

NEWS RELEASE

George Weston Limited Reports Third Quarter 2019 Results⁽²⁾

TORONTO, ONTARIO November 19, 2019 George Weston Limited (TSX: WN) (“GWL” or the “Company”) today announced its consolidated unaudited results for the 16 weeks ended October 5, 2019.

GWL’s 2019 Third Quarter Report to Shareholders 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.

Galen G. Weston, Chairman and Chief Executive Officer, George Weston Limited, commented that “George Weston’s operating businesses in retail, real estate and consumer goods had another quarter of solid performance. Loblaw remains committed to investing in customer experience and building loyalty to deliver long-term value for shareholders. Choice Properties demonstrated commitment to its strategy, using proceeds from the sale of 30 properties to pay down debt, further strengthening its balance sheet and providing additional capacity to fund its development program. And, Weston Foods demonstrated momentum as the business continued to stabilize.”

2019 THIRD QUARTER HIGHLIGHTS

Net earnings available to common shareholders of the Company were \$69 million, an increase of \$18 million compared to the third quarter of 2018. The increase was mainly due to an improvement of \$103 million in the underlying operating performance of the Company and the unfavourable year-over-year net impact of adjusting items totaling \$85 million which includes the following items:

- the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$193 million;
- the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw Companies Limited (“Loblaw”) common shares of \$63 million; and
- the favourable year-over-year impact of a prior year charge related to Glenhuron Bank Limited (“Glenhuron”) at Loblaw of \$184 million.

Adjusted net earnings available to common shareholders of the Company⁽¹⁾ were \$391 million. In comparison to the third quarter of 2018, this represented an increase of \$103 million, or 35.8%. Normalized for the favourable impact of IFRS 16 of approximately \$19 million, adjusted net earnings available to common shareholders of the Company⁽¹⁾ increased by \$84 million or 29.2%. The increase was primarily due to the positive contribution from the Company’s direct ownership in Choice Properties Real Estate Investment Trust (“Choice Properties”), the decrease in income tax expense and the improvement in the underlying operating performance of the Company.

CONSOLIDATED RESULTS OF OPERATIONS

Unless otherwise indicated, the Company’s results include:

- the impact of the implementation of IFRS 16 “Leases” (“IFRS 16”), as set out in the “Consolidated Other Business Matters” section below;
- the impact of the acquisition of Canadian Real Estate Investment Trust (“CREIT”) by Choice Properties in the second quarter of 2018;
- 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. The Company’s financial results are negatively impacted when the Trust Unit price rises and positively impacted when the Trust Unit price declines; and
- the dilutive impact on both the Company’s diluted net earnings per common share and adjusted diluted net earnings per common share⁽¹⁾ as a result of the issuance of approximately 26.6 million common shares in connection with a reorganization in November 2018, as set out in the “Consolidated Other Business Matters” section below.

(unaudited)

(\$ millions except where otherwise indicated)

For the periods ended as indicated	16 Weeks Ended			40 Weeks Ended		
	Oct. 5, 2019	Oct. 6, 2018	Change	Oct. 5, 2019	Oct. 6, 2018	Change
Sales	\$ 15,226	\$ 14,862	2.4%	\$ 38,002	\$ 36,851	3.1 %
Operating income	\$ 884	\$ 804	10.0%	\$ 2,240	\$ 1,895	18.2 %
Adjusted EBITDA ⁽¹⁾	1,661	1,391	19.4%	4,132	3,382	22.2 %
Adjusted EBITDA margin ⁽¹⁾	10.9%	9.4%		10.9%	9.2%	
Net earnings (loss) attributable to shareholders of the Company	\$ 83	\$ 65	27.7%	\$ (201)	\$ 293	(168.6)%
Net earnings (loss) available to common shareholders of the Company	69	51	35.3%	(235)	259	(190.7)%
Adjusted net earnings available to common shareholders of the Company ⁽¹⁾	391	288	35.8%	855	676	26.5 %
Diluted net earnings (loss) per common share (\$)	\$ 0.44	\$ 0.40	10.0%	\$ (1.55)	\$ 2.01	(177.1)%
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 2.54	\$ 2.25	12.9%	\$ 5.54	\$ 5.26	5.3 %

In the third quarter of 2019, the Company recorded net earnings available to common shareholders of the Company of \$69 million, an increase of \$18 million, or 35.3%, compared to the same period in 2018. The increase was mainly attributable to the improvement in the underlying operating performance of \$103 million, partially offset by the unfavourable year-over-year net impact of adjusting items totaling \$85 million described below:

