

NEWS RELEASE

George Weston Limited Reports Second Quarter 2019 Results⁽²⁾

TORONTO, ONTARIO July 26, 2019 George Weston Limited (TSX: WN) (“GWL” or the “Company”) today announced its consolidated unaudited results for the 12 weeks ended June 15, 2019.

GWL’s 2019 Second 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 continued to perform well in the second quarter. Loblaw delivered on its financial plan and is in a disciplined investment phase. Choice Properties delivered solid operating and financial results and further strengthened its balance sheet. And Weston Foods continues to stabilize with results on plan for the quarter.”

2019 SECOND QUARTER HIGHLIGHTS

Net earnings available to common shareholders of the Company were \$184 million, an increase of \$156 million compared to the second quarter of 2018. The increase was mainly due to an improvement of \$53 million in the underlying operating performance of the Company and the favourable year-over-year net impact of the following items:

- the favourable impact of the fair value adjustment of the Trust Unit liability of \$83 million;
- the favourable impact of acquisition and other costs of \$49 million related to the acquisition of Canadian Real Estate Investment Trust (“CREIT”) in the second quarter of 2018; and
- the unfavourable impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw Companies Limited (“Loblaw”) common shares of \$19 million.

Adjusted net earnings available to common shareholders of the Company⁽¹⁾ were \$263 million. In comparison to the second quarter of 2018, this represented an increase of \$53 million, or 25.2%. The increase was due to the improvement in the underlying operating performance of the Company, the positive contribution of the Company’s direct ownership in Choice Properties Real Estate Investment Trust (“Choice Properties”) and the increased ownership in Loblaw as a result of Loblaw share repurchases.

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 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	12 Weeks Ended			24 Weeks Ended		
	Jun. 15, 2019	Jun. 16, 2018	Change	Jun. 15, 2019	Jun. 16, 2018	Change
Sales	\$ 11,603	\$ 11,245	3.2%	\$ 22,776	\$ 21,989	3.6 %
Operating income	\$ 770	\$ 589	30.7%	\$ 1,356	\$ 1,091	24.3 %
Adjusted EBITDA ⁽¹⁾	1,313	1,073	22.4%	2,471	1,991	24.1 %
Adjusted EBITDA margin ⁽¹⁾	11.3%	9.5%		10.8%	9.1%	
Net earnings (loss) attributable to shareholders of the Company	\$ 194	\$ 38	410.5%	\$ (284)	\$ 228	(224.6)%
Net earnings (loss) available to common shareholders of the Company	184	28	557.1%	(304)	208	(246.2)%
Adjusted net earnings available to common shareholders of the Company ⁽¹⁾	263	210	25.2%	464	388	19.6 %
Diluted net earnings (loss) per common share (\$)	\$ 1.19	\$ 0.21	466.7%	\$ (1.99)	\$ 1.61	(223.6)%
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 1.70	\$ 1.63	4.3%	\$ 3.01	\$ 3.01	— %

In the second quarter of 2019, the Company recorded net earnings available to common shareholders of the Company of \$184 million, an increase of \$156 million compared to the same period in 2018. The increase was mainly attributable to the favourable year-over-year impact of adjusting items totaling \$103 million and an improvement in the underlying operating performance of \$53 million described below:

- The favourable year-over-year net impact of adjusting items totaling \$103 million was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$83 million; and
 - the favourable year-over-year impact of acquisition and other costs of \$49 million related to Choice Properties’ acquisition of CREIT in the second quarter of 2018;
 partially offset by,
 - the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of \$19 million.

- The improvement in underlying operating performance of \$53 million was primarily due to:
 - the underlying operating performance of Loblaw;
 - the underlying operating performance of Choice Properties, driven by the acquisition of CREIT;
 - the positive contribution from the Company's direct ownership interest in Choice Properties, as a result of the reorganization in November 2018; 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,
 - an increase in adjusted net interest expense and other financing charges⁽¹⁾ mainly due to the impact of the acquisition of CREIT; and
 - an increase in depreciation and amortization expense.

