Q2 2021
Quarterly Report

24 Weeks Ended June 19, 2021

WESTON GEORGE WESTON LIMITED

ESTABLISHED 1882

Footnote Legend

(1) See Section 8, "Non-GAAP Financial Measures", of the Company's 2021 Second 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 9, "Forward-Looking Statements", of the Company's 2021 Second Quarter Management's Discussion and Analysis.

(4) Certain figures have been restated due to the non-GAAP financial measures policy change. See section 8.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's 2021 Second Quarter Management's Discussion and Analysis.

(5) Comparative figures have been restated to conform with current year presentation.

(6) Compound Average Growth Rate ("CAGR") is the measure of annualized growth over a period longer than one year. CAGR as disclosed in Section 2.1 "Loblaw Operating Results" of the Company's 2021 Second Quarter Management's Discussion and Analysis, is the mean annual growth rate over a two year period, 2019 to 2021.

Management's Discussion and Analysis

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 second 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 second 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 second quarter of 2021, the Company’s ownership interest in Loblaw was 52.6%, 61.7% 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, “Outlook” and Section 9, “Forward-Looking Statements” of this MD&A.

The information in this MD&A is current to July 29, 2021, unless otherwise noted.

At a Glance

Key Financial Highlights

As at or for the 12 weeks ended June 19, 2021 and June 13, 2020
($ millions except where otherwise indicated)

Consolidated

$ 12,931	+4.6% vs. Q2 2020	REVENUE
$ 1,056	+163.3% vs. Q2 2020	OPERATING INCOME
$ 1,489	+38.0% vs. Q2 2020[3]	ADJUSTED EBITDA[1]
11.5%	+280bps vs. Q2 2020[3]	ADJUSTED EBITDA MARGIN[1] (%)
$ 108	+142.4% vs. Q2 2020	NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS
$ 272	+95.7% vs. Q2 2020[3]	ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS[1]
$ 0.70	+142.2% vs. Q2 2020	DILUTED NET EARNINGS PER COMMON SHARE ($)
$ 1.78	+95.6% vs. Q2 2020[3]	ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE[1] ($)

GWL Corporate[2]

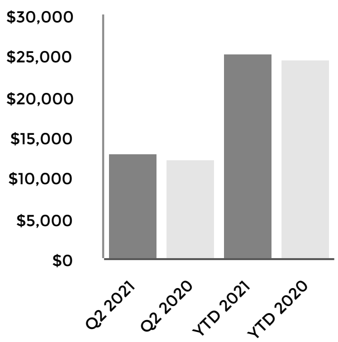
$ 108	+16.1% vs. Q2 2020	CASH FLOW FROM OPERATING BUSINESSES[1]
$ 259	+270.0% vs. Q2 2020	GWL CORPORATE FREE CASH FLOW[1]
$ 0.55	+4.8% vs. Q2 2020	QUARTERLY DIVIDENDS DECLARED PER SHARE ($)
11.7%	+220bps vs. Q2 2020[3]	ROLLING YEAR ADJUSTED RETURN ON CAPITAL[1] (%)

(1) See Section 8. "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 8.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's Second Quarter 2021 MD&A.

Key Performance Indicators

For the 12 weeks and 24 weeks ended June 19, 2021 and June 13, 2020
($ millions except where otherwise indicated)

REVENUE



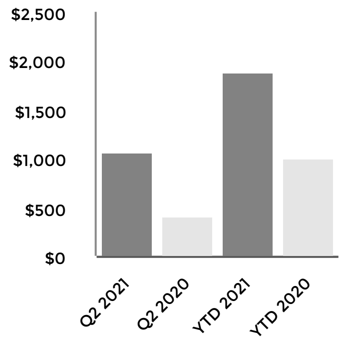
Q2 2021	**$ 12,931**	**+4.6%**
Q2 2020	$ 12,357	
YTD 2021	**$25,283**	**+2.4%**
YTD 2020	$24,690	

How we performed

Revenue increased in the second quarter of 2021 due to growth in Loblaw, Weston Foods and Choice Properties.

Year-to-date, the increase in revenue was due to growth in Loblaw and an increase in Choice Properties, partially offset by the decline in sales at Weston Foods mainly due to the unfavourable impact of foreign currency translation. Excluding foreign currency translation, Weston Foods sales increased nominally..

OPERATING INCOME



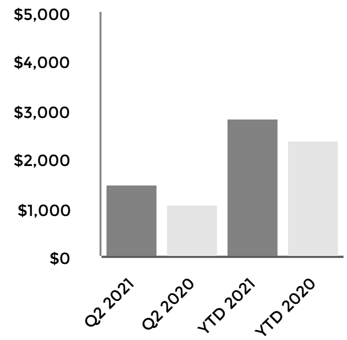
Q2 2021	**$ 1,056**	**+163.3%**
Q2 2020	$ 401	
YTD 2021	**$ 1,886**	**+88.8%**
YTD 2020	$ 999	

How we performed

Operating income increased in the second quarter of 2021 mainly due to the favourable year-over-year net impact of adjusting items and improvements in the underlying operating performance of Loblaw, Choice Properties and Weston Foods.

Year-to-date, the increase was due to the favourable year-over-year net impact of adjusting items and the improvements in the underlying operating performance of Loblaw and Choice Properties.

ADJUSTED EBITDA[(1)]



Q2 2021	**$ 1,489**	**+38.0%**
Q2 2020[(3)]	$ 1,079	
YTD 2021	**$ 2,824**	**+18.7%**
YTD 2020[(3)]	$ 2,379	

How we performed

Adjusted EBITDA[(1)] increased in the second quarter of 2021 mainly due to an increase in Loblaw, Choice Properties and Weston Foods.

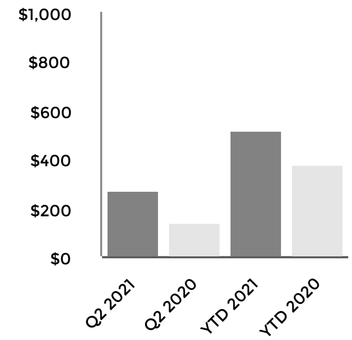
Year-to-date, the increase was primarily due to an increase in Loblaw and Choice Properties.

Adjusted EBITDA margin[(1)] in the second quarter of 2021 and year-to-date increased driven by an improvement in Loblaw retail adjusted gross profit percentage[(1)] and an improvement in selling, general and administrative ("SG&A") expenses as a percentage of sales due to lower COVID-19 related costs in Loblaw, Choice Properties and Weston Foods.

ADJUSTED EBITDA MARGIN[(1)] (%)

11.5%	**+280bps**
Q2 2021	vs. Q2 2020[(3)]
11.2%	**+160bps**
YTD 2021	vs. 2020[(3)]

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS[(1)]



Q2 2021	**$ 272**	**+95.7%**
Q2 2020[(3)]	$ 139	
YTD 2021	**$ 515**	**+36.2%**
YTD 2020[(3)]	$ 378	

How we performed

Adjusted net earnings available to common shareholders[(1)] increased in the second quarter of 2021 due to the improvement in the underlying operating performance at Loblaw, Choice Properties and Weston Foods.

Year-to-date, the increase was due to the improvement in the underlying operating performance at Loblaw and Choice Properties, partially offset by an increase in the adjusted effective tax rate[(1)].

Adjusted diluted net earnings per common share[(1)] increased in the second quarter and year-to-date due to the performance in adjusted net earnings available to common shareholders[(1)] and lower weighted average common shares due to share repurchases.

ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE[(1)] ($)

$ 1.78	**+95.6%**
Q2 2021	vs. Q2 2020[(3)]
$ 3.37	**+37.6%**
YTD 2021	vs. 2020[(3)]

(1) See Section 8., "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 8.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's Second Quarter 2021 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.

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Weston Foods adjusted EBITDA[1]	**$ 26**	$ 7	**$ 60**	$ 59
Weston Foods capital expenditures	**(26)**	(33)	**(39)**	(57)
Distributions from Choice Properties	**80**	54	**163**	136
Dividends from Loblaw	**61**	59	**61**	118
Weston Foods income taxes (paid) recovered	**(1)**	(1)	**(1)**	2
Other	**(32)**	7	**(59)**	(11)
GWL Corporate cash flow from operating businesses[1]	**$ 108**	$ 93	**$ 185**	$ 247
Proceeds from participation in Loblaw's Normal Course Issuer Bid	**172**	–	**338**	92
GWL Corporate and financing costs[i]	**(19)**	(20)	**(52)**	(48)
Income taxes paid	**(2)**	(3)	**(14)**	(7)
GWL Corporate free cash flow[1]	**$ 259**	$ 70	**$ 457**	$ 284

(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 and 24 weeks ended June 19, 2021 and June 13, 2020
($ millions except where otherwise indicated)

GWL CORPORATE[2] CASH FLOW FROM OPERATING BUSINESSES[1]

$ 108 **+16.1%**
Q2 2021 vs. Q2 2020

$ 185 **-25.1%**
YTD 2021 vs. 2020

How we performed

Increase in the second quarter of 2021 was primarily due to an improvement in Weston Foods underlying operating performance and higher distributions from Choice Properties due to timing, partially offset by unfavourable changes in non-cash working capital recorded in Other.

Decrease year-to-date was primarily due to lower dividends from Loblaw due to timing, unfavourable changes in non-cash working capital recorded in Other, partially offset by higher distributions from Choice Properties due to timing and lower Weston Foods' capital expenditures.

GWL CORPORATE[2] FREE CASH FLOW[1]

$ 259 **+270.0%**
Q2 2021 vs. Q2 2020

$ 457 **+60.9%**
YTD 2021 vs. 2020

How we performed

Increase in the second quarter of 2021 was primarily due to higher proceeds from participation in Loblaw's Normal Course Issuer Bid and increases in cash flows from operating businesses.

Increase year-to-date was primarily due to higher proceeds from participation in Loblaw's Normal Course Issuer Bid, partially offset by decreases in cash flows from operating businesses.

GWL CORPORATE[2] NET DEBT

$ 33 **-89.4%**
Q2 2021 vs. Q2 2020

$ 312
Q2 2020

How we performed

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

The settlement of the net debt associated with the equity forward sale agreement was offset by reduction in cash and had no impact on GWL Corporate[2] net debt. See Section 3.3, "Components of Total Debt" of this MD&A for details.

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 delivered strong financial performance in the second quarter of 2021. Revenue growth continued despite lapping the unprecedented demand in the previous year from stockpiling by consumers at the start of COVID-19. Consolidated gross margin improved significantly, reflecting a heightened focus on the core retail business, including promotional effectiveness and cost controls. Loblaw maintained its focus on delivering value and quality to its customers in a safe shopping environment and is well-positioned to meet the evolving needs of customers as pandemic restrictions lift and economies re-open.

Choice Properties generated solid results in the second quarter of 2021, collecting 98% of contractual rents despite continued regional lockdowns across Canada. Choice Properties continued to advance its development initiatives, drive meaningful net asset value appreciation and improve its balance sheet. Net asset value per unit increased by 3.6% driven primarily by gains from the industrial portfolio, 149,000 square feet of new gross leasable area was transferred to income-producing assets, and Choice Properties lowered its leverage ratio through the early repayment of $200 million of debentures.

Weston Foods delivered much improved financial results in the second quarter of 2021 compared to the same quarter in 2020. Sales grew in foodservice and retail as government-mandated lockdowns were lifted in many regions of Canada and the United States. In addition to the increase in sales, lower pandemic-related costs and continued productivity improvements contributed to the year-over-year earnings growth. In the second quarter, Weston Foods was faced with higher-than-expected input, labour and distribution costs. The higher costs, together with labour availability challenges, negatively impacted sales and earnings. These factors were primarily the result of a surge in global demand for consumer goods as economies began to reopen following the lifting of many lockdown restrictions. Weston Foods has taken steps, including pricing, to help mitigate the impact of cost inflation, and expects the labour availability challenges will ease over time. The business is well-positioned to meet the increasing demand from its customers and continue to offer superior products and services.

The Company's results reflect:

- the impact of COVID-19. Also refer to Section 2, "Results of Reportable Operating Segments" and Section 7, "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 Jun. 19, 2021	Jun. 13, 2020[4]	$ Change	% Change	24 Weeks Ended Jun. 19, 2021	Jun. 13, 2020[4]	$ Change	% Change
Revenue	**$ 12,931**	**$ 12,357**	**$ 574**	**4.6%**	**$ 25,283**	**$ 24,690**	**$ 593**	**2.4%**
Operating income	**$ 1,056**	**$ 401**	**$ 655**	**163.3%**	**$ 1,886**	**$ 999**	**$ 887**	**88.8%**
Adjusted EBITDA[1]	**$ 1,489**	$ 1,079	$ 410	38.0%	**$ 2,824**	$ 2,379	$ 445	18.7%
Adjusted EBITDA margin[1]	**11.5%**	8.7%			**11.2%**	9.6%		
Depreciation and amortization[i]	**$ 573**	**$ 566**	**$ 7**	**1.2%**	**$ 1,133**	**$ 1,126**	**$ 7**	**0.6%**
Net interest expense and other financing charges	**$ 503**	**$ 521**	**$ (18)**	**(3.5)%**	**$ 1,049**	**$ 263**	**$ 786**	**298.9%**
Adjusted net interest expense and other financing charges[1]	**$ 257**	$ 267	$ (10)	(3.7)%	**$ 511**	$ 523	$ (12)	(2.3)%
Income taxes	**$ 199**	**$ 52**	**$ 147**	**282.7%**	**$ 365**	**$ 165**	**$ 200**	**121.2%**
Adjusted income taxes[1]	**$ 216**	$ 108	$ 108	100.0%	**$ 394**	$ 268	$ 126	47.0%
Adjusted effective tax rate[1]	**27.8%**	28.9%			**27.9%**	27.2%		
Net earnings (loss) attributable to shareholders of the Company	**$ 118**	**$ (245)**	**$ 363**	**148.2%**	**$ 66**	**$ 347**	**$ (281)**	**(81.0)%**
Net earnings (loss) available to common shareholders of the Company	**$ 108**	**$ (255)**	**$ 363**	**142.4%**	**$ 46**	**$ 327**	**$ (281)**	**(85.9)%**
Adjusted net earnings available to common shareholders of the Company[1]	**$ 272**	$ 139	$ 133	95.7%	**$ 515**	$ 378	$ 137	36.2%
Diluted net earnings (loss) per common share ($)	**$ 0.70**	**$ (1.66)**	**$ 2.36**	**142.2%**	**$ 0.28**	**$ 2.12**	**$ (1.84)**	**(86.8)%**
Adjusted diluted net earnings per common share[1] ($)	**$ 1.78**	$ 0.91	$ 0.87	95.6%	**$ 3.37**	$ 2.45	$ 0.92	37.6%

(i) Depreciation and amortization includes $117 million (2020 – $118 million) in the second quarter of 2021 and $234 million (2020 – $237 million) year-to-date of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation, recorded by Loblaw and $10 million and $19 million in the second quarter and year-to-date of 2020, respectively, 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 second quarter of 2021, the Company recorded net earnings available to common shareholders of the Company of $108 million ($0.70 per common share), an increase of $363 million ($2.36 per common share) compared to the same period in 2020. The increase was due to the favourable year-over-year net impact of adjusting items totaling $230 million ($1.49 per common share) and an improvement of $133 million ($0.87 per common share) in the consolidated underlying operating performance of the Company described below.

- The favourable year-over-year net impact of adjusting items totaling $230 million ($1.49 per common share) was primarily due to:
  - the favourable year-over-year impact of the fair value adjustment on investment properties of $203 million ($1.33 per common share) primarily driven by Choice Properties, net of consolidation adjustments in Other and Intersegment; and

  - the favourable year-over-year impact of the fair value adjustment of the Trust Unit liability of $69 million ($0.44 per common share) as a result of the increase in Choice Properties' unit price in the second quarter of 2021;

  partially offset by,
  - the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement of Loblaw common shares of $52 million ($0.34 per common share).

- The improvement in the Company's consolidated underlying operating performance of $133 million ($0.87 per common share) was due to:
  - the favourable underlying operating performance of Loblaw, Choice Properties and Weston Foods;

  partially offset by,
  - an increase in depreciation and amortization.

- Diluted net earnings per common share also included the favourable impact of shares purchased for cancellation in the fourth quarter of 2020 and in the first and second quarters of 2021.

Adjusted net earnings available to common shareholders of the Company[1] were $272 million, an increase of $133 million, or 95.7%, 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 $1.78 per common share in the second quarter of 2021, an increase of $0.87 per common share, or 95.6%, 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.

Year-to-date net earnings available to common shareholders of the Company were $46 million ($0.28 per common share), a decrease of $281 million ($1.84 per common share), or 85.9%, compared to the same period in 2020. The decrease was due to the unfavourable year-over-year net impact of adjusting items totaling $418 million ($2.76 per common share), partially offset by an improvement in the Company's consolidated underlying operating performance of $137 million ($0.92 per common share) described below.

- The unfavourable year-over-year net impact of adjusting items totaling $418 million ($2.76 per common share) was primarily due to:
  - the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of $674 million ($4.42 per common share) as a result of the significant increase in Choice Properties' unit price during 2021; and
  - the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement of Loblaw common shares of $107 million ($0.70 per common share);

  partially offset by,
  - the favourable year-over-year impact of the fair value adjustment on investment properties of $326 million ($2.14 per common share) primarily driven by Choice Properties, net of consolidation adjustments in Other and Intersegment; and
  - the favourable year-over-year impact of restructuring and other related costs of $30 million ($0.19 per common share).

- The improvement in the Company's consolidated underlying operating performance of $137 million ($0.92 per common share) was due to:
  - the favourable underlying operating performance of Loblaw; and
  - the favourable underlying operating performance of Choice Properties;

  partially offset by,
  - an increase in the adjusted effective tax rate[1] primarily attributable to an increase in tax expense as a result of GWL's participation in Loblaw's Normal Course Issuer Bid ("NCIB") program"; and
  - an increase in depreciation and amortization.

- Diluted net earnings per common share also included the favourable impact of shares purchased for cancellation in the fourth quarter of 2020 and in the first and second quarters of 2021.

Year-to-date adjusted net earnings available to common shareholders of the Company[1] were $515 million ($3.37 per common share), an increase of $137 million, or 36.2%, compared to the same period of 2020, due to the improvement in the Company's consolidated underlying operating performance described above. Adjusted diluted net earnings per common share[1] was $3.37 per common share in the second quarter of 2021, an increase of $0.92 per common share, or 37.6%, 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)	12 Weeks Ended				24 Weeks Ended			
For the periods ended as indicated	**Jun. 19, 2021**	Jun. 13, 2020	$ Change	% Change	**Jun. 19, 2021**	Jun. 13, 2020	$ Change	% Change
Loblaw	**$ 12,491**	$ 11,957	$ 534	4.5%	**$ 24,363**	$ 23,757	$ 606	2.6%
Choice Properties	**$ 324**	$ 315	$ 9	2.9%	**$ 651**	$ 640	$ 11	1.7%
Weston Foods	**$ 431**	$ 412	$ 19	4.6%	**$ 903**	$ 947	$ (44)	(4.6)%
Other and Intersegment	**$ (315)**	$ (327)			**$ (634)**	$ (654)		
Consolidated	**$ 12,931**	$ 12,357	$ 574	4.6%	**$ 25,283**	$ 24,690	$ 593	2.4%

Revenue in the second quarter of 2021 was $12,931 million, an increase of $574 million, or 4.6%, compared to the same period in 2020. The increase in revenue in the second quarter of 2021 was impacted by each of its reportable operating segments as follows:

- Positively by 4.3% due to revenue growth of 4.5% at Loblaw, primarily driven by an increase in retail sales and an improvement in financial services revenue. Retail sales increased by $514 million, or 4.4%, compared to the same period in 2020. The increase was primarily due to drug retail same-store sales growth of 9.6% and a net increase in retail square footage. Food retail same-store sales declined by 0.1% for the quarter. The decline was mainly driven by lapping the strong surge in sales in the second quarter of 2020. Food retail basket size decreased and traffic increased in the quarter, as compared to the second quarter of 2020; Loblaw's food retail average article price was higher by 1.4% (2020 – 4.6%), which reflected the year-over-year growth in food retail revenue over the average number of articles sold in Loblaw's stores in the quarter.

- Positively by 0.1% due to growth in revenue of 2.9% at Choice Properties. The increase of $9 million was mainly due to the net contribution from acquisitions and development transfers completed in 2020 and 2021 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.

- Positively by 0.2% due to growth in sales of 4.6% at Weston Foods. Sales included the unfavourable impact of foreign currency translation of approximately 7.5%. Excluding the unfavourable impact of foreign currency translation, sales increased by 12.1% primarily due to lapping the negative impact of the COVID-19 pandemic in the second quarter of 2020. Sales were impacted by an increase in volumes in foodservice and retail categories, partially offset by the unfavourable impact of changes in sales mix.