- The improvement in underlying operating performance of \$103 million included the favourable impact of IFRS 16 of approximately \$19 million. Normalized for this impact, the underlying operating performance improved by \$84 million, primarily due to:
 - the positive contribution from the Company’s direct ownership interest in Choice Properties, as a result of the reorganization in November 2018;
 - the decrease in income tax expense primarily due to the favourable impact of Choice Properties’ portfolio transaction described in the “Consolidated Other Business Matters” section below;
 - the favourable underlying operating performance of Loblaw; and
 - the positive contribution from the increase in the Company’s ownership interest in Loblaw, as a result of Loblaw share repurchases;

partially offset by,

- the unfavourable underlying operating performance of Weston Foods due to the prior year impact of a net gain related to the sale leaseback of a property;
 - an increase in adjusted net interest expense and other financing charges⁽¹⁾; and
 - an increase in depreciation and amortization expense.
- The unfavourable year-over-year net impact of adjusting items totaling \$85 million was primarily due to:
 - the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$193 million as a result of the increase in Choice Properties' unit price during the third quarter of 2019;
 - the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of \$63 million; and
 - the unfavourable year-over-year impact of the fair value adjustment of investment properties of \$19 million;
- partially offset by,
- the favourable year-over-year impact of the prior year charge related to Glenhuron at Loblaw of \$184 million.

Adjusted net earnings available to common shareholders of the Company⁽¹⁾ were \$391 million in the third quarter of 2019. When compared to the same period in 2018, this represented an increase of \$103 million, or 35.8%. Normalized for the favourable impact of IFRS 16 of approximately \$19 million, adjusted net earnings available to common shareholders of the Company⁽¹⁾ increased by \$84 million, or 29.2%, due to the improvement in underlying operating performance described above.

In the third quarter of 2019, the Company recorded diluted net earnings per common share of \$0.44, an increase of \$0.04 per common share compared to the same period in 2018. The increase was mainly due to:

- the improvement in the underlying operating performance of \$0.29 per common share;
 - the unfavourable year-over-year net impact of adjusting items totaling \$0.25 per common share, primarily due to the following:
 - the unfavourable year-over-year impact of \$1.30 per common share related to the fair value adjustment of the Trust Unit liability; and
 - the unfavourable year-over-year impact of \$0.43 per common share resulting from the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares;
- partially offset by,
- the favourable year-over-year impact of \$1.44 per common share resulting from a prior year charge related to Glenhuron at Loblaw.

Adjusted diluted net earnings per common share⁽¹⁾ in the third quarter of 2019 increased by \$0.29 per common share, or 12.9%, to \$2.54 per common share compared to the same period in 2018. Normalized for the favourable impact of IFRS 16 of approximately \$0.12 per common share, adjusted diluted net earnings per common share⁽¹⁾ increased by \$0.17 per common share. The increase was due to the improvement in the underlying operating performance described above, partially offset by the dilutive impact of the Company's issuance of common shares in connection with the reorganization.

CONSOLIDATED OTHER BUSINESS MATTERS

IFRS 16 Implementation On January 1, 2019, the Company implemented IFRS 16, replacing IAS 17 “Leases” (“IAS 17”), and related interpretations. The standard introduced a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. The Company implemented the standard using the modified retrospective approach. As a result, the Company’s 2019 results incorporate lease accounting under IFRS 16. Prior year results have not been restated. See the “Accounting Standards” section of the Company’s Management’s Discussion and Analysis in the 2019 Third Quarter Report to Shareholders for more information on the implementation of IFRS 16.

Under IFRS 16, the depreciation expense on right-of-use assets and interest expense on lease liabilities replaced rent expense, which was previously recognized on a straight-line basis in operating income under IAS 17 over the term of a lease.

The following table provides the year-over-year impacts of the implementation of IFRS 16 on the consolidated results of the Company in the third quarter of 2019 and year-to-date:

(unaudited) (\$ millions except where otherwise indicated) Favourable/(unfavourable)	16 Weeks \$ Change				40 Weeks \$ Change			
	Weston Foods	Loblaw	Other and Intersegment	Total ⁽ⁱ⁾	Weston Foods	Loblaw	Other and Intersegment	Total ⁽ⁱ⁾
Operating income	\$ 2	\$ 104	\$ (27)	\$ 79	\$ 4	\$ 261	\$ (108)	\$ 157
Adjusted EBITDA ⁽¹⁾	4	382	(146)	240	10	954	(409)	555
Net interest expense and other financing charges	—	(106)	53	(53)	(2)	(270)	136	(136)
Depreciation and amortization	(2)	(278)	119	(161)	(6)	(693)	301	(398)
Net earnings available to common shareholders of the Company	1	(1)	19	19	1	(4)	20	17
Diluted net earnings per common share (\$)	0.01	(0.01)	0.12	0.12	0.01	(0.03)	0.13	0.11

(i) Includes nominal year-over-year impact in the third quarter of 2019 and year-to-date from Choice Properties.