Adjusted net earnings available to common shareholders of the Company⁽¹⁾ were \$263 million in the second quarter of 2019. When compared to the same period in 2018, this represented an increase of \$53 million, or 25.2%. The increase was mainly due to the improvement in underlying operating performance described above. IFRS 16 had a nominal impact on adjusted net earnings available to common shareholders of the Company⁽¹⁾ in the second quarter of 2019.

In the second quarter of 2019, the Company recorded diluted net earnings per common share of \$1.19, an increase of \$0.98 per common share compared to the same period in 2018. The increase was mainly due to:

- the favourable year-over-year net impact of adjusting items totaling \$0.91 per common share, including the favourable year-over-year impact of \$0.66 per common share related to the fair value adjustment of the Trust Unit liability and the favourable year-over-year impact of \$0.39 per common share resulting from acquisition and other costs related to Choice Properties' acquisition of CREIT in the second quarter of 2018; and
- an improvement in the underlying operating performance of \$0.07 per common share.

Adjusted diluted net earnings per common share⁽¹⁾ in the second quarter of 2019 increased by \$0.07 per common share, or 4.3%, to \$1.70 per common share compared to the same period in 2018. 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 approximately 26.6 million common shares in connection with the reorganization. IFRS 16 had a nominal impact on adjusted diluted net earnings per common share⁽¹⁾ in the second quarter of 2019.

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 Second 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 second quarter of 2019 and year-to-date:

(unaudited) (\$ millions except where otherwise indicated) Favourable/(unfavourable)	12 weeks \$ Change				24 weeks \$ Change			
	Weston Foods	Loblaw	Other and Intersegment	Total ⁽ⁱ⁾	Weston Foods	Loblaw	Other and Intersegment	Total ⁽ⁱ⁾
Operating income	\$ 1	\$ 82	\$ (41)	\$ 42	\$ 2	\$ 157	\$ (81)	\$ 78
Adjusted EBITDA ⁽¹⁾	3	290	(133)	160	6	572	(263)	315
Net interest expense and other financing charges	(1)	(82)	42	(41)	(2)	(164)	83	(83)
Depreciation and amortization	(2)	(208)	92	(118)	(4)	(415)	182	(237)
Net earnings available to common shareholders of the Company	—	—	1	1	—	(3)	1	(2)
Diluted net earnings per common share (\$)	—	—	0.01	0.01	—	(0.02)	0.01	(0.01)

(i) Includes nominal year-over-year impact in the second quarter of 2019 and year-to-date from 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. Upon closing of the Offering, the Company held a 63.0% effective interest in Choice Properties.

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	12 Weeks Ended			24 Weeks Ended		
	Jun. 15, 2019	Jun. 16, 2018 ⁽³⁾	Change	Jun. 15, 2019	Jun. 16, 2018	Change
Sales	\$ 479	\$ 468	2.4 %	\$ 995	\$ 985	1.0 %
Operating income	\$ 12	\$ 20	(40.0)%	\$ 22	\$ 31	(29.0)%
Adjusted EBITDA ⁽¹⁾	\$ 49	\$ 47	4.3 %	\$ 95	\$ 92	3.3 %
Adjusted EBITDA margin ⁽¹⁾	10.2%	10.0%		9.5%	9.3%	
Depreciation and amortization ⁽ⁱ⁾	\$ 35	\$ 28	25.0 %	\$ 67	\$ 59	13.6 %

(i) Depreciation and amortization in the second quarter of 2019 includes \$2 million (2018 - nil) of accelerated depreciation related to restructuring and other related costs.

Sales Weston Foods sales in the second quarter of 2019 were \$479 million, an increase of \$11 million, or 2.4%, compared to the same period in 2018. Sales included the favourable impact of foreign currency translation of approximately 2.2%. Excluding the favourable impact of foreign currency translation, sales were relatively flat. Sales were impacted by growth in key categories and the combined positive impact of pricing and changes in sales mix, offset by the unfavourable impact of product rationalization and the lapping of sales lost from key customers in 2018.