Year-to-date revenue was $25,283 million, an increase of $593 million, or 2.4%, compared to the same period in 2020. The increase in revenue was impacted by each of the Company's reportable operating segments as follows:

- Positively by 2.5% due to revenue growth of 2.6% at Loblaw, primarily driven by an increase in retail sales and an improvement in financial services revenue. Retail sales increased by $600 million, or 2.6%, compared to the same period in 2020. The increase was primarily due to drug retail same-store sales growth of 3.8%, and a net increase in retail square footage. Food retail same-store sales remained flat as a result of the strong surge in sales in the same period of 2020.

- Positively by a nominal amount due to an increase in revenue of 1.7% at Choice Properties. The increase of $11 million was mainly due to the net contribution from acquisitions and development transfers completed in 2020 and 2021 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 0.2% due to a decrease of 4.6% in sales of $44 million at Weston Foods. Sales included the unfavourable impact of foreign currency translation of approximately 4.7%. Excluding the unfavourable impact of foreign currency translation, sales increased by 0.1% driven by an increase in volumes primarily due to lapping the negative impact that the pandemic had on sales in the same period last year, partially offset by the unfavourable impact of changes in sales mix. Sales volumes increased in foodservice, partially offset by a decrease in volumes in retail and in Girl Scout cookie sales due to the COVID-19 pandemic and restrictions on in-person sales in 2021.

Management's Discussion and Analysis

OPERATING INCOME

($ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended **Jun. 19, 2021**	Jun. 13, 2020	$ Change	% Change	24 Weeks Ended **Jun. 19, 2021**	Jun. 13, 2020	$ Change	% Change
Loblaw	**$ 750**	$ 402	$ 348	86.6%	**$ 1,365**	$ 941	$ 424	45.1%
Choice Properties	**$ 503**	$ (29)	$ 532	1,834.5%	**$ 788**	$ 48	$ 740	1,541.7%
Weston Foods	**$ (6)**	$ (49)	$ 43	87.8%	**$ (6)**	$ (48)	$ 42	87.5%
Other and Intersegment	**$ (191)**	$ 77			**$ (261)**	$ 58		
Consolidated	**$ 1,056**	$ 401	$ 655	163.3%	**$ 1,886**	$ 999	$ 887	88.8%

Operating income in the second quarter of 2021 was $1,056 million compared to $401 million in the same period in 2020, an increase of $655 million, or 163.3%. The increase was mainly attributable to the favourable year-over-year net impact of adjusting items totaling $263 million, and the improvement in underlying operating performance of $392 million described below:

- the favourable year-over-year net impact of adjusting items totaling $263 million was primarily due to:
  - the favourable year-over-year impact of the fair value adjustment of investment properties of $242 million; and
  - the favourable year-over-year impact of restructuring and other related costs of $20 million.

- the improvement in underlying operating performance of $392 million was due to:
  - the favourable underlying operating performance of Loblaw due to the improvements in retail and financial services;
  - the favourable underlying operating performance of Choice Properties; and
  - the favourable underlying operating performance of Weston Foods;

  partially offset by,
  - an increase in depreciation and amortization mainly at Loblaw.

Year-to-date operating income was $1,886 million compared to $999 million in the same period in 2020, an increase of $887 million, or 88.8%. The increase was mainly attributable to the favourable year-over-year net impact of adjusting items totaling $471 million and the improvement in underlying operating performance of $416 million described below:

- the favourable year-over-year net impact of adjusting items totaling $471 million was primarily due to:
  - the favourable year-over-year impact of the fair value adjustment of investment properties of $390 million;
  - the favourable year-over-year impact of restructuring and other related costs of $47 million; and
  - the favourable year-over-year impact of the fair value adjustment of derivatives of $30 million.

- the improvement in underlying operating performance of $416 million was due to:
  - the favourable underlying operating performance of Loblaw due to the improvements in retail and financial services; and
  - the favourable underlying operating performance of Choice Properties;

  partially offset by,
  - an increase in depreciation and amortization mainly at Loblaw.

ADJUSTED EBITDA[1]

($ millions except where otherwise indicated)	12 Weeks Ended				24 Weeks Ended			
For the periods ended as indicated	**Jun. 19, 2021**	Jun. 13, 2020[4]	$ Change	% Change	**Jun. 19, 2021**	Jun. 13, 2020[4]	$ Change	% Change
Loblaw	**$ 1,369**	$ 1,006	$ 363	36.1%	**$ 2,585**	$ 2,169	$ 416	19.2%
Choice Properties	**$ 223**	$ 201	$ 22	10.9%	**$ 448**	$ 428	$ 20	4.7%
Weston Foods	**$ 26**	$ 7	$ 19	271.4%	**$ 60**	$ 59	$ 1	1.7%
Other and Intersegment	**$ (129)**	$ (135)			**$ (269)**	$ (277)		
Consolidated	**$ 1,489**	$ 1,079	$ 410	38.0%	**$ 2,824**	$ 2,379	$ 445	18.7%

Adjusted EBITDA[1] in the second quarter of 2021 was $1,489 million compared to $1,079 million in the same period in 2020, an increase of $410 million, or 38.0%. The increase in adjusted EBITDA[1] was impacted by each of the Company's reportable operating segments as follows:

- Positively by 33.6% due to an increase of 36.1% in adjusted EBITDA[1] at Loblaw, driven by improvements in Loblaw retail and Loblaw financial services, The improvements in Loblaw retail were driven by higher retail gross profit and a favourable decrease in selling, general and administrative expenses ("SG&A").
- Positively by 2.0% due to an increase of 10.9% in adjusted EBITDA[1] at Choice Properties, primarily driven by a decline in expected credit loss provisions including a non-recurring allowance for expected credit losses on a specific mortgage receivable incurred in the second quarter of 2020, and the increase in revenue described above.
- Positively by 1.8% due to an increase of 271.4% in adjusted EBITDA[1] at Weston Foods driven by the increase in sales described above, a decrease in COVID-19 related expenses and productivity improvements, partially offset by higher input, labour and distribution costs.

Year-to-date adjusted EBITDA[1] was $2,824 million compared to $2,379 million in the same period in 2020, an increase of $445 million, or 18.7%. The increase in adjusted EBITDA[1] was impacted by each of the Company's reportable operating segments as follows:

- Positively by 17.5% due to an increase of 19.2% in adjusted EBITDA[1] at Loblaw driven by an increase in Loblaw retail, and Loblaw financial services. The increase in Loblaw retail adjusted EBITDA[1] was driven by an increase in retail gross profit, partially offset by an increase in retail SG&A.
- Positively by 0.8% due to an increase of 4.7% in adjusted EBITDA[1] at Choice Properties, primarily driven by a decline in expected credit loss provisions including a non-recurring allowance for expected credit losses on a specific mortgage receivable incurred in the second quarter of 2020, and the increase in revenue described above.
- Positively by a nominal amount due to an increase of 1.7% in adjusted EBITDA[1] at Weston Foods driven by a decrease in COVID-19 related expenses, productivity improvements, and other cost savings initiatives, partially offset by higher input costs.

DEPRECIATION AND AMORTIZATION

($ millions except where otherwise indicated)	12 Weeks Ended				24 Weeks Ended			
For the periods ended as indicated	**Jun. 19, 2021**	Jun. 13, 2020	$ Change	% Change	**Jun. 19, 2021**	Jun. 13, 2020	$ Change	% Change
Loblaw	**$ 614**	$ 598	$ 16	2.7%	**$ 1,224**	$ 1,192	$ 32	2.7%
Choice Properties	**$ 1**	$ –	$ 1	100.0%	**$ 2**	$ 1	$ 1	100.0%
Weston Foods	**$ 33**	$ 44	$ (11)	(25.0)%	**$ 69**	$ 87	$ (18)	(20.7)%
Other and Intersegment	**$ (75)**	$ (76)			**$ (162)**	$ (154)		
Consolidated	**$ 573**	$ 566	$ 7	1.2%	**$ 1,133**	$ 1,126	$ 7	0.6%

Depreciation and amortization in the second quarter of 2021 was $573 million, an increase of $7 million compared to the same period in 2020. Year-to-date depreciation and amortization was $1,133 million, an increase of $7 million compared to the same period in 2020.

Depreciation and amortization in the second quarter and year-to-date included $117 million (2020 – $118 million) and $234 million (2020 – $237 million), respectively, of amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") recorded by Loblaw and $10 million and $19 million in the second quarter and year-to-date of 2020, respectively, of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs. Excluding these amounts, depreciation and amortization increased in the second quarter and year-to-date by $18 million and $29 million, respectively, primarily driven by an increase in depreciation of information technology ("IT") and leased assets at Loblaw and an increase in depreciation in Loblaw financial services due to the launch of the *PC Money* Account.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES

($ millions except where otherwise indicated)	12 Weeks Ended				24 Weeks Ended			
For the periods ended as indicated	**Jun. 19, 2021**	Jun. 13, 2020	$ Change	% Change	**Jun. 19, 2021**	Jun. 13, 2020	$ Change	% Change
Net interest expense and other financing charges	**$ 503**	$ 521	$ (18)	(3.5)%	**$ 1,049**	$ 263	$ 786	298.9%
Add: Fair value adjustment of the Trust Unit liability	**(188)**	(257)	69	26.8%	**(427)**	247	(674)	(272.9)%
Fair value adjustment of the forward sale agreement for Loblaw common shares	**(58)**	3	(61)	(2,033.3)%	**(111)**	13	(124)	(953.8)%
Adjusted net interest expense and other financing charges(1)	**$ 257**	$ 267	$ (10)	(3.7)%	**$ 511**	$ 523	$ (12)	(2.3)%

Net interest expense and other financing charges in the second quarter of 2021 were $503 million, a decrease of $18 million compared to the same period in 2020. The decrease was primarily due to the year-over-year impact of adjusting items totaling $8 million itemized in the table above, and a decrease in adjusted net interest expense and other financing charges(1) of $10 million. Included in the adjusting items was the favourable year-over-year fair value adjustment of the Trust Unit liability of $69 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 $10 million. The decrease was primarily driven by:

- a reduction in interest expense from lease liabilities at Loblaw;
- lower interest expense at Loblaw financial services; and
- a decrease in interest expense in the Choice Properties segment primarily due to early redemption premiums for two senior unsecured debentures that were repaid in the second quarter of 2020, 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 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.

Year-to-date net interest expense and other financing charges were $1,049 million, an increase of $786 million compared to the same period in 2020. The increase was primarily due to the unfavourable year-over-year net impact of adjusting items totaling $798 million, itemized in the table above, partially offset by a decrease in adjusted net interest expense and other financing charges[1] of $12 million. Included in the adjusting items was the unfavourable year-over-year fair value adjustment of the Trust Unit liability of $674 million, as a result of the significant increase in Choice Properties' unit price during 2021.

Year-to-date adjusted net interest expense and other financing charges[1] decreased by $12 million. The decrease was primarily driven by:

- a reduction in interest expense from lease liabilities at Loblaw:
- lower interest expense at Loblaw financial services; and
- a decrease in interest expense in the Choice Properties segment primarily due to early redemption premiums for two senior unsecured debentures that were repaid in the second quarter of 2020;

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 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 Exchangeable Units in the fourth quarter of 2020.

INCOME TAXES

($ millions except where otherwise indicated)	12 Weeks Ended				24 Weeks Ended			
For the periods ended as indicated	**Jun. 19, 2021**	Jun. 13, 2020[4]	$ Change	% Change	**Jun. 19, 2021**	Jun. 13, 2020[4]	$ Change	% Change
Income taxes	**$ 199**	$ 52	$ 147	**282.7%**	**$ 365**	$ 165	$ 200	**121.2%**
Add: Tax impact of items excluded from adjusted earnings before taxes[1][i]	**17**	52	**(35)**	**(67.3)%**	**45**	113	**(68)**	**(60.2)%**
Outside basis difference in certain Loblaw shares	**–**	4	**(4)**	**(100.0)%**	**(16)**	(10)	**(6)**	**(60.0)%**
Adjusted income taxes[1]	**$ 216**	$ 108	$ 108	**100.0%**	**$ 394**	$ 268	$ 126	**47.0%**
Effective tax rate applicable to earnings before taxes	**36.0%**	(43.3)%			**43.6%**	22.4%		
Adjusted effective tax rate applicable to adjusted earnings before taxes[1]	**27.8%**	28.9%			**27.9%**	27.2%		

(i) See the adjusted EBITDA[1] table and the adjusted net interest expense and other financing charges[1] table included in Section 8, "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 second quarter of 2021 was 36.0%, compared to (43.3)% in the same period in 2020. The increase was primarily attributable to the quarter-over-quarter impact of the non-taxable fair value adjustment of the Trust Unit liability, the impact of certain other non-deductible items, and the impact of negative earnings before taxes reported in the second quarter of 2020.

The adjusted effective tax rate[1] for the second quarter of 2021 was 27.8%, compared to 28.9% in the same period in 2020. The decrease was primarily attributable to the timing of the impact of certain other non-deductible items.

The year-to-date effective tax rate was 43.6%, compared to 22.4% in the same period in 2020. The increase was primarily attributable to the year-over-year impact of the non-taxable fair value adjustment of the Trust Unit liability and 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 program, partially offset by the impact of certain other non-deductible items.

The year-to-date adjusted effective tax rate[1] was 27.9%, compared to 27.2% in the same period in 2020. The increase was primarily attributable to 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 program, partially offset by 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 May 13, 2021, the Supreme Court heard the Crown's appeal, reserving judgment until a later date. 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 $75 million and $128 million in the second quarter of 2021 and year-to-date, respectively (2020 - $315 million and $347 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)	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Loblaw[(i)]	**$ 70**	$ 282	**$ 118**	$ 314
Choice Properties[(ii)]	**2**	15	**3**	15
Weston Foods	**3**	18	**7**	18
Consolidated	**$ 75**	$ 315	**$ 128**	$ 347

(i) Loblaw's COVID-19 related costs included $25 million and $180 million related to one-time bonuses and benefits for store and distribution centre colleagues in the second quarters of 2021 and 2020, respectively.
(ii) Choice Properties recorded a provision of $2 million (2020 - $15 million) and $3 million (2020 - $15 million) in the second quarter of 2021 and year-to-date, respectively, for certain past due amounts, reflecting increased collectability risk and negotiated rent abatements.

Refer to Section 7. "Outlook" of this MD&A for more information.

GWL CORPORATE(2) FINANCING ACTIVITIES The Company completed the following financing activities during the second quarter of 2021. The cash impacts of these activities are set out below:

(unaudited) ($ millions)	12 Weeks Ended **Jun. 19, 2021**	 Jun. 13, 2020	24 Weeks Ended **Jun. 19, 2021**	 Jun. 13, 2020
Net Debt Associated with Equity Forward Sale Agreement	**$ (53)**	$ –	**$ (53)**	$ –
GWL's Normal Course Issuer Bid ("NCIB") - Purchased and cancelled(i)(ii)	**(141)**	–	**(166)**	–
GWL's Participation in Loblaw's NCIB(iii)	**172**	–	**338**	92
Net Cash Flow (Used in) From Above Activities	**$ (22)**	$ –	**$ 119**	$ 92

(i) $30 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the first quarter of 2021 was paid in the second quarter of 2021.

(ii) $26 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the second quarter of 2021 was paid in the third quarter of 2021.

(iii) $15 million of cash consideration received related to Loblaw common shares sold during the first quarter of 2021 was paid in the second quarter of 2021.

Net Debt Associated with Equity Forward Sale Agreement In the second quarter of 2021, the Company partially settled the net debt associated with the equity forward sale agreement by paying approximately $53 million net of the $43 million gain on the settlement of 0.75 million of the 9.6 million shares under the equity forward sale agreement to redeem 7.8% of the Series A Debentures and Series B Debentures, including accrued interest. As a result of the transaction, the Company redeemed $36 million of the Series A Debentures and $60 million of the Series B Debentures.

Subsequent to quarter end, the Company paid an additional $363 million to further reduce the net debt associated with the equity forward sale agreement. In aggregate, the Company has paid $416 million to settle approximately 57% of the net debt, representing 5.48 million of the 9.6 million Loblaw common shares. In 2021, the Company expects to eliminate the remaining balance using cash. Upon completion, the full 9.6 million shares will be included in determining the Company's beneficial and voting interest in Loblaw.

Refer to Section 3.3, "Components of Total Debt" of this MD&A for more information.

GWL'S NCIB - Purchased and Cancelled Shares In the second quarter of 2021, the Company purchased and cancelled 1.2 million shares under its Normal Course Issuer Bid program. At the end of the quarter, the Company had 150,600,742 shares outstanding.

In the second quarter of 2021, the Company entered into an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. Subsequent to quarter end, the Company purchased and cancelled approximately $130 million of its common shares under its ASPP.

Refer to Section 3.6, "Share Capital" of this MD&A for more information.

GWL'S Participation in Loblaw's NCIB Commencing in the first quarter of 2020, the Company began participating in Loblaw's NCIB program in order to maintain its proportionate percentage ownership. During the second quarter of 2021, GWL received proceeds of $172 million from the sale of Loblaw shares.

2. Results of Reportable Operating Segments

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

2.1 Loblaw Operating Results

($ millions except where otherwise indicated)	12 Weeks Ended				24 Weeks Ended			
For the periods ended as indicated	**Jun. 19, 2021**	Jun. 13, 2020(4)	$ Change	% Change	**Jun. 19, 2021**	Jun. 13, 2020(4)	$ Change	% Change
Revenue	**$ 12,491**	$ 11,957	$ 534	4.5%	**$ 24,363**	$ 23,757	$ 606	2.6%
Operating income	**$ 750**	$ 402	$ 348	86.6%	**$ 1,365**	$ 941	$ 424	45.1%
Adjusted EBITDA(1)	**$ 1,369**	$ 1,006	$ 363	36.1%	**$ 2,585**	$ 2,169	$ 416	19.2%
Adjusted EBITDA margin(1)	**11.0%**	8.4%			**10.6%**	9.1%		
Depreciation and amortization(i)	**$ 614**	$ 598	$ 16	2.7%	**$ 1,224**	$ 1,192	$ 32	2.7%

(i) Depreciation and amortization in the second quarter of 2021 includes $117 million (2020 – $118 million) and $234 million (2020 – $237 million) year-to-date of amortization of intangible assets acquired with Shoppers Drug Mart.

REVENUE Loblaw revenue in the second quarter of 2021 was $12,491 million, an increase of $534 million, or 4.5%, compared to the same period in 2020, driven by an increase in retail sales and an improvement in financial services revenue.

Retail sales increased by $514 million, or 4.4%, compared to the same period in 2020 and included food retail sales of $8,878 million (2020 – $8,747 million) and drug retail sales of $3,404 million (2020 – $3,021 million). The increase was primarily driven by the following factors:

- food retail same-store sales declined by 0.1% for the quarter. The decline was mainly driven by lapping the strong surge in sales in the second quarter of 2020. The two year food retail sales Compound Annual Growth Rate ("CAGR")(6) was 6.3%. Food retail basket size decreased and traffic increased in the quarter, as compared to the second quarter of 2020;
- Loblaw's food retail average article price was higher by 1.4% (2020 – 4.6%), which reflected the year-over-year growth in food retail revenue over the average number of articles sold in Loblaw's stores in the quarter; and
- drug retail same-store sales grew by 9.6% for the quarter. Pharmacy same-store sales growth benefited from the lapping of government mandated 30-day supply restrictions in the second quarter of the prior year. Pharmacy same-store sales growth was 17.2% and front store same-store sales increased by 3.6%. The two year drug retail sales CAGR(6) was 5.7%.

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 0.5 million square feet, or 0.7%.

Financial services revenue in the second quarter of 2021 increased by $39 million compared to the same period in 2020. The increase was primarily driven by higher sales attributable to *The Mobile Shop* due to the temporary partial shutdown of *The Mobile Shop* kiosks in the second quarter of 2020 and higher interchange income from an increase in customer spending. This was partially offset by lower interest income attributable to lower average credit card receivables.

On a year-to-date basis, Loblaw revenue was $24,363 million, an increase of $606 million, or 2.6%, compared to the same period in 2020, primarily driven by an increase in retail sales and an improvement in financial services revenue.

Retail sales were $23,952 million, an increase of $600 million, or 2.6%, compared to the same period in 2020 and included food retail sales of $17,357 million (2020 – $17,079 million) and drug retail sales of $6,595 million (2020 – $6,273 million). Food retail same-store sales remained flat as a result of the strong surge in sales in the same period of 2020. The two year food retail sales CAGR(6) was 6.3%. Year-to-date drug retail same-store sales growth was 3.8%, with pharmacy same-store sales growth of 10.0% and front store sale decline of 1.4%. The two year drug retail sales CAGR(6) was 5.0%.