Choice Properties’ Portfolio Transaction On September 30, 2019, Choice Properties sold a portfolio of 30 properties across Canada to a third party for aggregate consideration of \$426 million. The portfolio consisted of 27 Loblaw stand-alone retail properties and 3 Loblaw distribution centres. On consolidation, the transaction was not recognized as a sale of assets as under the terms of the leases, Loblaw did not relinquish control of the properties for purposes of IFRS 16 and IFRS 15. Instead, the proceeds were recognized as a financial liability on the Company’s consolidated balance sheet as at the end of the third quarter of 2019. For tax purposes, this transaction was treated as a sale and income tax expense reflects the benefit from the non-taxable portion of the gain from the sale of the portfolio of properties by Choice Properties.

Loblaw's spin-out of Choice Properties Real Estate Investment Trust On November 1, 2018, the Company and Loblaw completed a reorganization under which Loblaw distributed its approximate 61.6% effective interest in Choice Properties to the Company on a tax-free basis to Loblaw and its Canadian shareholders (the "reorganization" or the "spin-out"). In connection with the reorganization, Loblaw minority shareholders received 0.135 of a common share of the Company for each common share of Loblaw held, which was equivalent to the market value of their pro rata interest in Choice Properties as at the announcement date of the spin-out, and as part of the reorganization the Company received Loblaw's approximate 61.6% effective interest in Choice Properties. Following the reorganization, Loblaw no longer retained its interest in Choice Properties and as a result, Loblaw ceased to consolidate its equity interest in Choice Properties. Choice Properties became a separate reportable operating segment of the Company. In connection with the reorganization, the Company issued approximately 26.6 million common shares to Loblaw minority shareholders.

The issuance of approximately 26.6 million common shares in connection with the reorganization has a dilutive impact on both the Company's diluted net earnings per common share and adjusted diluted net earnings per common share⁽¹⁾.

Offering of Trust Units In the second quarter of 2019, Choice Properties completed a bought deal equity offering of 30,042,250 trust units (the "Units") at a price of \$13.15 per Unit, for aggregate gross proceeds of approximately \$395 million, and net proceeds of approximately \$381 million (the "Offering"). The Offering consisted of 26,237,250 Units sold on a bought deal basis to a syndicate of underwriters and 3,805,000 Units purchased by the Company for approximately \$50 million.

REPORTABLE OPERATING SEGMENTS

The Company operates through its three reportable operating segments, Weston Foods, Loblaw, and Choice Properties. Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation of Choice Properties and cash and short term investments held by the Company. Effective in the first quarter of 2019, 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. Weston Foods and Other and Intersegment comparative figures have been restated to conform to the current year presentation.

The Weston Foods operating segment includes a leading North American bakery that offers packaged bread and rolls in Canada as well as frozen and artisan bread and rolls, cakes, donuts, pies, biscuits and alternatives throughout Canada and the U.S.

Loblaw has two reportable operating segments, Retail and Financial Services. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, financial services and wireless mobile products and services.

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

Weston Foods Segment Results

Unless otherwise indicated, Weston Foods results include the impact of the implementation of IFRS 16.

(unaudited)

(\$ millions except where otherwise indicated)

For the periods ended as indicated	16 Weeks Ended			40 Weeks Ended		
	Oct. 5, 2019	Oct. 6, 2018 ⁽³⁾	Change	Oct. 5, 2019	Oct. 6, 2018 ⁽³⁾	Change
Sales	\$ 638	\$ 630	1.3 %	\$ 1,633	\$ 1,615	1.1 %
Operating income	\$ 23	\$ 31	(25.8)%	\$ 45	\$ 62	(27.4)%
Adjusted EBITDA ⁽¹⁾	\$ 72	\$ 82	(12.2)%	\$ 167	\$ 174	(4.0)%
Adjusted EBITDA margin ⁽¹⁾	11.3%	13.0%		10.2%	10.8%	
Depreciation and amortization ⁽ⁱ⁾	\$ 44	\$ 43	2.3 %	\$ 111	\$ 102	8.8 %

(i) Depreciation and amortization in the third quarter of 2019 includes \$4 million (2018 – \$5 million) of accelerated depreciation related to restructuring and other related costs.

Sales Weston Foods sales in the third quarter of 2019 were \$638 million, an increase of \$8 million, or 1.3%, compared to the same period in 2018. Sales included the positive impact of foreign currency translation of approximately 0.7%. Excluding the favourable impact of foreign currency translation, sales increased by 0.6%. Sales were impacted by growth in key categories and the combined positive impact of pricing and changes in sales mix, partially offset by the unfavourable impact of product rationalization.

