WESTON GEORGE WESTON LIMITED

# NEWS RELEASE

### George Weston Limited Reports Second Quarter 2021 Results[(2)]

**Toronto, Ontario July 30, 2021** George Weston Limited (TSX: WN) ("GWL" or the "Company") today announced its consolidated unaudited results for the 12 weeks ended June 19, 2021.

GWL's 2021 Second Quarter Report has been filed on SEDAR and is available at sedar.com and in the Investor Centre section of the Company's website at weston.ca.

"We are pleased with the performance of our businesses as they lapped the most difficult quarter of the pandemic, with each delivering operational and financial improvements." said Galen G. Weston, Chairman and Chief Executive Officer, George Weston Limited. "As economies continue to reopen in the second half of the year, our businesses are well-positioned to execute on their plans."

Loblaw Companies Limited ("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 Real Estate Investment Trust ("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.

## 2021 SECOND QUARTER HIGHLIGHTS

George Weston Limited's net earnings available to common shareholders of the Company were $108 million ($0.70 per common share) an increase of $363 million ($2.36 per common share) when 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), which 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) at Choice Properties, net of consolidation adjustments in Other and Intersegment, and an improvement of $133 million ($0.87 per common share) in the Company's consolidated underlying operating performance.

Adjusted net earnings available to common shareholders of the Company[1] in the second quarter of 2021 were $272 million ($1.78 per common share). In comparison to the same period in 2020, this represented an increase of $133 million ($0.87 per common share), or 95.7%, primarily due to the improvement in the underlying operating performance of Loblaw, Choice Properties and Weston Foods. The increase in adjusted diluted net earnings per common share[1] of $0.87, or 95.6%, was due to the performance in adjusted net earnings available to common shareholders[1] and the favourable impact of share repurchases.

Quarterly common share dividend to be increased by $0.05, or 9.1%, from $0.550 per common share to $0.600 per common share.

## CONSOLIDATED RESULTS OF OPERATIONS

The Company's results reflect the impact of COVID-19 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.

| (unaudited) ($ millions except where otherwise indicated) | 12 Weeks Ended | | | | 24 Weeks Ended | | | |
|---|---|---|---|---|---|---|---|---|
| For the periods ended as indicated | Jun. 19, 2021 | Jun. 13, 2020[3] | $ Change | % Change | Jun. 19, 2021 | Jun. 13, 2020[3] | $ 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% | | |
| **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% |

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 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.

## 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 "Outlook" of this News Release for more information.

***GWL CORPORATE[(4)] 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) | 12 Weeks Ended | | 24 Weeks Ended | |
|---|---|---|---|---|
| **($ millions)** | **Jun. 19, 2021** | Jun. 13, 2020 | **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) 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 the Company's 2021 Second Quarter 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 the Company's 2021 Second Quarter 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.

## REPORTABLE OPERATING SEGMENTS

The Company operates through its three reportable operating segments: Loblaw, 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.

### Loblaw Operating Results

| (unaudited)<br>($ millions except where otherwise indicated) | 12 Weeks Ended | | | | 24 Weeks Ended | | | |
|---|---|---|---|---|---|---|---|---|
| For the periods ended as indicated | **Jun. 19, 2021** | Jun. 13, 2020[3] | $ Change | % Change | **Jun. 19, 2021** | Jun. 13, 2020[3] | $ 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) of amortization of intangible assets acquired with Shoppers Drug Mart Corporation ("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 Average Growth Rate ("CAGR")[5] 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[5] 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.

**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.

**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.

**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, primarily driven by an increase in information technology ("IT") and leased assets and an increase in depreciation and amortization in financial services due to the launch of *PC Money* Account. Included in depreciation and amortization is the amortization of intangible assets acquired with Shoppers Drug Mart of $117 million (2020 – $118 million).

**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%. The increase in non-controlling interests at Loblaw was primarily driven by higher franchise earnings in comparison to the same period in 2020.

**Choice Properties Operating Results**

| (unaudited) ($ 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 |
|---|---|---|---|---|---|---|---|---|
| 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 from Loblaw retail.

The increase in revenue was 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 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.

**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.

**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.

**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.

**Weston Foods Operating Results**

| (unaudited)<br>($ millions except where otherwise indicated)<br>For the periods ended as indicated | 12 Weeks Ended<br>Jun. 19, 2021 | Jun. 13, 2020 | $ Change | % Change | 24 Weeks Ended<br>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 of 2020 included $10 million 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.