Year-to-date financial services revenue increased by $26 million compared to the same period in 2020, primarily driven by higher sales attributable to *The Mobile Shop* due to the temporary partial shutdown of *The Mobile Shop* kiosks in the second quarter of 2020 and higher interchange income from an increase in customer spending. This was partially offset by lower interest income and credit card related fees attributable to lower average credit card receivables.

OPERATING INCOME Loblaw operating income in the second quarter of 2021 was $750 million, an increase of $348 million, or 86.6%, compared to the same period in 2020. The increase included an improvement in underlying operating performance of $346 million and the favourable year-over-year net impact of adjusting items totaling $2 million, as described below:

- the improvement in underlying operating performance of $346 million was primarily due to the improvement in underlying operating performance of retail driven by an increase in retail gross profit and a decrease in SG&A which was partially offset by an increase in depreciation and amortization, and the improvement in the underlying operating performance of financial services;
- the favourable year-over-year net impact of adjusting items totaling $2 million was primarily due to the favourable year-over-year impact of restructuring and other related costs of $1 million.

Year-to-date Loblaw operating income was $1,365 million, an increase of $424 million, or 45.1%, compared to the same period in 2020. The increase included the improvement in underlying operating performance of $381 million and the favourable year-over-year net impact of adjusting items totaling $43 million, as described below:

- the improvement in underlying operating performance of $381 million was primarily due to the improvement in underlying operating performance of retail driven by an increase in retail gross profit, partially offset by an increase in SG&A and depreciation and amortization, and the improvement in the underlying operating performance of financial services;
- the favourable year-over-year net impact of adjusting items totaling $43 million was primarily due to:
  - the favourable year-over-year impact of the fair value adjustment of derivatives of $23 million;
  - the favourable year-over-year impact of restructuring and other related costs of $12 million; and
  - the favourable impact of a net gain on sale of non-operating properties of $5 million.

ADJUSTED EBITDA[1] Loblaw adjusted EBITDA[1] in the second quarter of 2021 was $1,369 million, an increase of $363 million, or 36.1%, compared to the same period in 2020. The increase was primarily due to an improvement in retail of $347 million and an increase in financial services of $16 million.

Retail adjusted EBITDA[1] in the second quarter of 2021 increased by $347 million driven by an increase in retail gross profit and a favourable decrease in SG&A.

- Retail gross profit percentage of 30.9% increased by 130 basis points compared to the same period in 2020 from favourable changes in sales mix in both food retail and drug retail and underlying improvements in business initiatives.
- Retail SG&A as a percentage of sales was 20.2%, a decrease of 120 basis points compared to the same period of 2020, primarily due to lower COVID-19 related expenses and improvements in e-commerce labour costs.

Financial services adjusted EBITDA[1] increased by $16 million compared to the same period in 2020, primarily driven by higher revenue as described above, the reduction in the expected credit loss provision in the current quarter, lower contractual charge-off and lower funding costs. This was partially offset by higher loyalty program costs and operating costs, and higher customer acquisition costs.

Year-to-date Loblaw adjusted EBITDA[1] was $2,585 million, an increase of $416 million, or 19.2%, compared to the same period in 2020. The increase was primarily due to an increase in retail of $335 million and financial services of $81 million.

Year-to-date retail adjusted EBITDA[1] increased by $335 million, which was driven by an increase in retail gross profit, partially offset by an increase in retail SG&A of $57 million.

- Retail gross profit percentage of 30.6% increased by 90 basis points compared to the same period in 2020 from favourable changes in sales mix in both food retail and drug retail and underlying improvements in business initiatives.
- Retail SG&A as a percentage of sales was 20.3%, a decrease of 30 basis points compared to the same period in 2020, The decrease was primarily driven by lower COVID-19 related expenses.

Year-to-date financial services adjusted EBITDA[1] increased by $81 million compared to the same period in 2020 primarily driven by higher revenue described above, the reduction in the expected credit loss provision in the current year and the lapping of an increase in expected credit loss provision from the prior year, lower contractual charge-off, lower funding costs and reversal of certain commodity taxes remitted. This increase was partially offset by higher loyalty program costs and operating costs, and higher customer acquisition costs.

DEPRECIATION AND AMORTIZATION Loblaw depreciation and amortization in the second quarter of 2021 was $614 million, an increase of $16 million compared to the same period in 2020. Year-to-date depreciation and amortization was $1,224 million, an increase of $32 million compared to the same period in 2020. The increase in depreciation and amortization in the second quarter of 2021 and year-to-date was primarily driven by an increase in depreciation of IT and 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 – $118 million) in the second quarter of 2021 and $234 million (2020 – $237 million) year-to-date 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 $56 million in the second quarter of 2021. When compared to the second quarter of 2020, this represented an increase of $66 million or 660%. Year-to-date, Loblaw's net earnings attributable to non-controlling interests was $75 million in 2021 which represents an increase of $52 million, or 226.1% compared to the same period in 2020. The increases in non-controlling interests at Loblaw were primarily driven by higher franchise earnings in comparison to the same period in 2020.

2.2 Choice Properties Operating Results

($ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended				24 Weeks Ended			
	Jun. 19, 2021	Jun. 13, 2020	$ Change	% Change	**Jun. 19, 2021**	Jun. 13, 2020	$ Change	% Change
Revenue	**$ 324**	$ 315	$ 9	2.9%	**$ 651**	$ 640	$ 11	1.7%
Net interest expense (income) and other financing charges(i)	**$ 418**	$ 67	$ 351	523.9%	**$ 765**	$ (189)	$ 954	(504.8)%
Net income (loss)	**$ 85**	$ (96)	$ 181	188.5%	**$ 23**	$ 237	$ (214)	90.3%
Funds from Operations(1)(ii)	**$ 172**	$ 141	$ 31	22.0%	**$ 342**	$ 311	$ 31	10.0%

(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 second quarter of 2021 was $324 million, an increase of $9 million, or 2.9%, compared to the same period in 2020, and included $181 million (2020 – $182 million) generated from tenants within Loblaw retail.

On a year-to-date basis, revenue was $651 million, an increase of $11 million, or 1.7%, compared to the same period in 2020 and included $363 million (2020 – $368 million) generated from tenants within Loblaw retail.

The increases in revenue in the second quarter of 2021 and year-to-date were primarily driven by:
- the net contribution from acquisitions and development transfers completed in 2020 and 2021; and
- an increase in lease surrender revenue;

partially offset by,
- declines due to 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 second quarter of 2021 were $418 million compared to $67 million in the same period in 2020. The increase of $351 million was primarily driven by the unfavourable year-over-year impact of the fair value adjustment of Exchangeable Units of $359 million, partially offset by the impact of early redemption premiums for two senior unsecured debentures repaid in the second quarter of 2020, the general reduction in indebtedness from a lower balance on the credit facility and a decline in interest costs due to refinancing over the past year at lower interest rates.

Year-to-date, net interest expense and other financing charges were $765 million compared to net interest income and other financing charges of $189 million in the same period in 2020. The change of $954 million was primarily driven by the unfavourable year-over-year impact of the fair value adjustment on the Exchangeable Units of $963 million as a result of the significant increase in the unit price of Choice Properties in 2021, partially offset by the impact of early redemption premiums for two senior unsecured debentures repaid in the second quarter of 2020.

NET INCOME (LOSS) Net income in the second quarter of 2021 was $85 million, compared to a net loss of $96 million in the same period in 2020. The increase of $181 million was primarily driven by:

- the favourable change in the adjustment to fair value of investment properties, including those held within equity accounted joint ventures;
- a decline in expected credit loss provisions;
- a non-recurring allowance for expected credit losses on a specific mortgage receivable incurred in the second quarter of 2020; and
- an increase in rental revenue as described above;

partially offset by,

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

Year-to-date, net income was $23 million, compared to $237 million in the same period in 2020. The decrease of $214 million was primarily driven by:

- the unfavourable impact of net interest income and other financing charges compared to net interest expense and other financing charges described above;

partially offset by,

- the favourable year-over-year impact of the fair value adjustment on investment properties, including those held within equity accounted joint ventures;
- a decline in expected credit loss provisions;
- a non-recurring allowance for expected credit losses on a specific mortgage receivable incurred in the second quarter of 2020; and
- an increase in rental revenue as described above.

FUNDS FROM OPERATIONS[1] Funds from Operations[1] in the second quarter of 2021 was $172 million, an increase of $31 million compared to the same period in 2020, primarily due to a decline in expected credit loss provisions, an increase in non-recurring lease surrender revenue and savings from lower borrowing costs. The results in the second quarter of 2020 were impacted by a non-recurring allowance for expected credit losses on a specific mortgage receivable and the early redemption premiums described above.

Year-to-date Funds from Operations[1] was $342 million, an increase of $31 million compared to the same period in 2020 primarily driven by the activities as described above.

CHOICE PROPERTIES OTHER BUSINESS MATTERS

Financing Transactions Subsequent to the end of the second quarter of 2021, Choice Properties redeemed in full, at par, plus accrued and unpaid interest thereon, the $200 million aggregate principal amount of series 9 senior unsecured debentures outstanding bearing interest at 3.60% with an original maturity date of September 20, 2021.

2.3 Weston Foods Operating Results

($ millions except where otherwise indicated)	12 Weeks Ended				24 Weeks Ended			
For the periods ended as indicated	**Jun. 19, 2021**	Jun. 13, 2020	$ Change	% Change	**Jun. 19, 2021**	Jun. 13, 2020	$ Change	% Change
Sales	**$ 431**	$ 412	$ 19	4.6%	**$ 903**	$ 947	$ (44)	(4.6)%
Operating loss	**$ (6)**	$ (49)	$ 43	87.8%	**$ (6)**	$ (48)	$ 42	87.5%
Adjusted EBITDA[1]	**$ 26**	$ 7	$ 19	271.4%	**$ 60**	$ 59	$ 1	1.7%
Adjusted EBITDA margin[1]	**6.0%**	1.7%			**6.6%**	6.2%		
Depreciation and amortization[i]	**$ 33**	$ 44	$ (11)	(25.0)%	**$ 69**	$ 87	$ (18)	(20.7)%

(i) Depreciation and amortization in the second quarter and year-to-date of 2020 includes $10 million and $19 million, respectively, of accelerated depreciation related to restructuring and other related costs.

SALES Weston Foods sales in the second quarter of 2021 were $431 million, an increase of $19 million, or 4.6%, compared to the same period in 2020. Sales included the unfavourable impact of foreign currency translation of approximately 7.5%. Excluding the unfavourable impact of foreign currency translation, sales increased by 12.1% primarily due to lapping the negative impact of the COVID-19 pandemic in the second quarter of 2020. Sales were impacted by an increase in volumes in foodservice and retail categories, partially offset by the unfavourable impact of changes in sales mix.

On a year-to-date basis, sales were $903 million, a decrease of $44 million, or 4.6%, compared to the same period in 2020. Sales included the unfavourable impact of foreign currency translation of approximately 4.7%. Excluding the unfavourable impact of foreign currency translation, sales increased by 0.1% driven by an increase in volumes primarily due to lapping the negative impact that the pandemic had on sales in the same period last year, partially offset by the unfavourable impact of changes in sales mix. Sales volumes increased in foodservice, partially offset by a decrease in volumes in retail and in Girl Scout cookie sales due to the COVID-19 pandemic and restrictions on in-person sales in 2021.

OPERATING LOSS Weston Foods operating loss in the second quarter of 2021 was $6 million compared to operating loss of $49 million in the same period in 2020 due to an improvement in the underlying operating performance of $20 million, and the favourable year-over-year net impact of adjusting items totaling $23 million. The adjusting items were:

- the prior year impact of restructuring and other related costs of $19 million; and
- the favourable year-over-year impact of the fair value adjustment of derivatives of $4 million.

Year-to-date operating loss was $6 million compared to operating loss of $48 million in the same period in 2020, an improvement of $42 million due to the favourable year-over-year net impact of adjusting items totaling $42 million. The underlying operating performance of Weston Foods was flat compared to the same period in 2020. The adjusting items were:

- the prior year impact of restructuring and other related costs of $35 million; and
- the favourable year-over-year impact of the fair value adjustment of derivatives of $7 million.

ADJUSTED EBITDA[(1)] Weston Foods adjusted EBITDA[(1)] in the second quarter of 2021 was $26 million compared to $7 million in the same period in 2020, an increase of $19 million, or 271.4%. The increase was driven by the increase in sales described above, a decrease in COVID-19 related expenses and productivity improvements, partially offset by higher input, labour and distribution costs.

Weston Foods adjusted EBITDA margin[(1)] in the second quarter of 2021 increased to 6.0% compared to 1.7% in the second quarter of 2020. The improvement in adjusted EBITDA margin[(1)] in the second quarter of 2021 was driven by the factors described above.

Year-to-date adjusted EBITDA[(1)] was $60 million compared to $59 million in the same period in 2020, an increase of $1 million, or 1.7%. The increase was driven by a decrease in COVID-19 related expenses, productivity improvements, and other cost savings initiatives, partially offset by higher input costs.

Year-to-date adjusted EBITDA margin[(1)] increased to 6.6% compared to 6.2% in the same period in 2020. The improvement in adjusted EBITDA margin[(1)] was driven by the factors described above.

DEPRECIATION AND AMORTIZATION Weston Foods depreciation and amortization in the second quarter of 2021 was $33 million, a decrease of $11 million compared to the same period in 2020. In the second quarter of 2020, depreciation and amortization included $10 million of accelerated depreciation related to Weston Foods' transformation program. Excluding this amount, depreciation and amortization in the second quarter of 2021 decreased by $1 million.

Year-to-date depreciation and amortization in 2021 was $69 million, a decrease of $18 million compared to the same period in 2020. Depreciation and amortization in 2020 included $19 million of accelerated depreciation related to Weston Foods' transformation program. Excluding this amount, depreciation and amortization increased by $1 million.

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 second quarter and year-to-date of 2021. In the second quarter of 2020 and year-to-date, Weston Foods recorded restructuring and other related costs of $19 million and $35 million, respectively, which were primarily related to Weston Foods' transformation program.

3. Liquidity and Capital Resources

3.1 Cash Flows

($ millions) For the periods ended as indicated	12 Weeks Ended Jun. 19, 2021	Jun. 13, 2020[5]	$ Change	24 Weeks Ended Jun. 19, 2021	Jun. 13, 2020[5]	$ Change
Cash and cash equivalents, beginning of period	**$ 2,827**	$ 2,784	$ 43	**$ 2,581**	$ 1,834	$ 747
Cash flows from operating activities	**$ 1,707**	$ 1,012	$ 695	**$ 2,618**	$ 2,776	$ (158)
Cash flows used in investing activities	**$ (718)**	$ (523)	$ (195)	**$ (595)**	$ (813)	$ 218
Cash flows used in financing activities	**$ (1,020)**	$ (407)	$ (613)	**$ (1,808)**	$ (937)	$ (871)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ (1)**	$ (5)	$ 4	**$ (1)**	$ 1	$ (2)
Cash and cash equivalents, end of period	**$ 2,795**	$ 2,861	$ (66)	**$ 2,795**	$ 2,861	$ (66)

CASH FLOWS FROM OPERATING ACTIVITIES Cash flows from operating activities were $1,707 million in the second quarter of 2021, an increase of $695 million compared to the same period in 2020. The increase in cash flows from operating activities was primarily driven by the unfavourable change in working capital as a result of increased inventory purchases and decreased trade payables in the prior year and higher cash earnings in the current year, partially offset by an increase in credit card receivables due to a rise in customer spending.

Year-to-date cash flows from operating activities were $2,618 million in 2021, a decrease of $158 million compared to the same period in 2020. The decrease in cash flows from operating activities was primarily driven by a decrease in credit card receivables due to a reduction of customer spending in the prior year and higher income taxes paid in the current year, partially offset by higher cash earnings.

CASH FLOWS USED IN INVESTING ACTIVITIES Cash flows used in investing activities were $718 million in the second quarter of 2021, an increase of $195 million compared to the same period in 2020. The increase in cash flows used in investing activities was primarily driven by an increase in short-term investments in the current year and higher capital expenditures.

Year-to-date cash flows used in investing activities were $595 million in 2021, a decrease of $218 million compared to the same period in 2020. The decrease in year-to-date cash flows used in investing activities was primarily driven by a significant increase in short-term investments in the prior year, partially offset by lower proceeds from the sale of assets in the current year.

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 Jun. 19, 2021	Jun. 13, 2020	$ Change	24 Weeks Ended Jun. 19, 2021	Jun. 13, 2020	$ Change
Loblaw[(i)]	**$ 258**	$ 199	$ 59	**$ 461**	$ 410	$ 51
Choice Properties	**20**	20	–	**38**	69	(31)
Weston Foods	**26**	33	(7)	**39**	57	(18)
Other	**–**	–	–	**2**	2	–
Total capital investments	**$ 304**	$ 252	$ 52	**$ 540**	$ 538	$ 2

(i) During 2021, additions to fixed assets in Loblaw included prepayments that were made in 2020 and transferred from other assets of nil in the second quarter of 2021 and $1 million year-to-date. During 2020, additions to fixed assets in Loblaw included prepayments that were made in 2019 and transferred from other assets of $30 million in the second quarter of 2020 and $50 million year-to-date of 2020.

CASH FLOWS USED IN FINANCING ACTIVITIES Cash flows used in financing activities were $1,020 million in the second quarter of 2021, an increase of $613 million compared to the same period in 2020. The increase in cash flows used in financing activities was primarily due to Loblaw and the Company not repurchasing any common shares under their respective NCIB programs during the second quarter of 2020 and a decrease in bank indebtedness.

Year-to-date cash flows used in financing activities were $1,808 million in 2021, an increase of $871 million compared to the same period in 2020. The increase in cash flows used in financing activities was primarily due to Loblaw and the Company not repurchasing any common shares under their respective NCIB programs during the second quarter of 2020 and a higher net issuance of long-term debt in the prior year, partially offset by the 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)	12 Weeks Ended			24 Weeks Ended		
For the periods ended as indicated	**Jun. 19, 2021**	Jun. 13, 2020[5]	$ Change	**Jun. 19, 2021**	Jun. 13, 2020[5]	$ Change
Cash flows from operating activities	**$ 1,707**	$ 1,012	$ 695	**$ 2,618**	$ 2,776	$ (158)
Less: Interest paid	**195**	165	30	**439**	419	20
Capital Investments[i]	**304**	252	52	**540**	538	2
Lease payments, net	**201**	202	(1)	**342**	398	(56)
Free cash flow[1]	**$ 1,007**	$ 393	$ 614	**$ 1,297**	$ 1,421	$ (124)

(i) During 2021, additions to fixed assets in Loblaw included prepayments that were made in 2020 and transferred from other assets of nil in the second quarter of 2021 and $1 million year-to-date. During 2020, additions to fixed assets in Loblaw included prepayments that were made in 2019 and transferred from other assets of $30 million in the second quarter of 2020 and $50 million year-to-date of 2020.

Free cash flow[1] in the second quarter 2021 was $1,007 million, an increase of $614 million compared to the same period in 2020. The increase in free cash flow[1] was primarily driven by the unfavourable change in working capital as a result of increased inventory purchases and decreased trade payables in the prior year and higher cash earnings in the current year, partially offset by an increase in credit card receivables due to a rise in customer spending.

On a year-to-date basis, free cash flow[1] was $1,297 million, a decrease of $124 million compared to the same period in 2020. The decrease in free cash flow[1] was primarily driven by a decrease in credit card receivables due to a reduction of customer spending in the prior year and higher income taxes paid in the current year, partially offset by higher cash earnings.

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.

