million asset was included in prepaid expense and other assets as at March 27, 2021 (March 21, 2020 – \$8 million liability included in trade payables and other liabilities; December 31, 2020 – \$3 million asset included in prepaid expenses and other assets). As at March 27, 2021, a 1% increase (decrease) in foreign currency exchange rates would result in a gain (loss) in fair value of \$1 million.

Equity Derivative Contracts As at the end of the first quarter of 2021, Weston Holdings Limited, a subsidiary of GWL, held an outstanding equity forward sale agreement based on 9.6 million Loblaw common shares at an initial forward sale price of \$48.50 per Loblaw common share. As at the end of the first quarter of 2021, the forward rate was \$129.26 (March 21, 2020 – \$124.85; December 31, 2020 – \$128.30) per Loblaw common share. In the first quarter of 2021, a fair value loss of \$53 million (2020 – gain of \$10 million) was recorded in net interest expense and other financing charges related to this agreement (see note 5).

Trust Unit Liability In the first quarter of 2021, a fair value loss of \$239 million (2020 – gain of \$504 million) was recorded in net interest expense and other financing charges (see note 5).

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

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 consolidated balance sheet and the net realized and unrealized gains (losses) before income taxes related to the Company's other derivatives:

(\$ millions)	Mar. 27, 2021		
	12 Weeks Ended		
	Net asset (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Interest Rate Risk - Bond Forwards ⁽ⁱ⁾	\$ 1	\$ 2	\$ (2)
Interest Rate Risk - Interest Rate Swaps	(6)	(1)	–
Total derivatives designated as cash flow hedges	\$ (5)	\$ 1	\$ (2)
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	\$ (6)	\$ –	\$ (5)
Other Non-Financial Derivatives	5	–	11
Total derivatives not designated in a formal hedging relationship	\$ (1)	\$ –	\$ 6
Total derivatives	\$ (6)	\$ 1	\$ 4

- (i) PC Bank uses bond forwards, with a notional value of \$100 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in prepaid expenses and other assets.

(\$ millions)	Mar. 21, 2020		
	12 Weeks Ended		
	Net asset (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges			
Interest Rate Risk - Bond Forwards ⁽ⁱ⁾	\$ (26)	\$ (25)	\$ (1)
Interest Rate Risk - Interest Rate Swaps ⁽ⁱⁱ⁾	(12)	(8)	–
Total derivatives designated as cash flow hedges	\$ (38)	\$ (33)	\$ (1)
Derivatives not designated in a formal hedging relationship			
Foreign Exchange and Other Forwards	\$ 22	\$ –	\$ 45
Other Non-Financial Derivatives	(25)	–	(38)
Total derivatives not designated in a formal hedging relationship	\$ (3)	\$ –	\$ 7
Total derivatives	\$ (41)	\$ (33)	\$ 6

- (i) PC Bank uses bond forwards, with a notional value of \$175 million, to manage its interest risk related to future debt issuances. Loblaw uses bond forwards, with a notional value of \$350 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.
- (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.

Note 21. 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 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. Loblaw believes this claim is without merit and is vigorously defending it. Loblaw 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 Loblaw 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 Loblaw as well as a number of other major grocery retailers and another bread wholesaler. In December 2019, a proposed class action on behalf of independent distributors was commenced against the Company and Weston Foods. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Loblaw 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 or Loblaw's dividend, dividend policy or share buyback plans. The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2021 or prior on the basis that a reliable estimate of the liability cannot be determined at this time. The Company and Loblaw 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 Loblaw will not face criminal charges or penalties.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including Loblaw 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 Inc. and Loblaw. The allegations in the Ontario, Quebec and the civil British Columbia class actions are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that these May 2019 and February 2020 claims seek recovery of damages on behalf of opioid users directly. Loblaw believes these proceedings are without merit and is vigorously defending them. Loblaw does not currently have any significant accruals or provisions for these matters recorded in the unaudited interim period condensed consolidated financial statements.

Loblaw 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 Loblaw 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, Loblaw filed a Notice of Appeal with the Federal Court of Appeal. On October 15, 2019, the matter was heard by the Federal Court of Appeal and on April 23, 2020, the Federal Court of Appeal released its decision and reversed the decision of the Tax Court. On October 29, 2020, the Supreme Court granted the Crown leave to appeal and on November 30, 2020, the Crown filed a Notice of Appeal with the Supreme Court. The Supreme Court hearing of the appeal is scheduled for May 13, 2021. Loblaw has not reversed any portion of the \$367 million of charges recorded during the third quarter of 2018, of which \$176 million was recorded in interest and \$191 million was recorded in income taxes.