Operating Income Weston Foods operating income in the second quarter of 2019 was \$12 million, a decrease of \$8 million, or 40.0%, compared to the same period in 2018. Normalized for the favourable impact of IFRS 16 of approximately \$1 million, operating income decreased by \$9 million. The decrease was primarily due to the decline in underlying operating performance of \$4 million mainly due to an increase in depreciation and amortization described below; and the unfavourable year-over-year net impact of adjusting items totaling \$5 million, driven by:

- the unfavourable impact of restructuring and other related costs of \$2 million; and
- the prior year impact of the fair value adjustment of derivatives of \$2 million.

Adjusted EBITDA⁽¹⁾ Weston Foods adjusted EBITDA⁽¹⁾ in the second quarter of 2019 was \$49 million, an increase of \$2 million, or 4.3%, compared to the same period in 2018. Normalized for the favourable impact of IFRS 16 of approximately \$3 million, adjusted EBITDA⁽¹⁾ decreased by \$1 million driven by higher input and distribution costs, partially offset by productivity improvements and the net benefits realized from Weston Foods' transformation program.

Weston Foods adjusted EBITDA margin⁽¹⁾ in the second quarter of 2019 increased to 10.2% compared to 10.0% in the same period in 2018. Normalized for the favourable impact of IFRS 16, adjusted EBITDA margin⁽¹⁾ declined by 40 basis points to 9.6% in the second quarter of 2019, driven by the factors described above.

Depreciation and Amortization Weston Foods depreciation and amortization in the second quarter of 2019 was \$35 million, an increase of \$7 million compared to the same period in 2018. Normalized for the unfavourable impact of IFRS 16 of approximately \$2 million, depreciation and amortization increased by \$5 million. Depreciation and amortization in the second quarter of 2019 included \$2 million of accelerated depreciation related to Weston Foods' transformation program. Excluding this amount and the impact of IFRS 16, depreciation and amortization increased in the second quarter of 2019 by \$3 million due to capital investments.

Weston Foods Other Business Matters

Restructuring and other related costs Weston Foods continuously evaluates strategic and cost reduction initiatives related to its manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. In the second quarter of 2019, Weston Foods recorded restructuring and other related costs of \$4 million (2018 – \$2 million), 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	12 Weeks Ended			24 Weeks Ended		
	Jun. 15, 2019	Jun. 16, 2018 ⁽³⁾	Change	Jun. 15, 2019	Jun. 16, 2018 ⁽³⁾	Change
Sales	\$ 11,133	\$ 10,821	2.9%	\$ 21,792	\$ 21,156	3.0%
Operating income	\$ 586	\$ 508	15.4%	\$ 1,035	\$ 882	17.3%
Adjusted EBITDA ⁽¹⁾	\$ 1,173	\$ 838	40.0%	\$ 2,211	\$ 1,569	40.9%
Adjusted EBITDA margin ⁽¹⁾	10.5%	7.7%		10.1%	7.4%	
Depreciation and amortization ⁽ⁱ⁾	\$ 580	\$ 341	70.1%	\$ 1,160	\$ 682	70.1%

(i) Depreciation and amortization in the second quarter of 2019 includes \$116 million (2018 – \$119 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

Sales Loblaw sales in the second quarter of 2019 were \$11,133 million, an increase of \$312 million, or 2.9%, compared to the same period in 2018, primarily due to an increase in Retail sales of \$306 million. The increase was also due to an increase in Financial Services sales of \$42 million, due to higher interest and interchange income and higher sales attributable to *The Mobile Shop*.

Retail sales increased by \$306 million, or 2.9%, compared to the same period in 2018 and included food retail sales of \$7,858 million (2018 – \$7,676 million) and drug retail sales of \$3,048 million (2018 – \$2,924 million).