Operating Income Weston Foods operating income in the third quarter of 2019 was \$23 million, a decrease of \$8 million, or 25.8%, compared to the same period in 2018. Normalized for the favourable impact of IFRS 16 of approximately \$2 million and the prior year impact of a net gain of \$14 million related to the sale leaseback of a property, operating income increased by \$4 million. The increase was due to the favourable year-over-year net impact of adjusting items totaling \$4 million, driven by:

- the favourable impact of restructuring and other related costs of \$3 million; and
 - the favourable impact of insurance proceeds on a prior year inventory loss of \$2 million;
- partially offset by,
- the unfavourable impact of the fair value adjustment of derivatives of \$1 million.

Adjusted EBITDA⁽¹⁾ Weston Foods adjusted EBITDA⁽¹⁾ in the third quarter of 2019 was \$72 million, a decrease of \$10 million, or 12.2%, compared to the same period in 2018. Normalized for the favourable impact of IFRS 16 of approximately \$4 million and the prior year impact of a net gain of \$14 million related to the sale leaseback of a property, adjusted EBITDA⁽¹⁾ was flat. Productivity improvements and the net benefits realized from Weston Foods’ transformation program were offset by higher input and distribution costs and an increase in performance related compensation accruals.

Weston Foods adjusted EBITDA margin⁽¹⁾ in the third quarter of 2019 decreased to 11.3% compared to 13.0% in the same period in 2018. Normalized for the favourable impact of IFRS 16 and the prior year net gain related to the sale leaseback of a property, adjusted EBITDA margin⁽¹⁾ declined by 10 basis points to 10.7% in the third quarter of 2019 compared to 10.8% in the same period in 2018, driven by the factors described above.

Depreciation and Amortization Weston Foods depreciation and amortization in the third quarter of 2019 was \$44 million, an increase of \$1 million compared to the same period in 2018. Normalized for the unfavourable impact of IFRS 16 of approximately \$2 million, depreciation and amortization decreased by \$1 million. Depreciation and amortization in the third quarter of 2019 included \$4 million (2018 – \$5 million) of accelerated depreciation related to Weston Foods’ transformation program. Excluding this amount and the impact of IFRS 16, depreciation and amortization was flat.

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. In the third quarter of 2019 and year-to-date, Weston Foods recorded restructuring and other related costs of \$9 million (2018 – \$12 million), and \$15 million (2018 – \$29 million), respectively, which were primarily related to Weston Foods’ transformation program.

Loblaw Segment Results

As a result of the spin-out of Choice Properties, Loblaw’s current year financial information represents its results from Continuing Operations and comparative figures have been restated. Unless otherwise indicated, Loblaw’s segment results include the impacts of spin-out related incremental depreciation, the implementation of IFRS 16 and the consolidation of franchises.

(unaudited)

(\$ millions except where otherwise indicated)

For the periods ended as indicated	16 Weeks Ended			40 Weeks Ended		
	Oct. 5, 2019	Oct. 6, 2018 ⁽³⁾	Change	Oct. 5, 2019	Oct. 6, 2018 ⁽³⁾	Change
Sales	\$ 14,655	\$ 14,319	2.3%	\$ 36,447	\$ 35,475	2.7%
Operating income	\$ 688	\$ 590	16.6%	\$ 1,723	\$ 1,472	17.1%
Adjusted EBITDA ⁽¹⁾	\$ 1,490	\$ 1,058	40.8%	\$ 3,701	\$ 2,627	40.9%
Adjusted EBITDA margin ⁽¹⁾	10.2%	7.4%		10.2%	7.4%	
Depreciation and amortization ⁽ⁱ⁾	\$ 775	\$ 459	68.8%	\$ 1,935	\$ 1,141	69.6%

(i) Depreciation and amortization in the third quarter of 2019 includes \$157 million (2018 – \$161 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

Sales Loblaw sales in the third quarter of 2019 were \$14,655 million, an increase of \$336 million, or 2.3%, compared to the same period in 2018, primarily due to an increase in Retail sales of \$315 million. The increase was also due to an improvement in Financial Services sales of \$35 million, due to higher interest and interchange income and higher sales attributable to *The Mobile Shop*.

Retail sales increased by \$315 million, or 2.2%, compared to the same period in 2018 and included food retail sales of \$10,423 million (2018 – \$10,272 million) and drug retail sales of \$3,997 million (2018 – \$3,833 million).

Excluding the consolidation of franchises, Retail sales increased by \$226 million, or 1.6%, primarily driven by the following factors:

- food retail same-store sales growth was 0.1% for the quarter. After excluding the unfavourable impact of the timing of Thanksgiving, food retail same-store sales growth was approximately 1.0%. Food retail basket size increased and traffic decreased in the quarter;
- Loblaw’s food retail average quarterly internal food price index was moderately lower than (2018 – marginally lower than) the average quarterly national food price inflation of 4.1% (2018 – inflation of 0.3%), as measured by “The Consumer Price Index for Food Purchased from Stores” (“CPI”). CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores; and
- drug retail same-store sales growth was 4.1% for the quarter.
 - pharmacy same-store sales growth was 5.3%; and
 - front store same-store sales growth was 3.1%.