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

								As at							
					Jun. 19, 2021					Jun. 13, 2020					Dec. 31, 2020
($ millions)	**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	**$ 138**	**$ –**	**$ –**	**$ –**	**$ 138**	$ 133	$ –	$ –	$ –	$ 133	$ 86	$ –	$ –	$ –	$ 86
Demand deposits from customers	**50**	**–**	**–**	**–**	**50**	–	–	–	–	–	24	–	–	–	24
Short-term debt	**300**	**–**	**–**	**719**	**1,019**	525	–	–	740	1,265	575	–	–	760	1,335
Long-term debt due within one year	**984**	**753**	**–**	**229**	**1,966**	1,240	92	–	–	1,332	597	327	–	–	924
Long-term debt	**5,994**	**5,776**	**–**	**649**	**12,419**	6,343	6,420	–	915	13,678	6,449	6,155	–	915	13,519
Certain other liabilities(i)	**69**	**665**	**–**	**–**	**734**	66	432	–	–	498	71	666	–	–	737
Fair value of financial derivatives related to the above debt	**–**	**–**	**–**	**(491)**	**(491)**	–	–	–	(573)	(573)	–	–	–	(630)	(630)
Total debt excluding lease liabilities	**$ 7,535**	**$ 7,194**	**$ –**	**$ 1,106**	**$15,835**	$8,307	$ 6,944	$ –	$ 1,082	$16,333	$ 7,802	$ 7,148	$ –	$ 1,045	$15,995
Lease liabilities due within one year(ii)	**$ 1,345**	**$ 1**	**$ 15**	**$ (560)**	**$ 801**	$1,324	$ 1	$ 13	$ (536)	$ 802	$ 1,379	$ 1	$ 15	$ (596)	$ 799
Lease liabilities(ii)	**$ 7,443**	**$ 3**	**$ 136**	**$ (3,343)**	**$ 4,239**	$7,685	$ 5	$ 54	$ (3,404)	$ 4,340	$ 7,522	$ 3	$ 130	$ (3,449)	$ 4,206
Total debt including lease liabilities	**$16,323**	**$ 7,198**	**$ 151**	**$ (2,797)**	**$20,875**	$17,316	$ 6,950	$ 67	$ (2,858)	$21,475	$16,703	$ 7,152	$ 145	$ (3,000)	$21,000

(i) Includes financial liabilities of $665 million (June 13, 2020 – $432 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 (June 13, 2020 – $3 million; December 31, 2020 – $3 million) and lease liabilities of $7 million (June 13, 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 $1,116 million (June 13, 2020 – $1,096 million; December 31, 2020 – $1,056 million) and cash and cash equivalents and short-term investments of $1,083 million (June 13, 2020 – $784 million; December 31, 2020 – $1,013 million), resulting in a net debt position of $33 million (June 13, 2020 – $312 million; December 31, 2020 – $43 million). The settlement of the net debt associated with the equity forward sale agreement was offset by reduction in cash and had no impact on GWL Corporate[2] net debt. See Section 3.3, "Components of Total Debt" of this MD&A for details.

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 second quarter of 2021 decreased compared to the second quarter of 2020 and year end 2020 primarily due to a decrease in retail debt and an improvement in adjusted EBITDA[2].
- 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 second quarter of 2021, the Company, Loblaw and Choice Properties were in compliance with their respective covenants.

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

3.3 Components of Total Debt

DEBENTURES There were no debentures issued on a year-to-date basis in 2021. The following table summarizes the debentures issued in the periods ended as indicated:

			12 Weeks Ended		24 Weeks Ended	
			Jun. 19, 2021	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
($ millions)	Interest Rate	Maturity Date	**Principal Amount**	Principal Amount	**Principal Amount**	Principal Amount
Loblaw Companies Limited debenture	2.28%	May 7, 2030	**$ –**	$ 350	**$ –**	$ 350
Choice Properties senior unsecured debentures						
– Series N	2.98%	March 4, 2030	**$ –**	$ –	**$ –**	$ 400
– Series O	3.83%	March 4, 2050	**–**	–	**–**	100
– Series P	2.85%	May 21, 2027	**–**	500	**–**	500
Total debentures issued			**$ –**	$ 850	**$ –**	$ 1,350

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

			12 Weeks Ended		24 Weeks Ended	
			Jun. 19, 2021	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
($ millions)	Interest Rate	Maturity Date	**Principal Amount**	Principal Amount	**Principal Amount**	Principal Amount
George Weston debenture – Series A	7.00%	November 10, 2031(i)	**$ 36**	$ –	**$ 36**	$ –
Choice Properties senior unsecured debentures						
– Series 8	3.60%	April 20, 2020	**$ –**	$ –	**–**	300
– Series B-C	4.32%	January 15, 2021	**–**	100	**–**	100
– Series C	3.50%	February 8, 2021	**–**	250	**–**	250
– Series E	2.30%	September 14, 2020	**–**	–	**–**	250
Total debentures repaid			**$ 36**	$ 350	**$ 36**	$ 900

(i) See Section 3.3, "Components of Total Debt - Net Debt Associated with Equity Forward Sale Agreement".

Subsequent to the end of the second quarter of 2021, Choice Properties redeemed in full, at par, plus accrued and unpaid interest thereon, the $200 million aggregate principal amount of series 9 senior unsecured debentures outstanding bearing interest at 3.60% with an original maturity date of September 20, 2021.

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

		As at					
		Jun. 19, 2021		Jun. 13, 2020		Dec. 31, 2020	
($ millions)	Maturity Date	Available Credit	Drawn	Available Credit	Drawn	Available Credit	Drawn
Loblaw committed credit facility	October 7, 2023	**$ 1,000**	**$ –**	$ 1,000	$ –	$ 1,000	$ –
Choice Properties committed syndicated credit facility	May 4, 2023	**1,500**	**55**	1,500	12	1,500	–
Total committed credit facilities		**$ 2,500**	**$ 55**	$ 2,500	$ 12	$ 2,500	$ –

Subsequent to the end of the second quarter of 2021, the maturity date for Choice Properties committed syndicated credit facility was extended to June 24, 2026.

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:

	As at		
($ millions)	Jun. 19, 2021	Jun. 13, 2020	Dec. 31, 2020
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust*®	**$ 1,050**	$ 1,000	$ 1,050
Securitized to Other Independent Securitization Trusts	**300**	525	575
Total securitized to independent securitization trusts	**$ 1,350**	$ 1,525	$ 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 second quarter of 2021 and throughout the quarter.

Subsequent to the second quarter of 2021, *Eagle* issued $300 million of senior and subordinated term notes with a maturity date of June 17, 2026. These notes have a weighted average interest rate of 1.61%. In connection with this issuance, $175 million of bond forward agreements were settled during the second quarter of 2021. This resulted in a realized fair value loss of $1 million before income taxes, which was cumulatively recorded in other comprehensive income as unrealized prior to the settlement of the agreement. The loss will be reclassified to the statements of earnings over the life of the *Eagle* notes. This settlement resulted in a net effective interest rate of 1.65% on the *Eagle* notes issued.

During the second quarter of 2020, a repayment accumulation process was triggered due to the upcoming maturity of the Eagle Series with $250 million of senior and subordinated term notes at a weighted average interest rate of 2.23% on September 17, 2020. The accumulated funds were recorded as security deposits beginning on June 1, 2020. As at June 13, 2020, $71 million was recorded in security deposits. The remaining $179 million were accumulated and recorded as security deposits until repayment in September 2020.

INDEPENDENT FUNDING TRUSTS As at the end of the second quarter of 2021, the independent funding trusts had drawn $582 million (June 13, 2020 – $490 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 second quarter of 2020, Loblaw provided a credit enhancement of $64 million (June 13, 2020 and December 31, 2020 – $64 million) for the benefit of the independent funding trusts representing not less than 10% (June 13, 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.

NET 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.

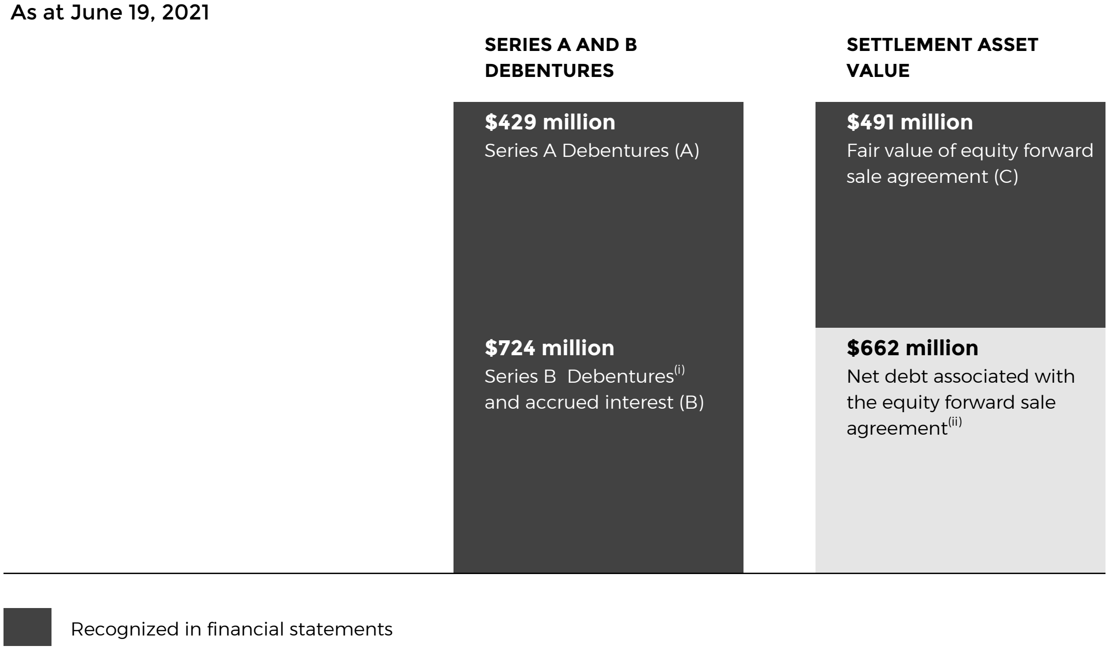
The Series A Debentures ("A"), Series B Debentures and the accrued interest ("B"), and the fair value of the equity forward sale agreement ("C") should be considered together. At any time, the aggregate value of A, B, and C will be equivalent to the market value of the Loblaw common shares (see chart below). WHL is permitted to settle the transaction in whole or in part, at any time prior to 2031.

In the second quarter of 2021, the Company partially settled the net debt associated with the equity forward sale agreement by paying approximately $53 million net of the $43 million gain on the settlement of 0.75 million of the 9.6 million shares under the equity forward sale agreement to redeem 7.8% of the Series A Debentures and Series B Debentures, including accrued interest. As a result of the transaction, the Company redeemed $36 million of the Series A Debentures and $60 million of the Series B Debentures.

Subsequent to quarter end, the Company paid an additional $363 million to further reduce the net debt associated with the equity forward sale agreement. In aggregate, the Company has paid $416 million to settle approximately 57% of the net debt, representing 5.48 million of the 9.6 million Loblaw common shares. In 2021, the Company expects to eliminate the remaining balance using cash. Upon completion, the full 9.6 million shares will be included in determining the Company's beneficial and voting interest in Loblaw.

As at the end of the second quarter of 2021 the forward rate was $130.21 (June 13, 2020 – $125.98; December 31, 2020 – $128.30) and Series B Debentures were $719 million (June 13, 2020 – $740 million; December 31, 2020 – $760 million). Interest charges on Series A Debentures and Series B Debentures are 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 charge or income, representing the fair value adjustment of the forward sale agreement based on the changes in the value of the underlying Loblaw common shares. WHL has to pay a forward fee of $10 million (June 13, 2020 – $10 million; December 31, 2020 – $22 million) to the lender comprised of servicing fees and estimated dividends associated with the underlying Loblaw common shares.

As at June 19, 2021



(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 $74.75 multiplied by 8.85 million Loblaw common shares.

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

		As at		
($ millions)	Maturity Date	Jun. 19, 2021	Jun. 13, 2020	Dec. 31, 2020
Series A	2031	$ 429	$ 466	$ 466
Series B	On demand	719	740	760
Fair value of financial derivatives related to the above debt	n/a	(491)	(573)	(630)
Debt associated with equity forward sale agreement		$ 657	$ 633	$ 596
Debentures	2024 - 2033	450	450	450
Transaction costs and other	n/a	(1)	(1)	(1)
Other and Intersegment debt		$ 1,106	$ 1,082	$ 1,045

3.4 Financial Condition

	As at		
	Jun. 19, 2021	Jun. 13, 2020[4]	Dec. 31, 2020[4]
Rolling year return on average equity attributable to common shareholders of the Company[1]	17.6%	15.1%	15.1%
Rolling year return on capital[1]	11.7%	9.5%	10.7%

The rolling year adjusted return on average equity attributable to common shareholders of the Company[1] increased as at the end of the second quarter of 2021 compared to the end of the second quarter of 2020 and year-end 2020, primarily due to an increase in adjusted net earnings[1] as a result of an improvement in Loblaw's underlying performance, and a decline in average total equity as a result of share buybacks.

The rolling year adjusted return on capital[1] increased as at the end of the second quarter of 2021 compared to the end of the second quarter of 2020 and year end 2020, primarily due to an increase in adjusted operating income[1], lower debt levels and declining equity as a result of share buybacks.

3.5 Credit Ratings

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

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	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:

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	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:

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

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 Jun. 19, 2021 Number of Common Shares	12 Weeks Ended Jun. 19, 2021 Common Share Capital	12 Weeks Ended Jun. 13, 2020 Number of Common Shares	12 Weeks Ended Jun. 13, 2020 Common Share Capital(4)	24 Weeks Ended Jun. 19, 2021 Number of Common Shares	24 Weeks Ended Jun. 19, 2021 Common Share Capital	24 Weeks Ended Jun. 13, 2020 Number of Common Shares	24 Weeks Ended Jun. 13, 2020 Common Share Capital(4)
Issued and outstanding, beginning of period	**151,933,747**	**$ 2,785**	153,670,563	$ 2,809	**152,374,416**	**$ 2,786**	153,667,750	$ 2,809
Issued for settlement of stock options	**14,050**	**3**	–	–	**104,545**	**11**	2,813	–
Purchased and cancelled(i)	**(1,165,956)**	**(46)**	–	–	**(1,697,120)**	**(55)**	–	–
Issued and outstanding, end of period	**150,781,841**	**$ 2,742**	153,670,563	$ 2,809	**150,781,841**	**$ 2,742**	153,670,563	$ 2,809
Shares held in trusts, beginning of period	**(181,625)**	**$ (3)**	(261,823)	$ (4)	**(254,525)**	**$ (4)**	(88,832)	$ –
Purchased for future settlement of RSUs and PSUs	**–**	**–**	–	–	**–**	**–**	(229,000)	(4)
Released for settlement of RSUs and PSUs	**526**	**–**	2,227	–	**73,426**	**1**	58,236	–
Shares held in trusts, end of period	**(181,099)**	**$ (3)**	(259,596)	$ (4)	**(181,099)**	**$ (3)**	(259,596)	$ (4)
Issued and outstanding, net of shares held in trusts, end of period	**150,600,742**	**$ 2,739**	153,410,967	$ 2,805	**150,600,742**	**$ 2,739**	153,410,967	$ 2,805
Weighted average outstanding, net of shares held in trusts	**151,498,459**		153,409,403		**151,795,628**		153,489,551	

(i) Common shares purchased and cancelled as at June 19, 2021, does not include the shares repurchased from the automatic share purchase plan, as described below.

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

	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 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)	**–**	31,870	**1,588**	32,960
Purchased and cancelled (number of shares)	**1,165,956**	–	**1,697,120**	–
Cash consideration paid				
Purchased and held in trusts	**$ –**	$ –	**$ –**	$ (21)
Purchased and settled	**$ –**	$ (3)	**$ –**	$ (3)
Purchased and cancelled(i)(ii)	**$ (141)**	$ –	**$ (166)**	$ –
Premium charged to retained earnings				
Purchased and held in trusts	**$ –**	$ –	**$ –**	$ 17
Purchased and cancelled(iii)	**$ 246**	$ –	**$ 292**	$ –
Reduction in share capital(iv)	**$ 46**	$ –	**$ 55**	$ –

(i) $30 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the first quarter of 2021 was paid in the second quarter of 2021.

(ii) $26 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the second quarter of 2021 was paid in the third quarter of 2021.

(iii) Includes $131 million related to the automatic share purchase plan, as described below.

(iv) Includes $24 million related to the automatic share purchase plan, as described below.

In the second quarter of 2021, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 7,596,891 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.

In the second quarter of 2021, the Company entered into an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at June 19, 2021, an obligation to repurchase shares of approximately $155 million was recognized under the ASPP in trade payables and other liabilities.

As of June 19, 2021, 1,165,956 common shares were purchased under the Company's current NCIB.

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

	12 Weeks Ended		24 Weeks Ended	
($)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Dividends declared per share(i):				
Common share	**$ 0.550**	$ 0.525	**$ 1.100**	$ 1.050
Preferred share:				
Series I	**$ 0.3625**	$ 0.3625	**$ 0.7250**	$ 0.7250
Series III	**$ 0.3250**	$ 0.3250	**$ 0.6500**	$ 0.6500
Series IV	**$ 0.3250**	$ 0.3250	**$ 0.6500**	$ 0.6500
Series V	**$ 0.296875**	$ 0.296875	**$ 0.593750**	$ 0.593750

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

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

($)		
Dividends declared per share(i)	– Common share	**$ 0.600**
	– 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 October 1, 2021. Dividends declared on Preferred Shares, Series I are payable on September 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.

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

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
($ millions except where otherwise indicated)	**2021 (12 weeks)**	2020[4] (12 weeks)	2021 (12 weeks)	2020[4] (12 weeks)	2020[4] (13 weeks)	2019[4] (12 weeks)	2020[4] (16 weeks)	2019[4] (16 weeks)
Revenue	**$ 12,931**	$ 12,357	**$ 12,352**	$ 12,333	$ 13,806	$ 12,107	$ 16,209	$ 15,226
Operating income	**1,056**	401	**830**	598	906	718	983	884
Adjusted EBITDA[1]	**1,489**	1,079	**1,335**	1,300	1,476	1,290	1,709	1,639
Depreciation and amortization[i]	**573**	566	**560**	560	572	548	729	701
Net earnings (loss)	**354**	(172)	**118**	743	513	578	498	264
Net earnings (loss) attributable to shareholders of the Company	**118**	(245)	**(52)**	592	299	443	317	83
Net earnings (loss) available to common shareholders of the Company	**108**	(255)	**(62)**	582	289	433	303	69
Net earnings (loss) per common share ($) - basic	**$ 0.71**	$ (1.66)	**$ (0.41)**	$ 3.79	$ 1.89	$ 2.82	$ 1.98	$ 0.45
Net earnings (loss) per common share ($) - diluted	**$ 0.70**	$ (1.66)	**$ (0.41)**	$ 3.78	$ 1.88	$ 2.81	$ 1.96	$ 0.44
Adjusted diluted net earnings per common share[1] ($)	**$ 1.78**	$ 0.91	**$ 1.59**	$ 1.55	$ 1.96	$ 1.61	$ 2.32	$ 2.52
Loblaw's food retail same-store sales (decline) growth	**(0.1)%**	10.0%	**0.1%**	9.6%	8.6%	1.9%	6.9%	0.1%
Loblaw's drug retail same-store sales growth (decline)	**9.6%**	(1.1)%	**(1.7)%**	10.7%	3.7%	3.9%	6.1%	4.1%
Choice Properties' Funds From Operations per unit - diluted	**$ 0.238**	$ 0.201	**$ 0.236**	$ 0.244	$ 0.239	$ 0.237	$ 0.238	$ 0.250
Choice Properties' Net Operating Income (cash basis)	**$ 233**	$ 216	**$ 230**	$ 232	$ 230	$ 235	$ 230	$ 239
Weston Foods sales growth (decline)	**4.6%**	(14.0)%	**(11.8)%**	3.7%	0.2%	3.0%	(7.2)%	1.3%
Weston Foods sales growth (decline) excluding impact of foreign currency translation	**12.1%**	(15.7)%	**(9.2)%**	3.7%	1.0%	3.2%	(7.7)%	0.6%

(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.

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 and second quarters of 2021, see Section 1.2, "Consolidated Other Business Matters" for details on COVID-19 related costs;
- 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 8, "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 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;
    - Weston Foods transaction costs and other related costs;
    - 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 second quarter of 2021 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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. Outlook[3]

For 2021, the Company expects adjusted net earnings[1] to increase due to the results from its operating segments and to use excess cash to repurchase shares and to settle the remaining net debt associated with the equity forward sale agreement.

Loblaw Loblaw cannot predict the precise impacts of COVID-19 on its 2021 financial results. However, Loblaw anticipates that grocery sales will remain elevated due to the continued impact of the pandemic, including the impact of lockdown measures in many jurisdictions. As economies re-open, 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.

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;
- 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.

Based on Loblaw's operating and financial performance in the first half of 2021, it now expects low to mid-twenties percentage growth in adjusted diluted net earnings per common share, excluding the impact of the 53rd week in the fourth quarter of fiscal year 2020.

In the four weeks following the end of the second quarter of 2021, Loblaw food retail same-store sales declined by 1.0% when compared to the same period last year.

During the second quarter, Loblaw's COVID-19 related costs were approximately $70 million, inclusive of approximately $25 million related to one-time bonuses and benefits for store and distribution centre colleagues. Loblaw incurred COVID-19 costs in the four weeks after the end of the second quarter of 2021 amounted to approximately $9 million.

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. At the end of the second quarter of 2021, Choice Properties' diversified portfolio of retail, industrial and office properties was 96.9% occupied and leased to high-quality tenants across Canada. Its retail portfolio is primarily leased to grocery stores, pharmacies or other necessity-based tenants, and logistics providers, who continue to perform well in this environment and provide stability to Choice Properties' overall portfolio.

Choice Properties continues to advance its development program, which provides 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 $250 million in debt obligations coming due over the remainder of the year, which is a manageable amount, and 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 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. Weston Foods foresees continued inflationary headwinds and is now expecting higher commodity, labour and distribution costs in the second half of the year. Weston Foods is taking actions to address near-term cost pressures however we expect its full year earnings to be impacted. On that basis, Weston Foods has revised its 2021 outlook and 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 moderately lower compared to 2020, after excluding the impact of the 53rd week in fiscal 2020;
- capital expenditures to be approximately $160 million; and
- depreciation to increase compared to 2020.