**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.

**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.

**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. Depreciation and amortization in the second quarter of 2020 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.

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

## OUTLOOK[2]

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.

## DECLARATION OF QUARTERLY DIVIDENDS

Subsequent to the end of the second quarter of 2021, the Company's Board of Directors declared a quarterly dividend on GWL Common Shares, Preferred Shares, Series I, Preferred Shares, Series III, Preferred Shares, Series IV and Preferred Shares, Series V payable as follows:

| | |
|---|---|
| Common Shares | $0.600 per share payable October 1, 2021, to shareholders of record September 15, 2021; |
| Preferred Shares, Series I | $0.3625 per share payable September 15, 2021, to shareholders of record August 31, 2021; |
| Preferred Shares, Series III | $0.3250 per share payable October 1, 2021, to shareholders of record September 15, 2021; |
| Preferred Shares, Series IV | $0.3250 per share payable October 1, 2021, to shareholders of record September 15, 2021; |
| Preferred Shares, Series V | $0.296875 per share payable October 1, 2021, to shareholders of record September 15, 2021. |

## NON-GAAP FINANCIAL MEASURES

The Company uses non-GAAP financial measures as it believes these measures provide useful information to both management and investors with regard to accurately assessing the Company's financial performance and financial condition.

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.

For reconciliation to, and description of the Company's non-GAAP financial measures and financial metrics, see Section 8, "Non-GAAP Financial Measures", of the MD&A in the Company's 2021 Second Quarter Report.

**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 fixed asset and other related impairments (net of recoveries), certain restructuring and other related costs, pension settlement costs, statutory income tax rate changes or other items. For further details please refer to Section 9.1 "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the MD&A in the Company's 2021 Second Quarter Report.

## FORWARD-LOOKING STATEMENTS

This News Release contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this News Release include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of IT systems implementations. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the "Outlook" section of this News Release. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's 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 "Enterprise Risks and Risk Management" section, of the MD&A in the Company's 2020 Annual Report and the Company's Annual Information Form 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 News Release. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## 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 2020 audited annual consolidated financial statements. The Company measures each reportable operating segment's performance based on adjusted EBITDA[1] and adjusted operating income[1]. No reportable operating segment is reliant on any single external customer.

| | 12 Weeks Ended | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Jun. 19, 2021 | | | | | Jun. 13, 2020[3] | | | | |
| ($ 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[ii] | 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) 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.

| (unaudited) ($ millions of Canadian dollars) | 24 Weeks Ended Jun. 19, 2021 Loblaw | Choice Properties | Weston Foods | Other and Intersegment | Total | Jun. 13, 2020[3] 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** | **$ 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(ii) | 990 | 2 | 69 | (162) | 899 | 955 | 1 | 68 | (154) | 870 |
| **Adjusted operating income(i)** | **$ 1,595** | **$ 446** | **$ (9)** | **$ (107)** | **$ 1,925** | $ 1,214 | $ 427 | $ (9) | $ (123) | $ 1,509 |

(i) Certain items are excluded from operating income to derive adjusted EBITDA[1]. Adjusted EBITDA[1] is used internally by management when analyzing segment underlying operating performance.

(ii) 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.

## 2021 SECOND QUARTER REPORT

The Company's 2020 Annual Report and 2021 Second Quarter Report are available in the Investor Centre section of the Company's website at www.weston.ca and have been filed on SEDAR and are available at www.sedar.com.

## 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 SEDAR. This News Release includes selected information on Loblaw, a public company with shares trading on the Toronto Stock Exchange ("TSX"). For information regarding Loblaw, readers should refer to the materials filed by Loblaw on SEDAR from time to time. These filings are also maintained on Loblaw's corporate website at www.loblaw.ca.

This News Release 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 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.

**Endnotes**

(1) See the "Non-GAAP Financial Measures" section of the Company's 2021 Second Quarter Results, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

(2) This News Release contains forward-looking information. See "Forward-Looking Statements" section of this News Release and the Company's 2021 Second Quarter Report for a discussion of material factors that could cause actual results to differ materially from the forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This News Release should be read in conjunction with GWL's filings with securities regulators made from time to time, all of which can be found at www.weston.ca and www.sedar.com.

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

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

(5) Compound Average Growth Rate ("CAGR") is the measure of annualized growth over a period longer than one year. CAGR is the mean annual growth rate over a two year period, 2019 to 2021.