Operating Income Loblaw operating income in the third quarter of 2019 was \$688 million, an increase of \$98 million compared to the same period in 2018. The increase included the favourable impact of IFRS 16 of approximately \$104 million and the unfavourable impact of spin-out related incremental depreciation of approximately \$28 million. Normalized for these impacts, operating income increased by \$22 million due to the improvements in underlying operating performance of \$36 million, partially offset by the unfavourable year-over-year net impact of adjusting items totaling \$14 million described below:

- the improvement in underlying operating performance of \$36 million was primarily due to Retail, including the favourable contribution from the consolidation of franchises of \$15 million, partially offset by the decline in the underlying operating performance of Financial Services; and
- the unfavourable year-over-year net impact of adjusting items totaling \$14 million which was primarily due to the following:
 - the year-over-year unfavourable impact of restructuring and other related costs of \$15 million; and
 - the unfavourable impact of a prior year adjustment related to the Loblaw Card Program of \$4 million; partially offset by,
 - the favourable impact of the prior year transaction and other related costs in connection with the spin-out of Choice Properties of \$6 million.

Adjusted EBITDA⁽¹⁾ Loblaw adjusted EBITDA⁽¹⁾ in the third quarter of 2019 was \$1,490 million, an increase of \$432 million, or 40.8% compared to the same period in 2018, and included the year-over-year favourable impact of IFRS 16 of approximately \$382 million. Normalized for the impact of IFRS 16, adjusted EBITDA⁽¹⁾ increased by \$50 million, or 4.7%, primarily due to improvements in Retail, partially offset by Financial Services.

Retail adjusted EBITDA⁽¹⁾ in the third quarter of 2019 was \$1,452 million, an increase of \$435 million, compared to the third quarter of 2018 and included the favourable impact of IFRS 16 of approximately \$382 million. Normalized for this impact, Retail adjusted EBITDA⁽¹⁾ in the third quarter of 2019 increased by \$53 million, or 5.2%, including the favourable impact of the consolidation of franchises of \$20 million, and was driven by an increase in Retail gross profit, partially offset by an increase in selling, general and administrative expenses ("SG&A").

- Retail gross profit percentage was 29.6%, an increase of 50 basis points compared to the same period in 2018. Excluding the consolidation of franchises, Retail gross profit percentage was 27.4%, flat compared to the third quarter of 2018. Margins were negatively impacted by drug retail, while food retail margins were stable.
- Retail SG&A increased by \$100 million compared to the third quarter of 2018. Normalized for the impact of IFRS 16 and the consolidation of franchises, Retail SG&A increased by \$33 million and SG&A as a percentage of sales was 20.1%, an improvement of 10 basis points compared to the third quarter of 2018, primarily driven by Process and Efficiency initiatives.

Financial Services adjusted EBITDA⁽¹⁾ decreased by \$3 million compared to the same quarter in 2018 primarily driven by higher operating costs including investments in digital strategy, an increase in loyalty program costs driven by the growth in credit card portfolio, partially offset by revenue growth.

In the third quarter of 2019, adjusted EBITDA⁽¹⁾ included a gain of \$2 million (2018 – loss of \$2 million) related to the sale and leaseback of properties to Choice Properties.

Depreciation and Amortization Loblaw's depreciation and amortization was \$775 million in the third quarter of 2019, an increase of \$316 million, or 68.8% compared to the same period in 2018, and included the unfavourable impacts of IFRS 16 of approximately \$278 million and the spin-out related incremental depreciation of approximately \$28 million. Normalized for these impacts, the increase in depreciation and amortization in the third quarter of 2019 was \$10 million primarily driven by the consolidation of franchises and an increase in Information Technology ("IT") assets.

Depreciation and amortization in the third quarter of 2019 included \$157 million (2018 – \$161 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation (“Shoppers Drug Mart”).

Loblaw Other Business Matters

Spin-out of Choice Properties Impact on Loblaw Results As a result of the reorganization, buildings owned by Choice Properties and leased by Loblaw are accounted for as leases and no longer accounted for as owned property by Loblaw. The building components associated with these leases post spin-out are classified as leasehold improvements and depreciated over the lesser of the lease term and useful life up to 25 years. The remaining average lease term on the leases related to these leasehold improvements is approximately 10 years. The impact of this change in 2019 is expected to be an increase in annual depreciation and amortization of approximately \$85 million compared to 2018. Loblaw’s 2019 third quarter financial results included incremental depreciation and amortization of \$28 million (\$70 million year-to-date).