8. 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, rolling year return on average equity attributable to common shareholders of the Company, rolling year return on capital, GWL Corporate free cash flow, 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.

The Company revised the definition for the following non-GAAP financial measures as follows:

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

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.

	12 Weeks Ended									
					June 19, 2021					June 13, 2020[4]
(unaudited) ($ millions)	**Loblaw**	**Choice Properties**	**Weston Foods**	**Other & Intersegment**	**Consolidated**	Loblaw	Choice Properties	Weston Foods	Other & Intersegment[4]	Consolidated
Net earnings (loss) attributable to shareholders of the Company					**$ 118**					$ (245)
Add impact of the following:										
Non-controlling interests					**236**					73
Income taxes					**199**					52
Net interest expense and other financing charges					**503**					521
Operating income	**$ 750**	**$ 503**	**$ (6)**	**$ (191)**	**$ 1,056**	$ 402	$ (29)	$ (49)	$ 77	$ 401
Add impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 117**	**$ –**	**$ –**	**$ –**	**$ 117**	$ 118	$ –	$ –	$ –	$ 118
Restructuring and other related costs	**8**	**–**	**–**	**–**	**8**	9	–	19	–	28
Fair value adjustment on investment properties	**–**	**(281)**	**–**	**132**	**(149)**	–	230	–	(137)	93
Weston Foods transaction costs and other related costs	**–**	**–**	**–**	**5**	**5**	–	–	–	–	–
Fair value adjustment of derivatives	**(3)**	**–**	**(1)**	**–**	**(4)**	(3)	–	3	–	–
Foreign currency translation and other company level activities	**–**	**–**	**–**	**–**	**–**	–	–	–	1	1
Adjusting items	**$ 122**	**$ (281)**	**$ (1)**	**$ 137**	**$ (23)**	$ 124	$ 230	$ 22	$ (136)	$ 240
Adjusted operating income	**$ 872**	**$ 222**	**$ (7)**	**$ (54)**	**$ 1,033**	$ 526	$ 201	$ (27)	$ (59)	$ 641
Depreciation and amortization excluding the impact of the above adjustments(i)	**497**	**1**	**33**	**(75)**	**456**	480	–	34	(76)	438
Adjusted EBITDA	**$ 1,369**	**$ 223**	**$ 26**	**$ (129)**	**$ 1,489**	$ 1,006	$ 201	$ 7	$ (135)	$ 1,079

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes $117 million (2020 – $118 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $10 million in 2020 of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

(unaudited) ($ millions)	24 Weeks Ended Jun. 19, 2021 Loblaw	Choice Properties	Weston Foods	Other & Intersegment	Consolidated	Jun. 13, 2020[4] Loblaw	Choice Properties	Weston Foods	Other & Intersegment	Consolidated
Net (loss) earnings attributable to shareholders of the Company					$ 66					$ 347
Add impact of the following:										
Non-controlling interests					406					224
Income taxes					365					165
Net interest expense and other financing charges					1,049					263
Operating income	$ 1,365	$ 788	$ (6)	$ (261)	$ 1,886	$ 941	$ 48	$ (48)	$ 58	$ 999
Add impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	$ 234	$ –	$ –	$ –	$ 234	$ 237	$ –	$ –	$ –	$ 237
Fair value adjustment on investment properties	–	(342)	–	147	(195)	–	378	–	(183)	195
Restructuring and other related costs	12	–	–	–	12	24	–	35	–	59
Weston Foods transaction costs and other related costs	–	–	–	5	5	–	–	–	–	–
Fair value adjustment of derivatives	(11)	–	(3)	–	(14)	12	–	4	–	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)	–	2	1
Adjusting items	$ 230	$ (342)	$ (3)	$ 154	$ 39	$ 273	$ 379	$ 39	$ (181)	$ 510
Adjusted operating income	$ 1,595	$ 446	$ (9)	$ (107)	$ 1,925	$ 1,214	$ 427	$ (9)	$ (123)	$ 1,509
Depreciation and amortization excluding the impact of the above adjustments[(i)]	990	2	69	(162)	899	955	1	68	(154)	870
Adjusted EBITDA	$2,585	$ 448	$ 60	$ (269)	$ 2,824	$ 2,169	$ 428	$ 59	$ (277)	$ 2,379

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes $234 million (2020 – $237 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $19 million in 2020 of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

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 second quarter of 2021, Loblaw recorded $8 million of restructuring and other related charges related to the previously announced closure of two distribution centres in Laval and Ottawa. The year-to-date restructuring and other related charges were $12 million. 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.

Weston Foods transaction costs and other related costs The Company recorded transaction and other related costs in connection with the Weston Foods Transaction.

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.

Management's Discussion and Analysis

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 Jun. 19, 2021	12 Weeks Ended Jun. 13, 2020	24 Weeks Ended Jun. 19, 2021	24 Weeks Ended Jun. 13, 2020
Net interest expense and other financing charges	**$ 503**	$ 521	**$ 1,049**	$ 263
Add: Fair value adjustment of the Trust Unit liability	**(188)**	(257)	**(427)**	247
Fair value adjustment of the forward sale agreement for Loblaw common shares	**(58)**	3	**(111)**	13
Adjusted net interest expense and other financing charges	**$ 257**	$ 267	**$ 511**	$ 523

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 second 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 Loblaw common shares The fair value adjustment of the forward sale agreement for Loblaw common shares 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. See Section 3.3, "Components of Total Debt", of this MD&A.

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 Jun. 19, 2021	12 Weeks Ended Jun. 13, 2020[4]	24 Weeks Ended Jun. 19, 2021	24 Weeks Ended Jun. 13, 2020[4]
Adjusted operating income[(i)]	**$ 1,033**	$ 641	**$ 1,925**	$ 1,509
Adjusted net interest expense and other financing charges[(i)]	**257**	267	**511**	523
Adjusted earnings before taxes	**$ 776**	$ 374	**$ 1,414**	$ 986
Income taxes	**$ 199**	$ 52	**$ 365**	$ 165
Add: Tax impact of items excluded from adjusted earnings before taxes[(ii)]	**17**	52	**45**	113
Outside basis difference in certain Loblaw shares	**–**	4	**(16)**	(10)
Adjusted income taxes	**$ 216**	$ 108	**$ 394**	$ 268
Effective tax rate applicable to earnings before taxes	**36.0%**	(43.3%)	**43.6%**	22.4%
Adjusted effective tax rate applicable to adjusted earnings before taxes	**27.8%**	28.9%	**27.9%**	27.2%

(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.

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 second quarters of 2021 and 2020:

Outside basis difference in certain Loblaw shares The Company recorded a deferred tax recovery (expense) 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)	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**Jun. 19, 2021**	Jun. 13, 2020[4]	**Jun. 19, 2021**	Jun. 13, 2020[4]
Net earnings (loss) attributable to shareholders of the Company	**$ 118**	$ (245)	**$ 66**	$ 347
Less: Prescribed dividends on preferred shares in share capital	**(10)**	(10)	**(20)**	(20)
Net earnings (loss) available to common shareholders of the Company	**$ 108**	$ (255)	**$ 46**	$ 327
Less: Reduction in net earnings due to dilution at Loblaw	**(2)**	–	**(3)**	(1)
Net earnings (loss) available to common shareholders for diluted earnings per share	**$ 106**	$ (255)	**$ 43**	$ 326
Net earnings (loss) attributable to shareholders of the Company	**$ 118**	$ (245)	**$ 66**	$ 347
Adjusting items (refer to the following table)	**164**	394	**469**	51
Adjusted net earnings attributable to shareholders of the Company	**$ 282**	$ 149	**$ 535**	$ 398
Less: Prescribed dividends on preferred shares in share capital	**(10)**	(10)	**(20)**	(20)
Adjusted net earnings available to common shareholders of the Company	**$ 272**	$ 139	**$ 515**	$ 378
Less: Reduction in net earnings due to dilution at Loblaw	**(2)**	–	**(3)**	(1)
Adjusted net earnings available to common shareholders for diluted earnings per share	**$ 270**	$ 139	**$ 512**	$ 377
Diluted weighted average common shares outstanding (in millions)	**151.8**	153.4	**152.0**	153.6

Management's Discussion and Analysis

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.

(unaudited) ($ except where otherwise indicated)	12 Weeks Ended Jun. 19, 2021 Net Earnings Available to Common Shareholders of the Company ($ millions)	Jun. 19, 2021 Diluted Net Earnings Per Common Share	Jun. 13, 2020[4] Net (Loss) Earnings Available to Common Shareholders of the Company ($ millions)	Jun. 13, 2020[4] Diluted Net (Loss)Earnings Per Common Share
As reported	**$ 108**	**$ 0.70**	$ (255)	$ (1.66)
Add (deduct) impact of the following[(i)]:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 46**	**$ 0.30**	$ 45	$ 0.29
Restructuring and other related costs	**2**	**0.01**	18	0.12
Fair value adjustment on investment properties	**(125)**	**(0.82)**	78	0.51
Weston Foods transaction costs and other related costs	**4**	**0.03**	–	–
Fair value adjustment of derivatives	**(1)**	**(0.01)**	1	–
Fair value adjustment of the Trust Unit liability	**188**	**1.24**	257	1.68
Fair value adjustment of the forward sale agreement for Loblaw common shares	**50**	**0.33**	(2)	(0.01)
Outside basis difference in certain Loblaw shares	**–**	**–**	(4)	(0.03)
Foreign currency translation and other company level activities	**–**	**–**	1	0.01
Adjusting items	**$ 164**	**$ 1.08**	$ 394	$ 2.57
Adjusted	**$ 272**	**$ 1.78**	$ 139	$ 0.91

(unaudited) ($ except where otherwise indicated)	24 Weeks Ended Jun. 19, 2021 Net (Loss) Earnings Available to Common Shareholders of the Company ($ millions)	Jun. 19, 2021 Diluted Net (Loss) Earnings Per Common Share	Jun. 13, 2020[4] Net Earnings Available to Common Shareholders of the Company ($ millions)	Jun. 13, 2020[4] Diluted Net Earnings Per Common Share
As reported	**$ 46**	**$ 0.28**	$ 327	$ 2.12
Add (deduct) impact of the following[(i)]:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 91**	**$ 0.59**	$ 91	$ 0.59
Fair value adjustment on investment properties	**(163)**	**(1.07)**	163	1.07
Restructuring and other related costs	**4**	**0.03**	34	0.22
Weston Foods transaction costs and other related costs	**4**	**0.03**	–	–
Fair value adjustment of derivatives	**(6)**	**(0.04)**	8	0.05
Acquisition transaction costs and other related costs	**–**	**–**	2	0.01
Fair value adjustment of the Trust Unit liability	**427**	**2.81**	(247)	(1.61)
Fair value adjustment of the forward sale agreement for Loblaw common shares	**96**	**0.63**	(11)	(0.07)
Outside basis difference in certain Loblaw shares	**16**	**0.11**	10	0.07
Foreign currency translation and other company level activities	**–**	**–**	1	–
Adjusting items	**$ 469**	**$ 3.09**	$ 51	$ 0.33
Adjusted	**$ 515**	**$ 3.37**	$ 378	$ 2.45

(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 Jun. 19, 2021	Jun. 13, 2020[5]	$ Change	24 Weeks Ended Jun. 19, 2021	Jun. 13, 2020[5]	$ Change
Cash flows from operating activities	**$ 1,707**	$ 1,012	$ 695	**$ 2,618**	$ 2,776	$ (158)
Less: Interest paid	**195**	165	30	**439**	419	20
Capital Investments[i]	**304**	252	52	**540**	538	2
Lease payments, net	**201**	202	(1)	**342**	398	(56)
Free cash flow[1]	**$ 1,007**	$ 393	$ 614	**$ 1,297**	$ 1,421	$ (124)

(i) During 2021, additions to fixed assets in Loblaw included prepayments that were made in 2020 and transferred from other assets of nil in the second quarter of 2021 and $1 million year-to-date. During 2020, additions to fixed assets in Loblaw included prepayments that were made in 2019 and transferred from other assets of $30 million in the second quarter of 2020 and $50 million year-to-date of 2020.

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 Jun. 19, 2021	Jun. 13, 2020	24 Weeks Ended Jun. 19, 2021	Jun. 13, 2020
Net income (loss)	**$ 85**	$ (96)	**$ 22**	$ 237
Add (deduct) impact of the following:				
Fair value adjustment on Exchangeable Units	**289**	(70)	**507**	(456)
Unit distributions on Exchangeable Units	**73**	72	**146**	144
Fair value adjustment on investment properties	**(269)**	216	**(328)**	352
Fair value adjustment on investment property held in equity accounted joint ventures	**(12)**	14	**(14)**	26
Internal expenses for leasing	**2**	2	**4**	4
Capitalized interest on equity accounted joint ventures	**1**	2	**2**	3
Acquisition transaction costs and other related costs	**–**	–	**–**	2
Amortization of intangible assets	**–**	1	**1**	1
Foreign exchange gain	**–**	–	**–**	(1)
Other fair value gains (losses), net	**3**	–	**2**	(1)
Funds from Operations	**$ 172**	$ 141	**$ 342**	$ 311

8.1 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 and 2019 to those reported under the new policy starting in the first quarter of 2021.

Adjusted Operating Income and Adjusted EBITDA:

	Quarters Ended														
	March 21, 2020 (12 weeks)					June 13, 2020 (12 weeks)					October 3, 2020 (16 weeks)				
(unaudited) ($ millions)	Loblaw	Choice Properties	Weston Foods	Other	Consolidated	Loblaw	Choice Properties	Weston Foods	Other	Consolidated	Loblaw	Choice Properties	Weston Foods	Other	Consolidated
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**

(unaudited) ($ millions)	Quarter Ended December 31, 2020 (13 weeks) Loblaw	Choice Properties	Weston Foods	Other	Consolidated	Year Ended December 31, 2020 (53 weeks) 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**

	Quarters Ended														
	March 23, 2019 (12 weeks)					June 15, 2019 (12 weeks)					October 5, 2019 (16 weeks)				
(unaudited) ($ millions)	Loblaw	Choice Properties	Weston Foods	Other	Consolidated	Loblaw	Choice Properties	Weston Foods	Other	Consolidated	Loblaw	Choice Properties	Weston Foods	Other	Consolidated
Adjusted Operating income - previously reported	**$ 577**	**$ 230**	**$ 14**	**$ (79)**	**$ 742**	**$ 709**	**$ 232**	**$ 16**	**$ (60)**	**$ 897**	**$ 872**	**$ 226**	**$ 32**	**$ (9)**	**$ 1,121**
Add (deduct) impact of the following:															
Asset Impairments, net of recoveries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Restructuring and other related costs	(12)	–	–	–	(12)	(16)	–	–	–	(16)	(22)	–	–	–	(22)
Pension annuities and buy-outs	(10)	–	–	–	(10)	–	–	–	–	–	–	–	–	–	–
Certain prior period items	–	–	–	–	–	15	–	–	–	15	–	–	–	–	–
Adjusting Items	**$ (22)**	**$ –**	**$ –**	**$ –**	**$ (22)**	**$ (1)**	**$ –**	**$ –**	**$ –**	**$ (1)**	**$ (22)**	**$ –**	**$ –**	**$ –**	**$ (22)**
Adjusted operating income - Restated	**$ 555**	**$ 230**	**$ 14**	**$ (79)**	**$ 720**	**$ 708**	**$ 232**	**$ 16**	**$ (60)**	**$ 896**	**$ 850**	**$ 226**	**$ 32**	**$ (9)**	**$ 1,099**
Depreciation and amortization	580	–	32	(77)	535	580	1	35	(82)	534	775	–	44	(118)	701
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(119)	–	–	–	(119)	(116)	–	–	–	(116)	(157)	–	–	–	(157)
Less: Accelerated Depreciation	–	–	–	–	–	–	–	(2)	–	(2)	–	–	(4)	–	(4)
Adjusted EBITDA - Restated	**$1,016**	**$ 230**	**$ 46**	**$ (156)**	**$ 1,136**	**$1,172**	**$ 233**	**$ 49**	**$ (142)**	**$ 1,312**	**$1,468**	**$ 226**	**$ 72**	**$ (127)**	**$ 1,639**

	Quarter Ended December 31, 2019 (13 weeks)					Year Ended December 31, 2019 (53 weeks)				
(unaudited) ($ millions)	Loblaw	Choice Properties	Weston Foods	Other	Consolidated	**Loblaw**	**Choice Properties**	**Weston Foods**	**Other**	**Consolidated**
Adjusted Operating income - previously reported	**$ 730**	**$ 225**	**$ 23**	**$ (56)**	**$ 922**	**$ 2,888**	**$ 913**	**$ 85**	**$ (204)**	**$ 3,682**
Add (deduct) impact of the following:										
Asset Impairments, net of recoveries	(75)	–	–	38	(37)	**(75)**	**–**	**–**	**38**	**(37)**
Restructuring and other related costs	(24)	–	–	–	(24)	**(74)**	**–**	**–**	**–**	**(74)**
Pension annuities and buy-outs	–	–	–	–	–	**(10)**	**–**	**–**	**–**	**(10)**
Certain prior period items	7	–	–	(7)	–	**22**	**–**	**–**	**(7)**	**15**
Adjusting Items	**$ (92)**	**$ –**	**$ –**	**$ 31**	**$ (61)**	**$ (137)**	**$ –**	**$ –**	**$ 31**	**$ (106)**
Adjusted operating income - Restated	**$ 638**	**$ 225**	**$ 23**	**$ (25)**	**$ 861**	**$ 2,751**	**$ 913**	**$ 85**	**$ (173)**	**$ 3,576**
Depreciation and amortization	589	–	36	(77)	548	**2,524**	**1**	**147**	**(354)**	**$ 2,318**
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(116)	–	–	–	(116)	**(508)**	**–**	**–**	**–**	**(508)**
Less: Accelerated Depreciation	–	–	(3)	–	(3)	**–**	**–**	**(9)**	**–**	**(9)**
Adjusted EBITDA - Restated	**$ 1,111**	**$ 225**	**$ 56**	**$ (102)**	**$ 1,290**	**$ 4,767**	**$ 914**	**$ 223**	**$ (527)**	**$ 5,377**

Management's Discussion and Analysis

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

	Quarters Ended								Year Ended	
	March 21, 2020 (12 weeks)		June 13, 2020 (12 weeks)		October 3, 2020 (16 weeks)		December 31, 2020 (13 weeks)		December 31, 2020 (53 weeks)	
(unaudited) ($ except where otherwise indicated)	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**

	Quarters Ended								Year Ended	
	March 23, 2019 (12 weeks)		June 15, 2019 (12 weeks)		October 5, 2019 (16 weeks)		December 31, 2019 (12 weeks)		December 31, 2019 (52 weeks)	
(unaudited) ($ except where otherwise indicated)	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	**$ 201**	**$ 1.30**	**$ 263**	**$ 1.70**	**$ 391**	**$ 2.54**	**$ 262**	**$ 1.69**	**$ 1,117**	**$ 7.24**
Add (deduct) impact of the following:										
Asset impairments, net of recoveries	$ –	$ –	$ –	$ –	$ –	$ –	$ (2)	$ (0.01)	$ (2)	$ (0.01)
Restructuring and other related costs	(5)	(0.03)	(6)	(0.04)	(7)	(0.05)	(10)	(0.07)	(28)	(0.18)
Pension annuities and buy-outs	(4)	(0.03)	–	–	–	–	–	–	(4)	(0.03)
Certain prior period items	–	–	6	0.04	–	–	–	–	6	0.04
Reserve release related to 2014 tax audit	–	–	–	–	4	0.03	–	–	4	0.03
Statutory corporate income tax rate change	–	–	8	0.05	–	–	–	–	8	0.05
Adjusting items	**$ (9)**	**$ (0.06)**	**$ 8**	**$ 0.05**	**$ (3)**	**$ (0.02)**	**$ (12)**	**$ (0.08)**	**(16)**	**$ (0.10)**
Adjusted - Restated	**$ 192**	**$ 1.24**	**$ 271**	**$ 1.75**	**$ 388**	**$ 2.52**	**$ 250**	**$ 1.61**	**1,101**	**$ 7.14**

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.

9. 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, "Outlook", and Section 8, "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.

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.