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 22. Segment Information

The Company has three reportable operating segments: Loblaw, Choice Properties and Weston Foods. Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation, cash and short-term investments held by the Company and all other company level activities that are not allocated to the reportable operating segments, as further illustrated below.

The accounting policies of the reportable operating segments are the same as those described in the Company's summary of significant accounting policies (see note 2). The Company measures each reportable operating segment's performance based on adjusted EBITDA⁽ⁱ⁾ and adjusted operating income⁽ⁱ⁾. No reportable operating segment is reliant on any single external customer.

(\$ millions)	12 Weeks Ended									
	Mar. 27, 2021					Mar. 21, 2020 ⁽ⁱⁱ⁾				
	Loblaw	Choice Properties	Weston Foods	Other and Intersegment	Total	Loblaw	Choice Properties	Weston Foods	Other and Intersegment	Total
Revenue	\$ 11,872	\$ 327	\$ 472	\$ (319)	\$ 12,352	\$ 11,800	\$ 325	\$ 535	\$ (327)	\$ 12,333
Operating income	\$ 615	\$ 285	\$ –	\$ (70)	\$ 830	\$ 539	\$ 77	\$ 1	\$ (19)	\$ 598
Net interest expense and other financing charges	160	347	1	38	546	172	(256)	(1)	(173)	(258)
Earnings (loss) before income taxes	\$ 455	\$ (62)	\$ (1)	\$ (108)	\$ 284	\$ 367	\$ 333	\$ 2	\$ 154	\$ 856
Operating income	\$ 615	\$ 285	\$ –	\$ (70)	\$ 830	\$ 539	\$ 77	\$ 1	\$ (19)	\$ 598
Depreciation and amortization	610	1	36	(87)	560	594	1	43	(78)	560
Adjusting items ⁽ⁱ⁾	(9)	(61)	(2)	17	(55)	30	149	8	(45)	142
Adjusted EBITDA ⁽ⁱ⁾	\$ 1,216	\$ 225	\$ 34	\$ (140)	\$ 1,335	\$ 1,163	\$ 227	\$ 52	\$ (142)	\$ 1,300
Depreciation and amortization ⁽ⁱⁱⁱ⁾	493	1	36	(87)	443	475	1	34	(78)	432
Adjusted operating income⁽ⁱ⁾	\$ 723	\$ 224	\$ (2)	\$ (53)	\$ 892	\$ 688	\$ 226	\$ 18	\$ (64)	\$ 868

- (i) Certain items are excluded from operating income to derive adjusted EBITDA⁽ⁱ⁾. Adjusted EBITDA⁽ⁱ⁾ is used internally by management when analyzing segment underlying operating performance.
- (ii) Certain figures have been restated due to the non-GAAP financial measures policy change. See section 9.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's 2021 First Quarter Management's Discussion and Analysis.
- (iii) Excludes \$117 million (2020 - \$119 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaw and nil (2020 - \$9 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Other and Intersegment includes the following items:

(\$ millions)	12 Weeks Ended			12 Weeks Ended		
	Mar. 27, 2021			Mar. 21, 2020 ⁽ⁱ⁾		
	Revenue	Operating Income	Net Interest Expense and Other Financing Charges	Revenue	Operating Income	Net Interest Expense and Other Financing Charges
Elimination of internal lease arrangements	\$ (128)	\$ (39)	\$ (26)	\$ (131)	\$ (48)	\$ (32)
Elimination of cost recovery	(54)	–	–	(56)	–	–
Elimination of lease surrender	(3)	–	–	–	–	–
Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost	–	(6)	–	–	(12)	–
Fair value adjustment on investment properties	–	(15)	–	–	46	–
Fair value adjustment on Choice Properties' Exchangeable Units	–	–	(218)	–	–	386
Fair value adjustment on Trust Unit liability	–	–	239	–	–	(504)
Unit distributions on Exchangeable Units paid by Choice Properties to GWL	–	–	(73)	–	–	(72)
Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL	–	–	51	–	–	48
Intercompany sales	(134)	–	–	(143)	–	–
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	–	–	53	–	–	(10)
Other	–	(10)	12	3	(5)	11
Total Consolidated	\$ (319)	\$ (70)	\$ 38	\$ (327)	\$ (19)	\$ (173)

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

(\$ millions)	Mar. 27, 2021	As at	
		Mar. 21, 2020 ⁽ⁱ⁾	Dec. 31, 2020 ⁽ⁱ⁾
Total Assets			
Loblaw	\$ 35,365	\$ 36,285	\$ 36,018
Choice Properties	15,739	15,325	15,647
Weston Foods ⁽ⁱⁱ⁾	4,545	4,448	4,540
Other and Intersegment ⁽ⁱⁱⁱ⁾	(8,111)	(8,251)	(8,130)
Consolidated	\$ 47,538	\$ 47,807	\$ 48,075

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

(ii) Balance includes certain GWL corporate assets.