Process and Efficiency Loblaw continues to execute on a multi-year plan which was initiated in 2018. The plan focuses on improving processes and generating efficiencies across administrative, store, and distribution network infrastructure. Many initiatives are underway to reduce the complexity and costs associated with business operations with the aim to achieve a low cost operating structure that allows for continued investments in Loblaw’s strategic growth areas. Expenses related to these initiatives will be incurred in 2019 and beyond. In the third quarter of 2019, Loblaw recorded approximately \$22 million (\$50 million year-to-date) of restructuring and other related charges, primarily related to Process and Efficiency initiatives.

Consolidation of Franchises Loblaw has more than 500 franchise food retail stores in its network. As at the end of the third quarter of 2019, 444 of these stores were consolidated for accounting purposes under a simplified franchise agreement implemented in 2015.

Consolidation of franchises in the third quarter of 2019 resulted in a year-over-year increase in revenue of \$89 million, an increase in adjusted EBITDA⁽¹⁾ of \$20 million, an increase in depreciation and amortization of \$5 million and an increase in net earnings attributable to non-controlling interests of \$11 million.

Choice Properties Segment Results

(unaudited)

(\$ millions except where otherwise indicated)

For the periods ended as indicated	16 Weeks Ended			40 Weeks Ended		
	Oct. 5, 2019	Oct. 6, 2018 ⁽³⁾	Change	Oct. 5, 2019	Oct. 6, 2018 ⁽³⁾	Change
Revenue	\$ 324	\$ 315	2.9 %	\$ 971	\$ 825	17.7 %
Net interest expense and other financing charges ⁽ⁱ⁾	\$ 434	\$ 117	270.9 %	\$ 1,546	\$ 23	6,621.7 %
Net (loss) income	\$ (211)	\$ 62	(440.3)%	\$ (875)	\$ 368	(337.8)%
Funds from operations ⁽¹⁾⁽ⁱⁱ⁾	\$ 174	\$ 170	2.4 %	\$ 514	\$ 432	19.0 %

(i) Net interest expense 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 third quarter of 2019 was \$324 million, an increase of \$9 million, or 2.9%, compared to the same period in 2018 and included \$190 million (2018 – \$183 million) generated from tenants within Loblaw’s Retail segment. The increase was primarily driven by:

- additional revenue generated from properties acquired in 2018 and 2019 and from tenant openings in newly developed leasable space; and
- an increase in base rent and operating cost recoveries from existing properties.

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges in the third quarter of 2019 were \$434 million, an increase of \$317 million compared to the same period in 2018. The increase was primarily driven by:

- the unfavourable year-over-year impact of the fair value adjustment on Class B LP Units (“Exchangeable Units”) of \$312 million as a result of the increase in unit price of Choice Properties in the third quarter of 2019; and
- higher interest expense primarily related to the accelerated amortization of the debt placement costs as a result of the repayment of the term loan during the third quarter of 2019.

Net (Loss) Income Net loss was \$211 million in the third quarter of 2019, a decrease of \$273 million compared to the same period in 2018, primarily driven by:

- the unfavourable impact of higher interest expense and other financing charges described above; partially offset by,
- the favourable year-over-year impact of the fair value adjustment of investment properties;
- an increase in net operating income generated from additional revenue as described above; and
- the favourable year-over-year impact of acquisition and other costs related to the acquisition of CREIT.

Funds from Operations⁽¹⁾ Funds from Operations⁽¹⁾ in the third quarter of 2019 was \$174 million, an increase of \$4 million compared to the same period in 2018. The increase was primarily driven by growth in net operating income attributable to properties acquired in 2018 and 2019 and from tenant openings in newly developed leasable space.

Choice Properties’ Other Business Matters

Investment Property Transactions During the third quarter of 2019, Choice Properties sold a portfolio of 30 properties across Canada to a third party for aggregate consideration of \$426 million. The portfolio consisted of 27 Loblaw stand-alone retail properties and 3 Loblaw distribution centres.

Choice Properties also sold a retail property in Cowansville, Quebec, which had a Loblaw lease, for \$1 million, excluding transaction costs. Concurrent with the sale, Choice Properties recognized lease surrender of \$2 million upon disposition which was settled in cash.

During the third quarter of 2019, Choice Properties acquired a 100% ownership interest in an investment property in Langford, BC from Loblaw for an aggregate purchase price of \$23 million, excluding transaction costs, for cash consideration.