Excluding the consolidation of franchises, Retail sales increased by \$259 million, or 2.5%, primarily driven by the following factors:

- food retail same-store sales growth was 0.6% for the quarter. Food retail traffic decreased and basket size increased in the quarter;
- Loblaw's food retail average quarterly internal food price index was in line with (2018 – marginally lower than) the average quarterly national food price inflation of 3.6% (2018 – inflation of 0.1%), as measured by 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 4.0% for the quarter.
 - pharmacy same-store sales growth was 4.8%; and
 - front store same-store sales growth was 3.3%.

Operating Income Loblaw operating income in the second quarter of 2019 was \$586 million, an increase of \$78 million compared to the same period in 2018. The increase included the favourable impact of IFRS 16 of approximately \$82 million and the unfavourable impact of spin-out related incremental depreciation of approximately \$20 million. Normalized for these impacts, operating income increased by \$16 million due to the improvements in underlying operating performance of \$31 million, partially offset by the unfavourable year-over-year net impact of adjusting items totaling \$15 million described below:

- the improvement in underlying operating performance of \$31 million was primarily due to Retail, including the favourable contribution from the consolidation of franchises of \$6 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 \$15 million which was primarily due to the following:
 - the unfavorable impact of a prior year provision reversal related to the Loblaw Card Program of \$11 million;
 - the year-over-year unfavourable change in the fair value adjustment on fuel and foreign currency contracts of \$10 million; and
 - the year-over-year unfavourable impact of restructuring and other related costs of \$9 million;
 partially offset by,
 - the impact associated with a prior period regulatory matter of \$15 million.

Adjusted EBITDA⁽¹⁾ Loblaw adjusted EBITDA⁽¹⁾ in the second quarter of 2019 was \$1,173 million, an increase of \$335 million, or 40.0% compared to the same period in 2018, and included the year-over-year favourable impact of IFRS 16 of approximately \$290 million. Normalized for the impact of IFRS 16, adjusted EBITDA⁽¹⁾ increased by \$45 million, or 5.4%, primarily due to improvements in Retail, partially offset by Financial Services.

Retail adjusted EBITDA⁽¹⁾ in the second quarter of 2019 was \$1,128 million, an increase of \$340 million, compared to the second quarter of 2018 and included the favourable impact of IFRS 16 of approximately \$290 million. Normalized for this impact, Retail adjusted EBITDA⁽¹⁾ in the second quarter of 2019 increased by \$50 million, or 6.3%, including the favourable impact of the consolidation of franchises of \$10 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 29.9%, an increase of 30 basis points compared to the same period in 2018. Excluding the consolidation of franchises, Retail gross profit percentage was 27.9%, a decrease of 10 basis points compared to the second quarter of 2018. Margins were negatively impacted by drug retail, while food retail margins improved marginally.

- Retail SG&A increased by \$77 million compared to the second quarter of 2018. Normalized for the impact of IFRS 16 and the consolidation of franchises, Retail SG&A increased by \$24 million and SG&A as a percentage of sales was 20.3%, an improvement of 30 basis points compared to the second quarter of 2018, driven by:
 - Process and Efficiency initiatives; and
 - the favourable year-over-year impact of foreign exchange.

Financial Services adjusted EBITDA⁽¹⁾ decreased by \$5 million compared to the same quarter in 2018 primarily driven by an increase in loyalty program transaction volume and higher operating costs including investments in digital strategy, partially offset by revenue growth.

Depreciation and Amortization Loblaw's depreciation and amortization was \$580 million in the second quarter of 2019, an increase of \$239 million, or 70.1% compared to the same period in 2018, and included the unfavourable impacts of IFRS 16 of approximately \$208 million and the spin-out related incremental depreciation of approximately \$20 million. Normalized for these impacts, the increase in depreciation and amortization in the second quarter of 2019 was \$11 million primarily driven by the consolidation of franchises and an increase in Information Technology ("IT") assets.