10. 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
July 29, 2021

Financial Results

Condensed Consolidated Statements of Earnings

(unaudited) (millions of Canadian dollars except where otherwise indicated)	12 Weeks Ended Jun. 19, 2021	 Jun. 13, 2020	24 Weeks Ended Jun. 19, 2021	 Jun. 13, 2020
Revenue	**$ 12,931**	$ 12,357	**$ 25,283**	$ 24,690
Operating Expenses				
Cost of inventories sold (note 10)	**8,707**	8,485	**17,093**	16,877
Selling, general and administrative expenses	**3,168**	3,471	**6,304**	6,814
	11,875	11,956	**23,397**	23,691
Operating Income	**1,056**	401	**1,886**	999
Net Interest Expense and Other Financing Charges (note 5)	**503**	521	**1,049**	263
Earnings (Loss) Before Income Taxes	**553**	(120)	**837**	736
Income Taxes (note 6)	**199**	52	**365**	165
Net Earnings (Loss)	**354**	(172)	**472**	571
Attributable to:				
Shareholders of the Company (note 7)	**118**	(245)	**66**	347
Non-Controlling Interests	**236**	73	**406**	224
Net Earnings (Loss)	**$ 354**	$ (172)	**$ 472**	$ 571
Net Earnings (Loss) per Common Share ($) (note 7)				
Basic	**$ 0.71**	$ (1.66)	**$ 0.30**	$ 2.13
Diluted	**$ 0.70**	$ (1.66)	**$ 0.28**	$ 2.12

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 Jun. 19, 2021	 Jun. 13, 2020	24 Weeks Ended Jun. 19, 2021	 Jun. 13, 2020
Net earnings (loss)	**$ 354**	$ (172)	**$ 472**	$ 571
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)	**(9)**	(66)	**(22)**	47
Gains (losses) on cash flow hedges (note 20)	**3**	(21)	**3**	(48)
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial gains (losses) (note 18)	**130**	(47)	**197**	(11)
Adjustment to fair value of investment properties	**(12)**	7	**(12)**	7
Other comprehensive income (loss)	**112**	(127)	**166**	(5)
Comprehensive Income (Loss)	**466**	(299)	**638**	566
Attributable to:				
Shareholders of the Company	**171**	(345)	**140**	366
Non-Controlling Interests	**295**	46	**498**	200
Comprehensive Income (Loss)	**$ 466**	$ (299)	**$ 638**	$ 566

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

Condensed Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)	Jun. 19, 2021	As at Jun. 13, 2020	Dec. 31, 2020[(i)]
ASSETS			
Current Assets			
Cash and cash equivalents (note 8)	**$ 2,795**	$ 2,861	$ 2,581
Short-term investments (note 8)	**612**	547	575
Security deposits (note 8)	**–**	71	–
Accounts receivable	**1,038**	1,253	1,192
Credit card receivables (note 9)	**3,033**	2,834	3,109
Inventories (note 10)	**5,246**	4,873	5,385
Prepaid expenses and other assets	**575**	448	304
Assets held for sale (note 11)	**102**	109	108
Total Current Assets	**13,401**	12,996	13,254
Fixed Assets	**11,904**	11,642	11,943
Right-of-Use Assets	**4,067**	4,146	4,043
Investment Properties	**5,130**	4,733	4,930
Equity Accounted Joint Ventures	**557**	598	573
Intangible Assets	**6,812**	7,285	7,032
Goodwill	**4,769**	4,784	4,772
Deferred Income Taxes	**121**	219	139
Security Deposits (note 8)	**74**	77	75
Other Assets (note 12)	**1,111**	1,198	1,314
Total Assets	**$ 47,946**	$ 47,678	$ 48,075
LIABILITIES			
Current Liabilities			
Bank indebtedness	**$ 138**	$ 133	$ 86
Trade payables and other liabilities	**5,972**	5,501	6,023
Loyalty liability	**213**	215	194
Provisions	**119**	153	98
Income taxes payable	**224**	108	128
Demand deposits from customers	**50**	–	24
Short-term debt (note 13)	**1,019**	1,265	1,335
Long-term debt due within one year (note 14)	**1,966**	1,332	924
Lease liabilities due within one year	**801**	802	799
Associate interest	**347**	282	349
Total Current Liabilities	**10,849**	9,791	9,960
Provisions	**92**	95	116
Long-Term Debt (note 14)	**12,419**	13,678	13,519
Lease Liabilities	**4,239**	4,340	4,206
Trust Unit Liability (note 20)	**4,032**	3,359	3,600
Deferred Income Taxes	**2,094**	2,120	2,059
Other Liabilities (note 15)	**1,153**	952	1,197
Total Liabilities	**34,878**	34,335	34,657
EQUITY			
Share Capital (note 16)	**3,556**	3,622	3,599
Retained Earnings	**4,924**	4,913	5,226
Contributed Surplus (notes 17 & 19)	**(1,345)**	(1,023)	(1,180)
Accumulated Other Comprehensive Income	**134**	221	166
Total Equity Attributable to Shareholders of the Company	**7,269**	7,733	7,811
Non-Controlling Interests	**5,799**	5,610	5,607
Total Equity	**13,068**	13,343	13,418
Total Liabilities and Equity	**$ 47,946**	$ 47,678	$ 48,075

(i) Certain comparative figures have been restated to conform with current year presentation.
Contingent liabilities (note 21).
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	–	–	**–**	**66**	**–**	–	–	–	**–**	**406**	**472**
Other comprehensive income (loss)[i]	–	–	**–**	**106**	**–**	(23)	3	(12)	**(32)**	**92**	**166**
Comprehensive income (loss)	$ –	$ –	**$ –**	**$ 172**	**$ –**	$ (23)	$ 3	$ (12)	**$ (32)**	**$ 498**	**$ 638**
Effect of equity-based compensation (notes 16 & 19)	11	–	**11**	**–**	**(9)**	–	–	–	**–**	**(6)**	**(4)**
Shares purchased and cancelled (note 16)	(55)	–	**(55)**	**(292)**	**–**	–	–	–	**–**	**–**	**(347)**
Net effect of shares held in trusts (notes 16 & 19)	1	–	**1**	**6**	**–**	–	–	–	**–**	**–**	**7**
Loblaw capital transactions and dividends (notes 17 & 19)	–	–	**–**	**–**	**(156)**	–	–	–	**–**	**(300)**	**(456)**
Dividends declared											
Per common share ($) (note 16)											
– $1.100	–	–	**–**	**(166)**	**–**	–	–	–	**–**	**–**	**(166)**
Per preferred share ($) (note 16)											
– Series I – $0.7250	–	–	**–**	**(7)**	**–**	–	–	–	**–**	**–**	**(7)**
– Series III – $0.6500	–	–	**–**	**(5)**	**–**	–	–	–	**–**	**–**	**(5)**
– Series IV – $0.6500	–	–	**–**	**(5)**	**–**	–	–	–	**–**	**–**	**(5)**
– Series V – $0.593750	–	–	**–**	**(5)**	**–**	–	–	–	**–**	**–**	**(5)**
	$ (43)	$ –	**$ (43)**	**$ (474)**	**$ (165)**	$ –	$ –	$ –	**$ –**	**$ (306)**	**$ (988)**
Balance as at Jun.19, 2021	$ 2,739	$ 817	**$ 3,556**	**$ 4,924**	**$ (1,345)**	$ 130	$ (19)	$ 23	**$ 134**	**$ 5,799**	**$ 13,068**

(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	–	–	**–**	**347**	**–**	–	–	–	**–**	**224**	**571**
Other comprehensive income (loss)[i]	–	–	**–**	**(6)**	**–**	46	(28)	7	**25**	**(24)**	**(5)**
Comprehensive income (loss)	$ –	$ –	**$ –**	**$ 341**	**$ –**	$ 46	$ (28)	$ 7	**$ 25**	**$ 200**	**$ 566**
Effect of equity-based compensation (notes 16 & 19)	–	–	**–**	**–**	**(4)**	–	–	–	**–**	**(4)**	**(8)**
Net effect of shares held in trusts (notes 16 & 19)	(4)	–	**(4)**	**(11)**	**–**	–	–	–	**–**	**–**	**(15)**
Loblaw capital transactions and dividends (notes 17 & 19)	–	–	**–**	**–**	**(40)**	–	–	–	**–**	**(152)**	**(192)**
Dividends declared											
Per common share ($) (note 16)											
– $1.050	–	–	**–**	**(161)**	**–**	–	–	–	**–**	**–**	**(161)**
Per preferred share ($) (note 16)								–			
– Series I – $0.7250	–	–	**–**	**(7)**	**–**	–	–		**–**	**–**	**(7)**
– Series III – $0.6500	–	–	**–**	**(5)**	**–**	–	–	–	**–**	**–**	**(5)**
– Series IV – $0.6500	–	–	**–**	**(5)**	**–**	–	–	–	**–**	**–**	**(5)**
– Series V – $0.593750	–	–	**–**	**(5)**	**–**	–	–	–	**–**	**–**	**(5)**
	$ (4)	$ –	**$ (4)**	**$ (194)**	**$ (44)**	$ –	$ –	$ –	**$ –**	**$ (156)**	**$ (398)**
Balance as at Jun. 13, 2020	$ 2,805	$ 817	**$ 3,622**	**$ 4,913**	**$ (1,023)**	$ 228	$ (32)	$ 25	**$ 221**	**$ 5,610**	**$ 13,343**

(i) Other comprehensive income (loss) includes actuarial gains of $197 million (2020 – losses of $11 million), of which $106 million (2020 – loss of $6 million) is presented in retained earnings, and $91 million (2020 – loss of $5 million) in non-controlling interests. Also included in non-controlling interests was a gain of $1 million on foreign currency translation adjustments (2020 – gain of $1 million) and nil unrealized gain or loss on cash flow hedges (2020 – loss of $20 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 Jun. 19, 2021	12 Weeks Ended Jun. 13, 2020[i]	24 Weeks Ended Jun. 19, 2021	24 Weeks Ended Jun. 13, 2020[i]
Operating Activities				
Net earnings	**$ 354**	$ (172)	**$ 472**	$ 571
Add (deduct):				
Net interest expense and other financing charges (note 5)	**503**	521	**1,049**	263
Income taxes (note 6)	**199**	52	**365**	165
Depreciation and amortization	**573**	566	**1,133**	1,126
Asset impairments, net of recoveries	**–**	8	**1**	14
Adjustment to fair value of investment properties and assets held for sale	**(149)**	93	**(195)**	195
Change in allowance for credit card receivables (note 9)	**(12)**	4	**(32)**	54
Change in provisions	**3**	10	**1**	13
	1,471	1,082	**2,794**	2,401
Change in gross credit card receivables (note 9)	**(119)**	410	**108**	630
Change in non-cash working capital	**424**	(422)	**(27)**	(135)
Income taxes paid	**(87)**	(112)	**(283)**	(197)
Interest received	**6**	5	**11**	13
Interest received from finance leases	**–**	1	**1**	1
Other	**12**	48	**14**	63
Cash Flows from Operating Activities	**1,707**	1,012	**2,618**	2,776
Investing Activities				
Fixed asset and investment properties purchases	**(213)**	(143)	**(364)**	(315)
Intangible asset additions	**(91)**	(79)	**(175)**	(173)
Cash assumed on initial consolidation of franchises (note 4)	**–**	–	**–**	14
Proceeds from disposal of assets	**10**	35	**51**	146
Lease payments received from finance leases	**2**	–	**4**	2
Change in short-term investments (note 8)	**(298)**	(198)	**(37)**	(317)
Change in security deposits (note 8)	**–**	(71)	**–**	(71)
Other	**(128)**	(67)	**(74)**	(99)
Cash Flows used in Investing Activities	**(718)**	(523)	**(595)**	(813)
Financing Activities				
Change in bank indebtedness	**(144)**	50	**52**	115
Change in short-term debt	**9**	38	**(256)**	(224)
Change in demand deposits from customers	**14**	–	**26**	–
Change in other financing (note 15)	**(1)**	(1)	**(1)**	(3)
Interest paid	**(195)**	(165)	**(439)**	(419)
Settlement of net debt associated with equity forward sale agreement (note 14)	**(53)**	–	**(53)**	–
Long-term debt – Issued (note 14)	**279**	937	**309**	1,921
– Repayments (note 14)	**(276)**	(880)	**(331)**	(1,448)
Cash rent paid on lease liabilities – Interest	**(43)**	(51)	**(89)**	(99)
Cash rent paid on lease liabilities – Principal	**(160)**	(151)	**(257)**	(301)
Share capital – Issued (notes 16 & 19)	**2**	–	**9**	–
– Purchased and held in trusts (note 16)	**–**	–	**–**	(21)
– Purchased and cancelled (note 16)	**(141)**	–	**(166)**	–
Loblaw common share capital – Issued (notes 17 & 19)	**42**	3	**49**	24
– Purchased and held in trusts (note 17)	**–**	–	**–**	(10)
– Purchased and cancelled (note 17)	**(207)**	–	**(362)**	(96)
Dividends – To common shareholders	**(84)**	(80)	**(163)**	(161)
– To preferred shareholders	**(11)**	(11)	**(22)**	(22)
– To non-controlling interests	**(57)**	(57)	**(57)**	(114)
Other	**6**	(39)	**(57)**	(79)
Cash Flows used in Financing Activities	**(1,020)**	(407)	**(1,808)**	(937)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(1)**	(5)	**(1)**	1
Change in Cash and Cash Equivalents	**(32)**	77	**214**	1,027
Cash and Cash Equivalents, Beginning of Period	**2,827**	2,784	**2,581**	1,834
Cash and Cash Equivalents, End of Period	**$ 2,795**	$ 2,861	**$ 2,795**	$ 2,861

(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 July 29, 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					
		Jun. 19, 2021		Jun. 13, 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)]	**177,937,308**	**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**	**61.7%**	440,623,198	62.9%	446,447,940	61.8%

(i) Includes 8.85 million Loblaw common shares pledged (June 13, 2020 and December 31, 2020 – 9.6 million Loblaw common shares) 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.

No franchises were consolidated in the second quarter of 2021 and 2020. On a year-to-date basis, the following table summarizes the amounts recognized for the assets acquired, the liabilities assumed and the non-controlling interests recognized at the acquisition dates:

	24 Weeks Ended	
($ millions)	Jun. 19, 2021	Jun. 13, 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.

Note 5. Net Interest Expense and Other Financing Charges

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

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Interest expense:				
Long-term debt	**$ 147**	$ 163	**$ 287**	$ 313
Lease liabilities	**43**	51	**89**	99
Borrowings related to credit card receivables	**8**	8	**17**	20
Trust Unit distributions	**51**	48	**102**	96
Independent funding trusts	**3**	3	**6**	8
Post-employment and other long-term employee benefits (note 18)	**2**	1	**4**	4
Bank indebtedness	**2**	–	**2**	1
Financial liabilities (note 15)	**11**	6	**23**	13
Capitalized interest	**–**	–	**(1)**	(1)
	$ 267	$ 280	**$ 529**	$ 553
Interest income:				
Accretion income	**$ (2)**	$ (2)	**$ (3)**	$ (3)
Short-term interest income	**(4)**	(5)	**(8)**	(14)
	$ (6)	$ (7)	**$ (11)**	$ (17)
Forward sale agreement(i)	**$ 54**	$ (9)	**$ 104**	$ (26)
Fair value adjustment of the Trust Unit liability (note 20)	**188**	257	**427**	(247)
Net interest expense and other financing charges	**$ 503**	$ 521	**$ 1,049**	$ 263

(i) Included in the second quarter of 2021 and year-to-date is a charge of $58 million (2020 – income of $3 million) and $111 million (2020 – income of $13 million), respectively, related to the fair value adjustment of the forward sale agreement for the Loblaw common shares (see note 20). The fair value adjustment of the forward sale agreement 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 second quarter of 2021 and year-to-date is forward accretion income of $9 million (2020 – income of $11 million) and $17 million (2020 – income of $23 million), respectively, and the forward fee of $5 million (2020 – $5 million) and $10 million (2020 – $10 million), respectively, associated with the forward sale agreement.

Note 6. Income Taxes

In the second quarter of 2021, income tax expense was $199 million (2020 – $52 million) and the effective tax rate was 36.0% (2020 – (43.3)%). The increase in the effective tax rate was primarily attributable the quarter over quarter impact of the non-taxable fair value adjustment of the Trust Unit liability, the impact of certain other non-deductible items, and the impact of negative earnings before taxes reported in the second quarter of 2020.

On a year-to-date basis, income tax expense was $365 million (2020 – $165 million) and the effective tax rate was 43.6% (2020 – 22.4%). The increase in the effective tax rate was primarily attributable to the year-over-year impact of the non-taxable fair value adjustment of the Trust Unit liability and 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 program, partially offset by 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 May 13, 2021, the Supreme Court heard the Crown's appeal, reserving judgment until a later date. 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 Jun. 19, 2021	12 Weeks Ended Jun. 13, 2020	24 Weeks Ended Jun. 19, 2021	24 Weeks Ended Jun. 13, 2020
Net earnings (loss) attributable to shareholders of the Company	**$ 118**	$ (245)	**$ 66**	$ 347
Prescribed dividends on preferred shares in share capital	**(10)**	(10)	**(20)**	(20)
Net earnings (loss) available to common shareholders of the Company	**$ 108**	$ (255)	**$ 46**	$ 327
Reduction in net earnings due to dilution at Loblaw	**(2)**	–	**(3)**	(1)
Net earnings (loss) available to common shareholders for diluted earnings per share	**$ 106**	$ (255)	**$ 43**	$ 326
Weighted average common shares outstanding (in millions) (note 16)	**151.5**	153.4	**151.8**	153.5
Dilutive effect of equity-based compensation[i] (in millions)	**0.3**	–	**0.2**	0.1
Diluted weighted average common shares outstanding (in millions)	**151.8**	153.4	**152.0**	153.6
Basic net earnings (loss) per common share ($)	**$ 0.71**	$ (1.66)	**$ 0.30**	$ 2.13
Diluted net earnings (loss) per common share ($)	**$ 0.70**	$ (1.66)	**$ 0.28**	$ 2.12

(i) In the second quarter of 2021 and year-to-date, nominal (2020 – 2.1 million) and 1.5 million (2020 – 1.1 million) potentially dilutive instruments, respectively, 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

		As at	
($ millions)	**Jun. 19, 2021**	Jun. 13, 2020	Dec. 31, 2020
Cash	**$ 1,067**	$ 888	$ 1,228
Cash equivalents:			
Government treasury bills	**992**	719	758
Bankers' acceptances	**729**	1,253	570
Corporate commercial paper	**7**	1	–
Guaranteed investment certificates	**–**	–	22
Other	**–**	–	3
Cash and cash equivalents	**$ 2,795**	$ 2,861	$ 2,581

SHORT-TERM INVESTMENTS

		As at	
($ millions)	**Jun. 19, 2021**	Jun. 13, 2020	Dec. 31, 2020
Government treasury bills	**$ 553**	$ 351	$ 485
Bankers' acceptances	**30**	139	81
Corporate commercial paper	**–**	57	1
Guaranteed Investment Certificates	**29**	–	7
Other	**–**	–	1
Short-term investments	**$ 612**	$ 547	$ 575

SECURITY DEPOSITS

		As at	
($ millions)	**Jun. 19, 2021**	Jun. 13, 2020	Dec. 31, 2020
Cash	**$ 62**	$ 45	$ 52
Government treasury bills	**12**	$ 103	23
Total security deposits	**$ 74**	$ 148	$ 75
Current portion	**–**	(71)	–
Security deposits	**$ 74**	$ 77	$ 75

Security Deposits During the second quarter of 2020, a repayment accumulation process was triggered due to the subsequent maturity of the *Eagle Credit Card Trust® ("Eagle")* Series with $250 million of senior and subordinated term notes at a weighted average interest rate of 2.23% on September 17, 2020. The accumulated funds were recorded as security deposits beginning on June 1, 2020. As at June 13, 2020, $71 million was recorded in security deposits. The remaining $179 million were accumulated and recorded as security deposits until repayment in September 2020.

Note 9. Credit Card Receivables

The components of credit card receivables were as follows:

		As at	
($ millions)	**Jun. 19, 2021**	Jun. 13, 2020	Dec. 31, 2020
Gross credit card receivables	**$ 3,238**	$ 3,084	$ 3,346
Allowance for credit card receivables	**(205)**	(250)	(237)
Credit card receivables	**$ 3,033**	$ 2,834	$ 3,109
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust*® (note 14)	**$ 1,050**	$ 1,000	$ 1,050
Securitized to Other Independent Securitization Trusts (note 13)	**300**	525	575
Total securitized to independent securitization trusts	**$ 1,350**	$ 1,525	$ 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* 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.

On a year-to-date basis 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.

Subsequent to the second quarter of 2021, *Eagle* issued $300 million of senior and subordinated term notes with a maturity date of June 17, 2026. These notes have a weighted average interest rate of 1.61%. In connection with this issuance, $175 million of bond forward agreements were settled during the second quarter of 2021. This resulted in a realized fair value loss of $1 million before income taxes, which was cumulatively recorded in other comprehensive income as unrealized prior to the settlement of the agreement. The loss will be reclassified to the statements of earnings over the life of the *Eagle* notes. This settlement resulted in a net effective interest rate of 1.65% on the *Eagle* notes issued.