(iii) Balance includes cash and cash equivalents and short-term investments held by foreign operations.

(\$ millions)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020 ⁽ⁱ⁾
Additions to Fixed Assets, Investment Properties and Intangible Assets		
Loblaw ⁽ⁱ⁾	\$ 203	\$ 211
Choice Properties	18	49
Weston Foods	13	24
Other	2	2
Consolidated	\$ 236	\$ 286

(i) In the first quarter of 2021, additions to fixed assets in Loblaw includes prepayments that were made in 2020 and transferred from other assets in 2021 of \$1 million. In the first quarter of 2020, additions to fixed assets in Loblaw includes prepayments that were made in 2019 and transferred from other assets in 2020 of \$20 million.

Note 23. Related Party Transaction

VENTURE FUND During the second quarter of 2020, GWL, Loblaw and a wholly-owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington (the "Venture Fund"). A wholly-owned subsidiary of Wittington is the general partner of the Venture Fund, which hired an external fund manager to oversee the Venture Fund. The purpose of the Venture Fund is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have a 33% interest in the Venture Fund. The Company participates in the Venture Fund's Investment Committee which, among other items, approves the initial investments. The Company uses the equity method of accounting to record its consolidated 66% interest in the Venture Fund. The Company has a consolidated capital commitment of \$66 million over a 10-year period. During the first quarter of 2021, on a consolidated basis, the Company invested \$6 million in the Venture Fund recorded in Other Assets.

Note 24. Subsequent Events

INVESTMENT PROPERTY TRANSACTION Subsequent to the quarter end, Choice Properties acquired an 85% interest in approximately 300 developable acres of future industrial development land in Caledon, Ontario, for \$138 million. The purchase price comprised of a \$100 million cash payment and a commitment to pay the remaining \$38 million balance contingent on certain milestones being met over the development lifecycle.

Financial Summary⁽ⁱ⁾

As at or for the periods ended as indicated (\$ millions except where otherwise indicated)	12 Weeks Ended	
	Mar. 27, 2021	Mar. 21, 2020 ⁽ⁱⁱ⁾
Consolidated Operating Results		
Revenue	\$ 12,352	\$ 12,333
Operating income	830	598
Adjusted EBITDA ⁽ⁱⁱⁱ⁾	1,335	1,300
Depreciation and amortization ^(iv)	560	560
Net interest expense and other financing charges	546	(258)
Adjusted net interest expense and other financing charges ⁽ⁱⁱⁱ⁾	254	256
Income taxes	166	113
Adjusted income taxes ⁽ⁱⁱⁱ⁾	178	160
Net earnings	118	743
Net (loss) earnings attributable to shareholders of the Company	(52)	592
Net (loss) earnings available to common shareholders of the Company	(62)	582
Adjusted net earnings available to common shareholders of the Company ⁽ⁱⁱⁱ⁾	243	239
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents, short-term investments and security deposits	\$ 3,216	\$ 3,213
Cash flows from operating activities	911	1,764
Capital investments	236	286
Free cash flow ⁽ⁱⁱⁱ⁾	290	1,029
Total debt including lease liabilities	21,052	21,303
Total equity attributable to shareholders of the Company	7,559	8,161
Total equity	13,196	13,781
Consolidated Per Common Share (\$)		
Diluted net (loss) earnings per common share	\$ (0.41)	\$ 3.78
Adjusted diluted net earnings per common share ⁽ⁱⁱⁱ⁾	1.59	1.55
Consolidated Financial Measures and Ratios		
Adjusted EBITDA margin ⁽ⁱⁱⁱ⁾ (%)	10.8	10.5
Rolling year adjusted return on average equity attributable to common shareholders of the Company ⁽ⁱⁱⁱ⁾ (%)	14.8	16.7
Rolling year adjusted return on capital ⁽ⁱⁱⁱ⁾ (%)	10.3	10.6
Reportable Operating Segments		
Loblaws		
Revenue	\$ 11,872	\$ 11,800
Operating income	615	539
Adjusted EBITDA ⁽ⁱⁱⁱ⁾	1,216	1,163
Adjusted EBITDA margin ⁽ⁱⁱⁱ⁾ (%)	10.2	9.9
Depreciation and amortization ^(iv)	610	594
Choice Properties		
Revenue	\$ 327	\$ 325
Net interest expense and other financing charges	347	(256)
Net (loss) income	(62)	333
Funds from operations ⁽ⁱⁱⁱ⁾	171	171
Weston Foods		
Sales	\$ 472	\$ 535
Operating income	–	1
Adjusted EBITDA ⁽ⁱⁱⁱ⁾	34	52
Adjusted EBITDA margin ⁽ⁱⁱⁱ⁾ (%)	7.2	9.7
Depreciation and amortization ^(iv)	36	43