Depreciation and amortization in the second quarter of 2019 included \$116 million (2018 – \$119 million) of amortization of intangible assets related to the acquisition of 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 second quarter financial results included incremental depreciation and amortization of \$20 million (\$42 million year-to-date).

Process and Efficiency Loblaw continues to execute on a multi-year plan, initiated in 2018, that focuses on improving processes and generating efficiencies across administrative, store, and distribution network infrastructure. Many initiatives are underway to reduce the complexity and cost of business operations, ensuring 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 second quarter of 2019, Loblaw recorded approximately \$16 million (\$28 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 second quarter of 2019, 424 of these stores were consolidated for accounting purposes under a simplified franchise agreement implemented in 2015.

Consolidation of franchises in the second quarter of 2019 resulted in a year-over-year increase in revenue of \$47 million, an increase in adjusted EBITDA⁽¹⁾ of \$10 million, an increase in depreciation and amortization of \$4 million and an increase in net earnings attributable to non-controlling interests of \$5 million.

Choice Properties Segment Results

(unaudited)

(\$ millions except where otherwise indicated)

For the periods ended as indicated	12 Weeks Ended			24 Weeks Ended		
	Jun. 15, 2019	Jun. 16, 2018 ⁽³⁾	Change	Jun. 15, 2019	Jun. 16, 2018 ⁽³⁾	Change
Revenue	\$ 324	\$ 295	9.8 %	\$ 647	\$ 510	26.9 %
Net interest (income) expense and other financing charges ⁽ⁱ⁾	\$ (13)	\$ 355	(103.7)%	\$ 1,112	\$ (94)	1,283.0 %
Net income (loss)	\$ 238	\$ (321)	174.1 %	\$ (664)	\$ 306	(317.0)%
Funds from operations ⁽¹⁾⁽ⁱⁱ⁾	\$ 170	\$ 157	8.3 %	\$ 340	\$ 262	29.8 %

(i) Net interest (income) 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 second quarter of 2019 was \$324 million, an increase of \$29 million, or 9.8%, compared to the same period in 2018 and included \$191 million (2018 – \$196 million) generated from tenants within Loblaw’s Retail segment. The increase in revenue in the second quarter of 2019 was primarily due to:

- additional revenue generated from the investment properties included in the acquisition of CREIT of \$31 million;
- an increase in base rent and operating cost recoveries from existing properties; and
- additional revenue generated from other properties acquired in 2018 and 2019 and from tenant openings in newly developed leasable space;

partially offset by,

- a decrease in revenue related to a lease surrender from Loblaw on an investment property disposition in the second quarter of 2018.

Net Interest (Income) Expense and Other Financing Charges Net interest (income) expense and other financing charges in the second quarter of 2019 resulted in income of \$13 million compared to interest expense of \$355 million in the same period of 2018. The change of \$368 million was primarily driven by:

- the favourable year-over-year impact of the fair value adjustment on Class B LP Units (“Exchangeable Units”) of \$340 million as a result of the decrease in unit price of Choice Properties in the second quarter of 2019, compared to an increase in unit price of Choice Properties in the same period of 2018; and
- a non-recurring charge for the accelerated amortization of the debt premium on the conversion of Class C LP Units of \$37 million in 2018;

partially offset by,

- higher interest expense resulting from the issuance of new debt related to the acquisition of CREIT; including senior unsecured debentures, term loans and draws on the syndicated credit facility, and interest expense on the debt assumed on the acquisition of CREIT.

Net Income (Loss) Net income was \$238 million in the second quarter of 2019, an increase of \$559 million compared to 2018, primarily driven by:

- the favourable impact of lower interest expense and other financing charges described above;
- the favourable year-over-year impact of acquisition and other costs related to the acquisition of CREIT;
- the favourable year-over-year impact of the fair value adjustment to investment properties; and
- an increase in net operating income from investment properties acquired as part of the acquisition of CREIT;

partially offset by,

- a decrease in net operating income related to a lease surrender from Loblaw on an investment property disposition in the second quarter of 2018.