As at the end of the second quarter of 2021, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was $27 million (June 13, 2020 – $47 million; December 31, 2020 – $52 million), which represented 9% (June 13, 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 second quarter of 2021 and throughout the first half of 2021.

Note 10. Inventories

The components of inventories were as follows:

		As at	
($ millions)	**Jun. 19, 2021**	Jun. 13, 2020	Dec. 31, 2020
Raw materials and supplies	**$ 93**	$ 79	$ 71
Finished goods	**5,153**	4,794	5,314
Inventories	**$ 5,246**	$ 4,873	$ 5,385

As at the end of the second quarter of 2021, Loblaw recorded an inventory provision of $42 million (June 13, 2020 – $35 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 first half of 2021 and 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 second quarter of 2021, Loblaw recorded a nominal gain (2020 – nominal gain) from the sale of these assets. On a year-to-date basis, 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 first half of 2021 and 2020.

Note 12. Other Assets

The components of other assets were as follows:

		As at	
($ millions)	Jun. 19, 2021	Jun. 13, 2020	Dec. 31, 2020
Fair value of equity forward (note 20)[(i)]	**$ 491**	$ 573	$ 630
Sundry investments and other receivables[(ii)]	**156**	50	145
Net accrued benefit plan asset (note 18)	**395**	216	184
Finance lease receivable	**72**	62	77
Mortgages, loans and notes receivable	**143**	227	168
Other	**165**	193	159
Total Other Assets	**$ 1,422**	$ 1,321	$ 1,363
Current portion of mortgages, loans and notes receivable[(iii)]	**(49)**	(123)	(49)
Current portion of fair value of equity forward[(iv)]	**(262)**	–	–
Other Assets	**$ 1,111**	$ 1,198	$ 1,314

(i) See Note 14 for details on the partial settlement of the Net debt associated with the equity forward sale agreement.
(ii) 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. As at June 19, 2021, Loblaw had invested $61 million in exchange for approximately 24% of the ownership interest in Maple. The remaining investment is expected to be executed in the third quarter of 2021.
(iii) Current portion of mortgages, loans and notes receivable are included in prepaid expenses and other assets in the consolidated balance sheets.
(iv) Current portion of fair value of equity forward is included in prepaid expenses and other assets in the consolidated balance sheets.

Note 13. Short-Term Debt

The components of short-term debt were as follows:

		As at	
($ millions)	Jun. 19, 2021	Jun. 13, 2020	Dec. 31, 2020
Other Independent Securitization Trusts (note 9)	**$ 300**	$ 525	$ 575
Series B Debentures[(i)]	**719**	740	760
Short-term debt	**$ 1,019**	$ 1,265	$ 1,335

(i) Series B Debentures issued by GWL are due on demand and are secured by a pledge of 8.85 million Loblaw common shares (June 13, 2020 and December 31, 2020 – 9.6 million Loblaw common shares). See Note 14 for details on the partial settlement of the Net debt associated with the equity forward sale agreement.

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).

Note 14. Long-Term Debt

The components of long-term debt were as follows:

($ millions)	As at Jun. 19, 2021	Jun. 13, 2020	Dec. 31, 2020
Debentures	**$ 10,468**	$ 10,845	$ 10,505
Long-term debt secured by mortgage	**1,214**	1,227	1,207
Construction loans	**8**	25	25
Guaranteed Investment Certificates	**1,048**	1,452	1,185
Independent Securitization Trusts (note 9)	**1,050**	1,000	1,050
Independent funding trusts	**582**	490	512
Committed credit facilities	**55**	12	–
Transaction costs and other	**(40)**	(41)	(41)
Total long-term debt	**$ 14,385**	$ 15,010	$ 14,443
Long-term debt due within one year	**(1,966)**	(1,332)	(924)
Long-term debt	**$ 12,419**	$ 13,678	$ 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 half of 2021, the Company, Loblaw and Choice Properties were in compliance with the financial covenants.

DEBENTURES There were no debentures issued on a year-to-date basis in 2021. The following table summarizes the debentures issued in the periods ended as indicated:

			12 Weeks Ended		24 Weeks Ended	
			Jun. 19, 2021	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
($ millions)	Interest Rate	Maturity Date	**Principal Amount**	Principal Amount	**Principal Amount**	Principal Amount
Loblaw Companies Limited debenture	2.28%	May 7, 2030	**$ –**	$ 350	**$ –**	$ 350
Choice Properties senior unsecured debentures						
– Series N	2.98%	March 4, 2030	**–**	–	**–**	400
– Series O	3.83%	March 4, 2050	**–**	–	**–**	100
– Series P	2.85%	May 21, 2027	**–**	500	**–**	500
Total debentures issued			**$ –**	$ 850	**$ –**	$ 1,350

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

			12 Weeks Ended		24 Weeks Ended	
			Jun. 19, 2021	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
($ millions)	Interest Rate	Maturity Date	**Principal Amount**	Principal Amount	**Principal Amount**	Principal Amount
George Weston debenture – Series A	7.00%	November 10, 2031 (i)	**$ 36**	$ –	**$ 36**	$ –
Choice Properties senior unsecured debentures						
– Series 8	3.60%	April 20, 2020	**$ –**	$ –	**$ –**	$ 300
– Series B-C	4.32%	January 15, 2021	**–**	100	**–**	100
– Series C	3.50%	February 8, 2021	**–**	250	**–**	250
– Series E	2.30%	September 14, 2020	**–**	–	**–**	250
Total debentures repaid			**$ 36**	$ 350	**$ 36**	$ 900

(i) In the second quarter of 2021, the Company partially settled the net debt associated with the equity forward sale agreement by paying approximately $53 million net of the $43 million gain on the settlement of 0.75 million of the 9.6 million shares under the equity forward sale agreement (note 12) to redeem 7.8% of the Series A Debentures and Series B Debentures, including accrued interest. As a result of the transaction, the Company redeemed $36 million of the Series A Debentures and $60 million of the Series B Debentures (note 13).

Subsequent to quarter end, the Company paid approximately $363 million to net settle an additional 4.73 million shares under the equity forward sale agreement reflecting a redemption of 53% of the Series A Debentures, the Series B Debentures and accrued interest balances. As at end of second quarter of 2021, 53% of the fair value of the Series A Debentures and equity forward were classified as current liabilities and current assets, respectively.

Subsequent to the end of the second quarter of 2021, Choice Properties redeemed in full, at par, plus accrued and unpaid interest thereon, the $200 million aggregate principal amount of series 9 senior unsecured debentures outstanding bearing interest at 3.60% with an original maturity date of September 20, 2021.

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

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Balance, beginning of period	**$ 1,159**	$ 1,324	**$ 1,185**	$ 1,311
GICs issued	**155**	266	**156**	286
GICs matured	**(266)**	(138)	**(293)**	(145)
Balance, end of period	**$ 1,048**	$ 1,452	**$ 1,048**	$ 1,452

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 (June 13, 2020 and December 31, 2020 – $64 million), representing not less than 10% (June 13, 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:

		As at					
		Jun. 19, 2021		Jun. 13, 2020		Dec. 31, 2020	
($ millions)	**Maturity Date**	**Available Credit**	**Drawn**	**Available Credit**	**Drawn**	**Available Credit**	**Drawn**
Loblaw committed credit facility	October 7, 2023	**$ 1,000**	**$ –**	$ 1,000	$ –	$ 1,000	$ –
Choice Properties committed syndicated credit facility	May 4, 2023	**1,500**	**55**	1,500	12	1,500	–
Total committed credit facilities		**$ 2,500**	**$ 55**	$ 2,500	$ 12	$ 2,500	$ –

Subsequent to the end of the second quarter of 2021, the maturity date for Choice Properties committed syndicated credit facility was extended to June 24, 2026.

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

	As at		
($ millions)	**Jun. 19, 2021**	Jun. 13, 2020	Dec. 31, 2020
Debentures	**$ 725**	$ 346	$ 196
GICs	**402**	640	597
Independent Securitization Trusts	**–**	250	–
Independent funding trusts	**582**	–	–
Long-term debt secured by mortgage	**252**	71	106
Construction Loans	**5**	25	25
Long-term debt due within one year	**$ 1,966**	$ 1,332	$ 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:

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Total long-term debt, beginning of period	**$ 14,419**	$ 14,944	**$ 14,443**	$ 14,554
Long-term debt issuances(i)	**279**	937	**309**	1,921
Long-term debt repayments(ii)	**(312)**	(880)	**(367)**	(1,448)
Total cash flow (used in)/from long-term debt financing activities	**(33)**	57	**(58)**	473
Other non-cash changes	**(1)**	9	**–**	(17)
Total long-term debt, end of period	**$ 14,385**	$ 15,010	**$ 14,385**	$ 15,010

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

(ii) Includes $36 million repayment of George Weston Series A debentures which are presented within the line "Settlement of net debt associated with equity forward sale agreement" in the condensed consolidated statements of cash flows.

Note 15. Other Liabilities

The components of other liabilities were as follows:

	As at		
($ millions)	Jun. 19, 2021	Jun. 13, 2020	Dec. 31, 2020
Financial liabilities[(i)]	$ 662	$ 428	$ 661
Net defined benefit plan obligation (note 18)	341	367	382
Other long-term employee benefit obligation	136	130	129
Equity-based compensation liability (note 19)	6	5	7
Other	8	22	18
Other liabilities	$ 1,153	$ 952	$ 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 June 19, 2021, $3 million (June 13, 2020 – $4 million; December 31, 2020 – $5 million) was recorded in trade payables and other liabilities and $662 million (June 13, 2020 – $428 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:

	12 Weeks Ended				24 Weeks Ended			
	Jun. 19, 2021		Jun. 13, 2020		Jun. 19, 2021		Jun. 13, 2020	
($ millions except where otherwise indicated)	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital[(i)]	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	151,933,747	$ 2,785	153,670,563	$ 2,809	152,374,416	$ 2,786	153,667,750	$ 2,809
Issued for settlement of stock options (note 19)	14,050	3	–	–	104,545	11	2,813	–
Purchased and cancelled [(i)]	(1,165,956)	(46)	–	–	(1,697,120)	(55)	–	–
Issued and outstanding, end of period	150,781,841	$ 2,742	153,670,563	$ 2,809	150,781,841	$ 2,742	153,670,563	$ 2,809
Shares held in trusts, beginning of period	(181,625)	$ (3)	(261,823)	$ (4)	(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)	526	–	2,227	–	73,426	1	58,236	–
Shares held in trusts, end of period	(181,099)	$ (3)	(259,596)	$ (4)	(181,099)	$ (3)	(259,596)	$ (4)
Issued and outstanding, net of shares held in trusts, end of period	150,600,742	$ 2,739	153,410,967	$ 2,805	150,600,742	$ 2,739	153,410,967	$ 2,805
Weighted average outstanding, net of shares held in trusts (note 7)	151,498,459		153,409,403		151,795,628		153,489,551	

(i) Common shares purchased and cancelled as at June 19, 2021, does not include the shares repurchased from the automatic share purchase plan, as described below.

NORMAL COURSE ISSUER BID PROGRAM The following table summarizes the Company's activity under its Normal Course Issuer Bid ("NCIB") program:

	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 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)	**–**	31,870	**1,588**	32,960
Purchased and cancelled (number of shares)	**1,165,956**	–	**1,697,120**	–
Cash consideration paid				
Purchased and held in trusts	**$ –**	$ –	**$ –**	$ (21)
Purchased and settled	**$ –**	$ (3)	**$ –**	$ (3)
Purchased and cancelled[(i)(ii)]	**$ (141)**	$ –	**$ (166)**	$ –
Premium charged to retained earnings				
Purchased and held in trusts	**$ –**	$ –	**$ –**	$ 17
Purchased and cancelled[(iii)]	**$ 246**	$ –	**$ 292**	$ –
Reduction in share capital[(iv)]	**$ 46**	$ –	**$ 55**	$ –

(i) $30 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the first quarter of 2021 was paid in the second quarter of 2021.

(ii) $26 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the second quarter of 2021 was paid in the third quarter of 2021.

(iii) Includes $131 million related to the automatic share purchase plan, as described below.

(iv) Includes $24 million related to the automatic share purchase plan, as described below.

In the second quarter of 2021, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 7,596,891 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.

In the second quarter of 2021, the Company entered into an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at June 19, 2021, an obligation to repurchase shares of approximately $155 million was recognized under the ASPP in trade payables and other liabilities.

As of June 19, 2021, 1,165,956 common shares were purchased under the Company's current NCIB.

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

	12 Weeks Ended		24 Weeks Ended	
($)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Dividends declared per share[(i)]:				
Common share	**$ 0.550**	$ 0.525	**$ 1.100**	$ 1.050
Preferred share:				
Series I	**$ 0.3625**	$ 0.3625	**$ 0.7250**	$ 0.7250
Series III	**$ 0.3250**	$ 0.3250	**$ 0.6500**	$ 0.6500
Series IV	**$ 0.3250**	$ 0.3250	**$ 0.6500**	$ 0.6500
Series V	**$ 0.296875**	$ 0.296875	**$ 0.593750**	$ 0.593750

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

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

($)		
Dividends declared per share[(i)]	– Common share	$ 0.600
	– 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 October 1, 2021. Dividends declared on Preferred Shares, Series I are payable on September 15, 2021.

Note 17. Loblaw Capital Transactions

LOBLAW PREFERRED SHARES As at the end of the second 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 second quarter of 2021 and year-to-date, Loblaw declared dividends of $3 million (2020 – $3 million) and $6 million (2020 – $6 million), respectively, 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:

	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Issued (number of shares)	**848,135**	90,246	**1,403,904**	893,840
Purchased and held in trusts (number of shares)	**—**	—	**—**	(145,000)
Purchased and cancelled (number of shares)	**(4,806,098)**	—	**(10,177,962)**	(2,757,577)
	(3,957,963)	90,246	**(8,774,058)**	(2,008,737)
Cash consideration received (paid)				
Equity-based compensation	**$ 42**	$ 3	**$ 49**	$ 24
Purchased and held in trusts	**—**	—	**—**	(10)
Purchased and cancelled[(i)]	**(379)**	—	**(700)**	(188)
	$ (337)	$ 3	**$ (651)**	$ (174)
Increase (decrease) in contributed surplus				
Equity-based compensation	**$ 14**	$ 1	**$ 21**	$ 12
Purchased and held in trusts	**—**	—	**—**	(3)
Purchased and cancelled	**(90)**	—	**(177)**	(49)
	$ (76)	$ 1	**$ (156)**	$ (40)

(i) $29 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the first quarter of 2021 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.

In the second 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 June 19, 2021, Loblaw had purchased 4,806,098 common shares for cancellation under its current NCIB.

During the second quarter of 2021, 4,806,098 (2020 – nil) Loblaw common shares were purchased under the Loblaw NCIB for cancellation, for aggregate consideration of $350 million (2020 – nil), including 2,159,071 (2020 – nil) Loblaw common shares purchased from GWL, for aggregate consideration of $157 million (2020 – nil). On a year-to-date basis, 10,177,962 (2020 – 2,757,577) Loblaw common shares were purchased under the NCIB for cancellation, for aggregate consideration of $700 million (2020 – $188 million), including 4,937,148 (2020 – 1,355,077) Loblaw common shares purchased from GWL, for aggregate consideration of $338 million (2020 – $92 million).

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

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

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Post-employment benefit costs recognized in operating income[i]	**$ 45**	$ 43	**$ 93**	$ 83
Other long-term employee benefit costs recognized in operating income[ii]	**$ 10**	$ 8	**$ 18**	$ 16
Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 5)	**$ 2**	$ 1	**$ 4**	$ 4
Actuarial gains (losses) before income taxes recognized in other comprehensive income	**$ 176**	$ (65)	**$ 268**	$ (16)

(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 second quarter of 2021 were primarily driven by higher than expected returns on assets and an increase in discount rates. The actuarial gains recognized in the year-to-date of 2021 were primarily driven by an increase in discount rates, partially offset by lower than expected returns on assets. The actuarial losses recognized in the second quarter and year-to-date of 2020 were primarily driven by a decrease in discount rates, partially offset by higher than expected return on assets.

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 second quarter of 2021 and year-to-date were $18 million (2020 – $16 million) and $40 million (2020 – $30 million), respectively.

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

	As at		
($ millions)	**Jun. 19, 2021**	Jun. 13, 2020	Dec. 31, 2020
Trade payables and other liabilities	**$ 11**	$ 8	**$ 9**
Other liabilities (note 15)	**$ 6**	$ 5	**$ 7**
Contributed surplus	**$ 116**	$ 109	**$ 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		24 Weeks Ended	
	Jun. 19, 2021	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Outstanding options, beginning of period	**2,050,819**	1,792,773	**1,746,483**	1,246,718
Granted	**–**	–	**397,183**	548,868
Exercised	**(14,050)**	–	**(104,545)**	(2,813)
Forfeited/cancelled	**(1,078)**	(16,202)	**(3,430)**	(16,202)
Outstanding options, end of period	**2,035,691**	1,776,571	**2,035,691**	1,776,571

During the second quarter of 2021, GWL issued common shares on the exercise of stock options with a weighted average market share price of $118.50 per common share with cash consideration of $2 million. There were no stock options exercised in the second quarter of 2020.

In the year-to-date of 2021, GWL issued common shares on the exercise of stock options with a weighted average market share price of $108.07 (2020 – $89.60) per common share and received $9 million cash consideration (2020 – nominal).

There were no stock options granted during the second quarter of 2021 and 2020. In the year-to-date 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 second quarter of 2021 was 1.4% (2020 – 0.8%).

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

	12 Weeks Ended		24 Weeks Ended	
	Jun. 19, 2021	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Outstanding options, beginning of period	**8,824,395**	7,648,714	**7,259,645**	6,317,922
Granted	**156,115**	12,690	**1,870,168**	1,815,577
Exercised	**(782,102)**	(59,711)	**(906,776)**	(479,007)
Forfeited/cancelled	**(544,565)**	(43,439)	**(569,194)**	(96,238)
Outstanding options, end of period	**7,653,843**	7,558,254	**7,653,843**	7,558,254

During the second quarter of 2021 Loblaw issued common shares on the exercise of stock options with a weighted average market share price of $72.98 (2020 – $68.33) per common share and received cash consideration of $42 million (2020 – $3 million). In the year-to-date of 2021, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of $72.01 (2020 – $68.04) per common share and received cash consideration of $49 million (2020 – $24 million).

During the second quarter of 2021 Loblaw granted stock options with a weighted average exercise price of $71.32 (2020 – $69.14) per common share and a fair value of $2 million (2020 – nominal). In the year-to-date of 2021, Loblaw granted stock options with a weighted average exercise price of $63.39 (2020 – $70.05) per common share and a fair value of $17 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		24 Weeks Ended	
	Jun. 19, 2021	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Expected dividend yield	**1.9%**	1.8%	**2.0%**	1.8%
Expected share price volatility	**18.4% - 20.4%**	18.4% - 19.4%	**18.4% - 20.4%**	13.5% - 19.4%
Risk-free interest rate	**0.7% - 1.2%**	0.3% - 0.4%	**0.6% - 1.2%**	0.3% - 1.2%
Expected life of options	**3.8 - 6.2 years**	3.7 - 6.2 years	**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 second quarter of 2021 was 9.0% (2020 – 8.0%).

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

	12 Weeks Ended		24 Weeks Ended	
(Number of awards)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Outstanding RSUs, beginning of period	**113,785**	129,197	**133,038**	136,788
Granted	**435**	1,127	**31,721**	37,728
Reinvested	**564**	694	**1,335**	1,374
Settled	**(526)**	(2,057)	**(51,408)**	(44,596)
Forfeited	**(1,112)**	(675)	**(1,540)**	(3,008)
Outstanding RSUs, end of period	**113,146**	128,286	**113,146**	128,286

During the second quarter of 2021, the fair value of GWL's RSUs granted was nominal (2020 – nominal). In the year-to-date of 2021, the fair value of GWL RSUs was $3 million (2020 – $4 million).

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

	12 Weeks Ended		24 Weeks Ended	
(Number of awards)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Outstanding RSUs, beginning of period	**932,506**	1,050,032	**894,272**	1,032,832
Granted	**51,570**	1,774	**329,687**	232,784
Reinvested	**4,522**	4,838	**4,522**	9,668
Settled	**(44,936)**	(26,422)	**(279,373)**	(233,506)
Forfeited	**(55,606)**	(5,704)	**(61,052)**	(17,260)
Outstanding RSUs, end of period	**888,056**	1,024,518	**888,056**	1,024,518

During the second quarter of 2021, the fair value of Loblaw's RSUs granted was $4 million (2020 – nominal). In the year-to-date of 2021, the fair value of Loblaw's RSUs was $21 million (2020 – $16 million).