DECLARATION OF QUARTERLY DIVIDENDS

Subsequent to the end of the third quarter of 2019, 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	\$0.525 per share payable January 1, 2020, to shareholders of record December 15, 2019;
Preferred Shares, Series I	\$0.3625 per share payable December 15, 2019, to shareholders of record November 30, 2019;
Preferred Shares, Series III	\$0.3250 per share payable January 1, 2020, to shareholders of record December 15, 2019;
Preferred Shares, Series IV	\$0.3250 per share payable January 1, 2020, to shareholders of record December 15, 2019;
Preferred Shares, Series V	\$0.296875 per share payable January 1, 2020, to shareholders of record December 15, 2019.

OUTLOOK⁽²⁾

Weston Foods is focused on becoming a premier North American bakery and delivering solid financial results. In 2019, Weston Foods will focus on growing its core business, selectively innovating in new segments and markets, and strengthening key processes.

In 2019, on a full-year comparative basis, Weston Foods expects its business performance to stabilize:

- Excluding the positive impact of foreign currency translation, sales will be lower when compared to 2018, due to the impact of lapping sales lost from key customers last year and the impact of product rationalization, partially offset by growth in key categories and pricing;
- Excluding the prior year gains on the sale leaseback of properties, adjusted EBITDA⁽¹⁾ will be slightly lower when compared to 2018. Adjusted EBITDA⁽¹⁾ will be impacted by headwinds from higher input and distribution costs in an inflationary environment and by sales trends as described above, partially offset by improvements driven from productivity and the transformation program;
- Investment in capital expenditures will decrease to approximately \$200 million; and
- Depreciation will increase compared to 2018.

Loblaw is focused on its strategic framework, delivering best in food and health and beauty, using data driven insights underpinned by process and efficiency excellence. This framework is supported by Loblaw's financial plan of maintaining a stable trading environment that targets positive same-store sales and stable gross margin, creating efficiencies to deliver operating leverage, investing for the future and returning capital to shareholders.

Loblaw will remain focused on delivering Process and Efficiency improvements to offset increasing costs and to fund continued incremental investments in its strategic growth areas of Everyday Digital Retail, Connected Healthcare and Payments & Rewards.

In 2019, on a full-year comparative basis, excluding the impact of the spin-out of Choice Properties, Loblaw expects to:

- deliver positive same-store sales and stable gross margin in the Retail segment in a highly competitive market;
- deliver positive adjusted net earnings⁽¹⁾ growth;
- invest approximately \$1.1 billion in capital expenditures, net of proceeds from property disposals; and
- return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

Choice Properties anchored by its sizable base of assets, its relationship with Loblaw and its solid capital structure provides a solid foundation for stable and growing cash flows. With the acquisition of CREIT on May 4, 2018, Choice Properties has evolved into two primary functional areas: an existing income producing property portfolio and a development business. The income producing property portfolio provides a solid foundation for stable cash flows and is diversified by both geographic location and product type including retail, industrial, office and residential assets. Development initiatives provide the opportunity to add high quality real estate by focusing primarily on retail intensification projects and well located rental residential projects at various stages of development.

In 2019, Choice Properties will continue to focus on financial and operational stability. This includes improvement to its portfolio quality through property acquisition and dispositions, the advancement of retail and industrial development projects, the expansion of its multi-residential platform and prudent financial management.

For 2019, the Company expects adjusted net earnings⁽¹⁾ to increase due to the results from its operating segments described above.

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, refer to the “Non-GAAP Financial Measures” section of the Company’s 2019 Third Quarter Report to Shareholders.

SEGMENT INFORMATION

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

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.

(unaudited) (\$ millions)	16 Weeks Ended					16 Weeks Ended				
	Oct. 5, 2019					Oct. 6, 2018				
	Weston Foods	Loblaw	Choice Properties	Other and Intersegment ⁽ⁱ⁾	Total	Weston Foods ⁽ⁱⁱ⁾	Loblaw ⁽ⁱⁱ⁾	Choice Properties ⁽ⁱⁱ⁾	Other and Intersegment ⁽ⁱⁱ⁾⁽ⁱ⁾	Total
Revenue	\$ 638	\$ 14,655	\$ 324	\$ (391)	\$ 15,226	\$ 630	\$ 14,319	\$ 315	\$ (402)	\$ 14,862
Operating income	\$ 23	\$ 688	\$ 221	\$ (48)	\$ 884	\$ 31	\$ 590	\$ 179	\$ 4	\$ 804
Net interest expense and other financing charges	1	223	434	(141)	517	—	292	117	(82)	327
Earnings before income tax	\$ 22	\$ 465	\$ (213)	\$ 93	\$ 367	\$ 31	\$ 298	\$ 62	\$ 86	\$ 477
Operating income	\$ 23	\$ 688	\$ 221	\$ (48)	\$ 884	\$ 31	\$ 590	\$ 179	\$ 4	\$ 804
Depreciation and amortization	44	775	—	(118)	701	43	459	—	28	530
Adjusting items ⁽¹⁾	5	27	5	39	76	8	9	44	(4)	57
Adjusted EBITDA ⁽¹⁾	\$ 72	\$ 1,490	\$ 226	\$ (127)	\$ 1,661	\$ 82	\$ 1,058	\$ 223	\$ 28	\$ 1,391
Depreciation and amortization ⁽ⁱⁱ⁾	40	618	—	(118)	540	38	298	—	28	364
Adjusted operating income⁽¹⁾	\$ 32	\$ 872	\$ 226	\$ (9)	\$ 1,121	\$ 44	\$ 760	\$ 223	\$ —	\$ 1,027