(i) For financial definitions and ratios refer to the Glossary beginning on page 170 of the Company's 2020 Annual Report.

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

(iii) See Section 9, "Non-GAAP Financial Measures" of the Company's 2021 First Quarter Management's Discussion and Analysis.

(iv) Depreciation and amortization for the calculation of EBITDA excludes \$117 million (2020 – \$119 million) of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation, recorded by Loblaws and nil (2020 – \$9 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

Corporate Profile

George Weston Limited (“GWL” or the “Company”) is a Canadian public company, founded in 1882. The Company operates through its three reportable operating segments, Loblaw Companies Limited (“Loblaw”), Choice Properties Real Estate Investment Trust (“Choice Properties”), and Weston Foods. Loblaw has two reportable operating segments, retail and financial services. Loblaw’s retail segment consists primarily of food retail and drug retail. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise and financial services. Choice Properties owns, manages and develops a high-quality portfolio of commercial retail, industrial, office and residential properties across Canada. Weston Foods is a North American bakery making bread, rolls, cupcakes, donuts, cookies, cakes, pies, cones and wafers, artisan baked goods and more.

Trademarks

GWL, Loblaw, Choice Properties and their respective subsidiaries own a number of trademarks. These trademarks are the exclusive property of GWL, Loblaw, Choice Properties and their respective subsidiary companies. Trademarks where used in this report are in italics.

Shareholder Information

Registrar and Transfer Agent

Computershare Investor Services Inc.
100 University Avenue
Toronto, Canada
M5J 2Y1

Toll free (Canada and U.S.): 1-800-564-6253
International direct dial: (514) 982-7555
Toll free fax: 1-888-453-0330
Fax: (416) 263-9394

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

Investor Relations

Shareholders, security analysts and investment professionals should direct their requests to Tara Speers, Senior Director, Investor Relations, at the Company’s Executive Office or by e-mail at investor@weston.ca.

Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (“SEDAR”). The Company holds an analyst call shortly following the release of its quarterly results. This call will be archived in the Investor Centre section of the Company’s website.

This Quarterly Report includes selected information on Loblaw, a public company with shares trading on the Toronto Stock Exchange (“TSX”). For information regarding Loblaw, readers should also refer to the materials filed by Loblaw on SEDAR from time to time. These filings are also maintained on Loblaw’s website at www.loblaw.ca. This Quarterly Report also includes selected information on Choice Properties, a public real estate investment trust with units trading on the TSX. For information regarding Choice Properties, readers should also refer to the materials filed by Choice Properties on SEDAR from time to time. These filings are also maintained on Choice Properties’ website at www.choicereit.ca.

First Quarter Conference Call and Webcast

George Weston Limited will host a conference call as well as an audio webcast on Tuesday, May 11, 2021 at 9:00 a.m. (ET). To access via tele-conference, please dial (647) 427-7450 or 1-888-231-8191. The playback will be available two hours after the event at (416) 849-0833 or 1-855-859-2056, passcode: 9786507#. To access via audio webcast, please visit the Investor Centre section of www.weston.ca.

Annual Meeting

The George Weston Limited Annual Meeting of Shareholders will be held on Tuesday, May 11, 2021 at 11:00 a.m. (ET). Due to the ongoing COVID-19 pandemic, the meeting will be held in a virtual meeting format only. Shareholders will be able to listen, participate and vote at the meeting in real time through a live webcast online at <https://web.lumiagm.com/439305643>. See “How do I attend and participate at the virtual Meeting?” in the Management Proxy Circular dated March 26, 2021, which can be viewed online at www.weston.ca or under George Weston Limited’s SEDAR profile at www.sedar.com, for detailed instructions on how to attend and vote at the meeting. Please refer to the “News and Events” page at www.weston.ca for additional details on the virtual meeting.

Pre-registration will be available.

Ce rapport est disponible en français.

GEORGE WESTON LIMITED

22 St. Clair Ave E.
Toronto, ON M4T 2S5

Tel: (416) 922-2500
www.weston.ca