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

	12 Weeks Ended		24 Weeks Ended	
(Number of awards)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Outstanding PSUs, beginning of period	**181,139**	153,478	**151,058**	114,473
Granted	**–**	–	**58,216**	58,555
Reinvested	**902**	824	**1,774**	1,404
Settled	**–**	(170)	**(23,606)**	(18,684)
Forfeited	**–**	(1,763)	**(5,401)**	(3,379)
Outstanding PSUs, end of period	**182,041**	152,369	**182,041**	152,369

There were no PSUs granted in the second quarter of 2021 and 2020. In the year-to-date of 2021 the fair value of GWL's PSUs granted were $6 million (2020 – $6 million).

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

	12 Weeks Ended		24 Weeks Ended	
(Number of awards)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Outstanding PSUs, beginning of period	**701,328**	701,166	**666,400**	662,695
Granted	**23,737**	5,390	**269,611**	231,626
Reinvested	**3,388**	3,239	**3,388**	6,318
Settled	**(21,097)**	(4,113)	**(217,755)**	(181,327)
Forfeited	**(52,824)**	(1,037)	**(67,112)**	(14,667)
Outstanding PSUs, end of period	**654,532**	704,645	**654,532**	704,645

During the second quarter of 2021, the fair value of Loblaw's PSUs granted were $2 million (2020 – nominal). In the year-to-date of 2021 the fair value of Loblaw's PSUs granted were $17 million (2020 – $16 million).

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:

	12 Weeks Ended		24 Weeks Ended	
(Number of awards)	**Jun. 19, 2021**	Jun. 13, 2020	**Jun. 19, 2021**	Jun. 13, 2020
Settled	**526**	2,227	**75,014**	63,280
Released from trusts (note 16)	**526**	2,227	**73,426**	58,236

The settlement of awards from shares held in trusts in the second quarter of 2021 resulted in a nominal increase (2020 – nominal) in retained earnings and a nominal increase (2020 – nominal) in share capital. The settlements of awards from shares held in trusts year-to-date for 2021 resulted in a $6 million increase (2020 – $6 million) in retained earnings and a $1 million increase (2020 – nominal) in share capital.

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.

	As at											
	Jun. 19, 2021				Jun. 13, 2020[i]				Dec. 31, 2020[i]			
($ millions)	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]	$ –	$ –	$ 88	$ 88	$ –	$ –	$ 142	$ 142	$ –	$ –	$ 113	$ 113
Fair value through other comprehensive income:												
Certain long-term investments and other assets[ii]	117	–	–	117	117	–	–	117	117	–	–	117
Fair value through profit and loss:												
Security deposits	74	–	–	74	148	–	–	148	75	–	–	75
Certain long-term investments and other assets[ii]	–	21	77	98	–	19	84	103	–	20	73	93
Derivatives included in accounts receivable	2	1	–	3	–	2	–	2	3	–	–	3
Derivatives included in prepaid expenses and other assets	7	4	2	13	–	4	–	4	–	–	3	3
Derivatives included in other assets	–	491	–	491	–	573	–	573	–	630	–	630
Financial liabilities												
Amortized cost:												
Long-term debt	–	15,867	–	15,867	–	16,731	–	16,731	–	16,389	–	16,389
Certain other liabilities[ii]	–	–	670	670	–	–	440	440	–	–	671	671
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	–	5	–	5	–	22	–	22	–	–	–	–
Fair value through profit and loss:												
Trust Unit liability	4,032	–	–	4,032	3,359	–	–	3,359	3,600	–	–	3,600
Derivatives included in trade payables and other liabilities	–	5	–	5	19	1	1	21	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 second quarter of 2021 and year-to-date, a loss of $1 million (2020 – loss of $4 million) and a loss of $2 million (2020 – gain of $3 million), respectively, was recognized in operating income on financial instruments designated as amortized cost. In addition, during the second quarter of 2021 and year-to-date, a net loss of $242 million (2020 – net loss of $268 million) and a net loss of $532 million (2020 – net gain of $245 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 second quarter of 2021, the Company had cash and cash equivalents, short-term investments and security deposits of $3,481 million (June 13, 2020 – $3,556 million; December 31, 2020 – $3,231 million), including U.S. dollars of $234 million (June 13, 2020 – $121 million; December 31, 2020 – $199 million).

During the second quarter of 2021 and year-to-date, a loss of $9 million (2020 – loss of $66 million) and a loss of $22 million (2020 – gain of $47 million), respectively, 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 second quarter of 2021, a loss of $1 million (2020 – gain of $7 million) and a loss of $1 million (2020 - loss of $2 million) year-to-date were recorded in operating income related to these derivatives. In addition, a corresponding $2 million asset was included in prepaid expense and other assets as at June 19, 2021 (June 13, 2020 – $1 million liability included in trade payables and other liabilities; December 31, 2020 – $3 million asset included in prepaid expenses and other assets). As at June 19, 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 second quarter of 2021, Weston Holdings Limited, a subsidiary of GWL, held an outstanding equity forward sale agreement based on 8.85 million Loblaw common shares (June 13, 2020 and December 31, 2020 – 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 second quarter of 2021, the forward rate was $130.21 (June 13, 2020 – $125.98; December 31, 2020 – $128.30) per Loblaw common share. In the second quarter of 2021 and year-to-date, a fair value loss of $58 million (2020 – gain of $3 million) and a fair value loss of $111 million (2020 - gain of $13 million) was recorded in net interest expense and other financing charges related to this agreement (see note 5).

Trust Unit Liability In the second quarter of 2021 and year-to-date, a fair value loss of $188 million (2020 – loss of $257 million) and a fair value loss of $427 million (2020 – gain of $247 million) was recorded in net interest expense and other financing charges (see note 5).

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:

					Jun. 19, 2021
			12 Weeks Ended		**24 Weeks Ended**
($ millions)	**Net asset (liability) fair value**	**Gain/ (loss) recorded in OCI**	**Gain/(loss) recorded in operating income**	**Gain/ (loss) recorded in OCI**	**Gain/(loss) recorded in operating income**
Derivatives designated as cash flow hedges					
Foreign Exchange Currency Risk - Foreign Exchange Forwards[i]	**$ –**	**$ –**	**$ (1)**	**$ –**	**$ (1)**
Interest Rate Risk - Bond Forwards[ii]	**–**	**1**	**(1)**	**3**	**(3)**
Interest Rate Risk - Interest Rate Swaps[iii]	**(3)**	**5**	**–**	**4**	**–**
Total derivatives designated as cash flow hedges	**$ (3)**	**$ 6**	**$ (2)**	**$ 7**	**$ (4)**
Derivatives not designated in a formal hedging relationship					
Foreign Exchange and Other Forwards	**$ (3)**	**$ –**	**$ (2)**	**$ –**	**$ (7)**
Other Non-Financial Derivatives	**9**	**–**	**3**	**–**	**14**
Total derivatives not designated in a formal hedging relationship	**$ 6**	**$ –**	**$ 1**	**$ –**	**$ 7**
Total derivatives	**$ 3**	**$ 6**	**$ (1)**	**$ 7**	**$ 3**

(i) PC Bank uses foreign exchange forwards, with a notional amount of $20 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in trade payables and other liabilities.

(ii) PC Bank settled $175 million of bond forward in the second quarter of 2021 (see note 9). The purpose of the bond forward was to hedge the interest rate for the $300 million *Eagle* notes issued subsequent to the second quarter of 2021. Loblaw has concluded that this hedge was effective as at the settlement date.

(iii) Choice Properties uses interest rate swaps, with a notional value of $104 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in the other assets or other liabilities.

					Jun. 13, 2020
			12 Weeks Ended		24 Weeks Ended
($ millions)	Net asset (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income	Gain/ (loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges					
Interest Rate Risk - Bond Forwards[i]	$ (10)	$ (18)	$ –	$ (43)	$ (1)
Interest Rate Risk - Interest Rate Swaps[ii]	(11)	–	(2)	(8)	(2)
Total derivatives designated as cash flow hedges	$ (21)	$ (18)	$ (2)	$ (51)	$ (3)
Derivatives not designated in a formal hedging relationship					
Foreign Exchange and Other Forwards	$ 5	$ –	$ (22)	$ –	$ 23
Other Non-Financial Derivatives	(19)	–	1	–	(37)
Total derivatives not designated in a formal hedging relationship	$ (14)	$ –	$ (21)	$ –	$ (14)
Total derivatives	$ (35)	$ (18)	$ (23)	$ (51)	$ (17)

(i) PC Bank uses bond forwards, with a notional value of $200 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. Choice Properties uses interest rate swaps, with a notional value of $259 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in the other assets or other liabilities.

During the second quarter of 2020, Loblaw settled a bond forward with a notional amount of $350 million that was entered into during the first quarter of 2020. The purpose of the bond forward was to hedge the interest rate risk in the appropriate Government of Canada yield curve that corresponded to the term of the May 7, 2030 senior unsecured notes ("2030 Notes") issuance bearing interest at 2.284% per annum. Loblaw concluded that this hedge was effective as at the settlement date. Accordingly, the accumulated other comprehensive income associated with this bond forward will amortize over the term of the 2030 Notes as net interest expense and other financing charges within the consolidated statements of earnings, resulting in an effective annual interest rate of approximately 3.34%.

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.

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 unquantified damages for the expenses incurred by the federal government, provinces, and territories of Canada in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in Canada. During the second quarter of 2021, the claim against Loblaw Companies Limited was discontinued. 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 December 2019, 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 December 2019 claims seek recovery of damages on behalf of opioid users directly. In April 2021, Loblaw, Shoppers Drug Mart Inc., and Sanis Health Inc. were served with another opioid-related class action that was started in Alberta against multiple defendants. The claim seeks damages on behalf of municipalities and local governments in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. 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 May 13, 2021, the Supreme Court heard the Crown's appeal, reserving judgment for a later date. 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.

	12 Weeks Ended									
	Jun. 19, 2021					Jun. 13, 2020[ii]				
($ millions)	Loblaw	Choice Properties	Weston Foods	Other and Intersegment	Total	Loblaw	Choice Properties	Weston Foods	Other and Intersegment	Total
Revenue	**$ 12,491**	**$ 324**	**$ 431**	**$ (315)**	**$ 12,931**	$ 11,957	$ 315	$ 412	$ (327)	$ 12,357
Operating income (loss)	$ 750	$ 503	$ (6)	$ (191)	$ 1,056	$ 402	$ (29)	$ (49)	$ 77	$ 401
Net interest expense (income) and other financing charges	161	418	–	(76)	503	176	67	(1)	279	521
Earnings (loss) before income taxes	**$ 589**	**$ 85**	**$ (6)**	**$ (115)**	**$ 553**	$ 226	$ (96)	$ (48)	$ (202)	$ (120)
Operating income (loss)	**$ 750**	**$ 503**	**$ (6)**	**$ (191)**	**$ 1,056**	$ 402	$ (29)	$ (49)	$ 77	$ 401
Depreciation and amortization	614	1	33	(75)	573	598	–	44	(76)	566
Adjusting items[i]	5	(281)	(1)	137	(140)	6	230	12	(136)	112
Adjusted EBITDA[i]	$ 1,369	$ 223	$ 26	$ (129)	$ 1,489	$ 1,006	$ 201	$ 7	$ (135)	$ 1,079
Depreciation and amortization[iii]	497	1	33	(75)	456	480	–	34	(76)	438
Adjusted operating income (loss)[i]	**$ 872**	**$ 222**	**$ (7)**	**$ (54)**	**$ 1,033**	$ 526	$ 201	$ (27)	$ (59)	$ 641

(i) Certain items are excluded from operating income (loss) to derive adjusted EBITDA[1]. Adjusted EBITDA[1] 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 8.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's 2021 Second Quarter MD&A.

(iii) Excludes $117 million (2020 – $118 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaw and nil (2020 – $10 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

	24 Weeks Ended									
					Jun. 19, 2021					Jun. 13, 2020[ii]
($ millions)	Loblaw	Choice Properties	Weston Foods	Other and Intersegment	Total	Loblaw	Choice Properties	Weston Foods	Other and Intersegment	Total
Revenue	**$ 24,363**	**$ 651**	**$ 903**	**$ (634)**	**$ 25,283**	$ 23,757	$ 640	$ 947	$ (654)	$ 24,690
Operating income (loss)	$ 1,365	$ 788	$ (6)	$ (261)	$ 1,886	$ 941	$ 48	$ (48)	$ 58	$ 999
Net interest expense (income) and other financing charges	321	765	1	(38)	1,049	348	(189)	(2)	106	263
Earnings (loss) before income taxes	**$ 1,044**	**$ 23**	**$ (7)**	**$ (223)**	**$ 837**	$ 593	$ 237	$ (46)	$ (48)	$ 736
Operating income (loss)	**$ 1,365**	**$ 788**	**$ (6)**	**$ (261)**	**$ 1,886**	$ 941	$ 48	$ (48)	$ 58	$ 999
Depreciation and amortization	1,224	2	69	(162)	1,133	1,192	1	87	(154)	1,126
Adjusting items[i]	(4)	(342)	(3)	154	(195)	36	379	20	(181)	254
Adjusted EBITDA[i]	$ 2,585	$ 448	$ 60	$ (269)	$ 2,824	$ 2,169	$ 428	$ 59	$ (277)	$ 2,379
Depreciation and amortization[iii]	990	2	69	(162)	899	955	1	68	(154)	870
Adjusted operating income (loss)[i]	**$ 1,595**	**$ 446**	**$ (9)**	**$ (107)**	**$ 1,925**	$ 1,214	$ 427	$ (9)	$ (123)	$ 1,509

(i) Certain items are excluded from operating income (loss) to derive adjusted EBITDA[1]. Adjusted EBITDA[1] 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 8.1, "Non-GAAP Financial Measures Policy Change Effective 2021" of the Company's 2021 Second Quarter MD&A.

(iii) Excludes $234 million (2020 – $237 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaw and nil (2020 – $19 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

Other and Intersegment includes the following items:

	12 Weeks Ended					
			Jun. 19, 2021			Jun. 13, 2020[i]
($ millions)	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)**	**$ (35)**	**$ (26)**	$ (127)	$ (36)	$ (32)
Elimination of cost recovery	**(52)**	**–**	**–**	(51)	–	–
Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost	**–**	**(18)**	**–**	–	(14)	–
Fair value adjustment on investment properties	**–**	**(132)**	**–**	–	137	–
Fair value adjustment on Choice Properties' Exchangeable Units	**–**	**–**	**(289)**	–	–	70
Fair value adjustment on Trust Unit liability	**–**	**–**	**188**	–	–	257
Unit distributions on Exchangeable Units paid by Choice Properties to GWL	**–**	**–**	**(71)**	–	–	(72)
Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL	**–**	**–**	**51**	–	–	48
Intercompany sales	**(135)**	**–**	**–**	(146)	–	–
Fair value adjustment of the forward sale agreement for Loblaw common shares	**–**	**–**	**58**	–	–	(3)
Other	**–**	**(6)**	**13**	(3)	(10)	11
Total Consolidated	**$ (315)**	**$ (191)**	**$ (76)**	$ (327)	$ 77	$ 279

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

	24 Weeks Ended					
	Jun. 19, 2021			Jun. 13, 2020(i)		
($ millions)	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	$ (259)	$ (74)	$ (52)	$ (258)	$ (84)	$ (64)
Elimination of cost recovery	(106)	–	–	(107)	–	–
Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost	–	(24)	–	–	(26)	–
Fair value adjustment on investment properties	–	(147)	–	–	183	–
Fair value adjustment on Choice Properties' Exchangeable Units	–	–	(507)	–	–	456
Fair value adjustment on Trust Unit liability	–	–	427	–	–	(247)
Unit distributions on Exchangeable Units paid by Choice Properties to GWL	–	–	(144)	–	–	(144)
Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL	–	–	102	–	–	96
Intercompany sales	(269)	–	–	(289)	–	–
Fair value adjustment of the forward sale agreement for Loblaw common shares	–	–	111	–	–	(13)
Other	–	(16)	25	–	(15)	22
Total Consolidated	$ (634)	$ (261)	$ (38)	$ (654)	$ 58	$ 106

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

	As at		
($ millions)	Jun. 19, 2021	Jun. 13, 2020(i)	Dec. 31, 2020(i)
Total Assets			
Loblaw	$ 35,602	$ 36,275	$ 36,018
Choice Properties	15,968	15,146	15,647
Weston Foods(ii)	4,413	4,303	4,540
Other and Intersegment(iii)	(8,037)	(8,046)	(8,130)
Consolidated	$ 47,946	$ 47,678	$ 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.

	12 Weeks Ended		24 Weeks Ended	
($ millions)	Jun. 19, 2021	Jun. 13, 2020	Jun. 19, 2021	Jun. 13, 2020
Additions to Fixed Assets, Investment Properties and Intangible Assets				
Loblaw(i)	$ 258	$ 199	$ 461	$ 410
Choice Properties	20	20	38	69
Weston Foods	26	33	39	57
Other	–	–	2	2
Consolidated	$ 304	$ 252	$ 540	$ 538

(i) During 2021, additions to fixed assets in Loblaw included prepayments that were made in 2020 and transferred from other assets of nil in the second quarter of 2021 and $1 million year-to-date. During 2020, additions to fixed assets in Loblaw included prepayments that were made in 2019 and transferred from other assets of $30 million in the second quarter of 2020 and $50 million year-to-date of 2020.

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. To date, on a consolidated basis, the Company has invested $24 million in the Venture Fund, of which $6 million and $12 million were invested in the second quarter and year-to-date of 2021, respectively, and recorded in Other Assets. Subsequent to the end of the second quarter of 2021, the Company invested $4 million, on a consolidated basis, in the Venture Fund.

Financial Summary[i]

As at or for the periods ended as indicated ($ millions except where otherwise indicated)	12 Weeks Ended Jun. 19, 2021	 Jun. 13, 2020[ii]
Consolidated Operating Results		
Revenue	**$ 12,931**	$ 12,357
Operating income	**1,056**	401
Adjusted EBITDA[iii]	**1,489**	1,079
Depreciation and amortization[iv]	**573**	566
Net interest expense and other financing charges	**503**	521
Adjusted net interest expense and other financing charges[iii]	**257**	267
Income taxes	**199**	52
Adjusted income taxes[iii]	**216**	108
Net earnings (loss)	**354**	(172)
Net earnings (loss) attributable to shareholders of the Company	**118**	(245)
Net earnings (loss) available to common shareholders of the Company	**108**	(255)
Adjusted net earnings available to common shareholders of the Company[iii]	**272**	139
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents, short-term investments and security deposits	**$ 3,481**	$ 3,556
Cash flows from operating activities	**1,707**	1,012
Capital investments	**304**	252
Free cash flow[iii]	**1,007**	393
Total debt including lease liabilities	**20,875**	21,475
Total equity attributable to shareholders of the Company	**7,269**	7,733
Total equity	**13,068**	13,343
Consolidated Per Common Share ($)		
Diluted net earnings (loss) per common share	**$ 0.70**	$ (1.66)
Adjusted diluted net earnings per common share[iii]	**1.78**	0.91
Consolidated Financial Measures and Ratios		
Adjusted EBITDA margin[iii] (%)	**11.5**	8.7
Rolling year adjusted return on average equity attributable to common shareholders of the Company[iii] (%)	**17.6**	15.1
Rolling year adjusted return on capital[ii][iii] (%)	**11.7**	9.5
Reportable Operating Segments		
Loblaw		
Revenue	**$ 12,491**	$ 11,957
Operating income	**750**	402
Adjusted EBITDA[iii]	**1,369**	1,006
Adjusted EBITDA margin[iii] (%)	**11.0**	8.4
Depreciation and amortization[iv]	**614**	598
Choice Properties		
Revenue	**$ 324**	$ 315
Net interest expense and other financing charges	**418**	67
Net income (loss)	**85**	(96)
Funds from operations[iii]	**172**	141
Weston Foods		
Sales	**$ 431**	$ 412
Operating income	**(6)**	(49)
Adjusted EBITDA[iii]	**26**	7
Adjusted EBITDA margin[iii] (%)	**6.0**	1.7
Depreciation and amortization[iv]	**33**	44

(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 8, "Non-GAAP Financial Measures" of the Company's 2021 Second Quarter Management's Discussion and Analysis. Certain comparative figures have been restated due to a non-GAAP policy change. See section 8.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's 2021 Second Quarter MD&A.
(iv) Depreciation and amortization for the calculation of EBITDA excludes $117 million (2020 – $118 million) of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation, recorded by Loblaw and nil (2020 – $10 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 Roy MacDonald, Vice President, 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.

Second Quarter Conference Call and Webcast

George Weston Limited will host a conference call as well as an audio webcast on Friday, July 30, 2021 at 9:00 a.m. (ET). To access via tele-conference, please dial 416-764-8688 or 1-888-390-0546. The playback will be available two hours after the event at 416-764-8677 or 1-888-390-0541, passcode: 388778#. To access via audio webcast, please visit the Investor Centre section of www.weston.ca. 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

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