(i) For further detail on items included in Other and Intersegment, see note 22, “Segment Information” of the Company’s 2019 Third Quarter Report to Shareholders.

(ii) Excludes \$157 million (2018 – \$161 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaw, and \$4 million (2018 – \$5 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

40 Weeks Ended

(unaudited) (\$ millions)	Oct. 5, 2019					Oct. 6, 2018				
	Weston Foods	Loblaws	Choice Properties	Other and Intersegment ⁽ⁱ⁾	Total	Weston Foods ⁽³⁾	Loblaws ⁽³⁾	Choice Properties ⁽³⁾	Other and Intersegment ⁽ⁱ⁾⁽³⁾	Total
Revenue	\$ 1,633	\$ 36,447	\$ 971	\$ (1,049)	\$ 38,002	\$ 1,615	\$ 35,475	\$ 825	\$ (1,064)	\$ 36,851
Operating income	\$ 45	\$ 1,723	\$ 670	\$ (198)	\$ 2,240	\$ 62	\$ 1,472	\$ 391	\$ (30)	\$ 1,895
Net interest expense and other financing charges	1	571	1,546	(421)	1,697	—	469	23	238	730
Earnings before income tax	\$ 44	\$ 1,152	\$ (876)	\$ 223	\$ 543	\$ 62	\$ 1,003	\$ 368	\$ (268)	\$ 1,165
Operating income	\$ 45	\$ 1,723	\$ 670	\$ (198)	\$ 2,240	\$ 62	\$ 1,472	\$ 391	\$ (30)	\$ 1,895
Depreciation and amortization	111	1,935	1	(277)	1,770	102	1,141	—	87	1,330
Adjusting items ⁽¹⁾	11	43	18	50	122	10	14	200	(67)	157
Adjusted EBITDA ⁽¹⁾	\$ 167	\$ 3,701	\$ 689	\$ (425)	\$ 4,132	\$ 174	\$ 2,627	\$ 591	\$ (10)	\$ 3,382
Depreciation and amortization ⁽ⁱⁱ⁾	105	1,543	1	(277)	1,372	93	740	—	87	920
Adjusted operating income⁽¹⁾	\$ 62	\$ 2,158	\$ 688	\$ (148)	\$ 2,760	\$ 81	\$ 1,887	\$ 591	\$ (97)	\$ 2,462

- (i) For further detail on items included in Other and Intersegment, see note 22, “Segment Information” of the Company’s 2019 Third Quarter Report to Shareholders.
- (ii) Excludes \$392 million (2018 – \$401 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaws, and \$6 million (2018 – \$9 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

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, 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 "Consolidated Other Business Matters" and "Outlook" sections. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "maintain", "achieve", "grow", "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 2019 is based on certain assumptions including assumptions about sales and volume growth, anticipated cost savings, operating efficiencies, anticipated benefits from strategic initiatives and restructuring, healthcare reform impacts, future liquidity, planned capital investments, and the status and impact of IT systems implementations. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events 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" section of the Company's 2018 Annual Report and the Company's Annual Information Form for the year ended December 31, 2018.

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.

2019 THIRD QUARTER REPORT TO SHAREHOLDERS

The Company's 2018 Annual Report and 2019 Third Quarter Report to Shareholders 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 Tara Speers, Senior Director, Investor Relations, at the Company's Executive Office or by e-mail at investor@weston.ca.

Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR). 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 also 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 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.

THIRD QUARTER CONFERENCE CALL AND WEBCAST

George Weston Limited will host a conference call as well as an audio webcast on Tuesday, November 19, 2019 at 9:00 a.m. (ET). To access via tele-conference, please dial (647) 427-7450 or 1-888-231-8191. The playback will be available two hours after the event at (416) 849-0833 or 1-855-859-2056, passcode: 6939357#. 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 "Non-GAAP Financial Measures" section of the Company's 2019 Third Quarter Report to Shareholders, 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 2019 Third Quarter Report to Shareholders 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) Comparative figures have been restated to conform with the current year presentation.
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