Funds from Operations⁽¹⁾ Funds from Operations⁽¹⁾ in the second quarter of 2019 was \$170 million, an increase of \$13 million compared to the same period in 2018. The increase was primarily driven by growth in net operating income attributable to the portfolio acquired, partially offset by higher interest expense due to the acquisition of CREIT.

Choice Properties' Other Business Matters

Investment Property Transactions During the second quarter of 2019, Choice Properties acquired a 50% ownership interest in a downtown Toronto development parcel for a purchase price of \$18 million, with the intention to deliver a two-tower, purpose-built rental residential community. Choice Properties also acquired the 50% partner's interest in two buildings at an industrial property in Calgary, Alberta for \$20 million. The acquisitions were settled with cash.

During the second quarter of 2019, Choice Properties sold its ownership interest in two investment properties for an aggregate sale price of \$16 million, excluding selling costs, for cash consideration.

DECLARATION OF QUARTERLY DIVIDENDS

Subsequent to the end of the second 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 October 1, 2019, to shareholders of record September 15, 2019;
Preferred Shares, Series I	\$0.3625 per share payable September 15, 2019, to shareholders of record August 31, 2019;
Preferred Shares, Series III	\$0.3250 per share payable October 1, 2019, to shareholders of record September 15, 2019;
Preferred Shares, Series IV	\$0.3250 per share payable October 1, 2019, to shareholders of record September 15, 2019;
Preferred Shares, Series V	\$0.296875 per share payable October 1, 2019, to shareholders of record September 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:

- 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 Second 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)	12 Weeks Ended					Jun. 16, 2018				
	Jun. 15, 2019									
	Weston Foods	Loblaw	Choice Properties	Other and Intersegment ⁽ⁱ⁾	Total	Weston Foods ⁽³⁾	Loblaw ⁽³⁾	Choice Properties	Other and Intersegment ⁽ⁱ⁾⁽³⁾	Total
Revenue	\$ 479	\$ 11,133	\$ 324	\$ (333)	\$ 11,603	\$ 468	\$ 10,821	\$ 295	\$ (339)	\$ 11,245
Operating income	\$ 12	\$ 586	\$ 226	\$ (54)	\$ 770	\$ 20	\$ 508	\$ 34	\$ 27	\$ 589
Net interest expense and other financing charges	—	175	(13)	146	308	—	88	355	(58)	385
Earnings before income tax	\$ 12	\$ 411	\$ 239	\$ (200)	\$ 462	\$ 20	\$ 420	\$ (321)	\$ 85	\$ 204
Operating income	\$ 12	\$ 586	\$ 226	\$ (54)	\$ 770	\$ 20	\$ 508	\$ 34	\$ 27	\$ 589
Depreciation and amortization	35	580	1	(82)	534	28	341	—	31	400
Adjusting items ⁽¹⁾	2	7	6	(6)	9	(1)	(11)	177	(81)	84
Adjusted EBITDA ⁽¹⁾	\$ 49	\$ 1,173	\$ 233	\$ (142)	\$ 1,313	\$ 47	\$ 838	\$ 211	\$ (23)	\$ 1,073
Depreciation and amortization ⁽ⁱⁱ⁾	33	464	1	(82)	416	28	222	—	31	281
Adjusted operating income ⁽¹⁾	\$ 16	\$ 709	\$ 232	\$ (60)	\$ 897	\$ 19	\$ 616	\$ 211	\$ (54)	\$ 792

- (i) For further detail on items included in Other and Intersegment, see note 22, “Segment Information” of the Company’s 2019 Second Quarter Report to Shareholders.
- (ii) Excludes \$116 million (2018 – \$119 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaw, and \$2 million (2018 – nil) of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

24 Weeks Ended

(unaudited) (\$ millions)	Jun. 15, 2019					Jun. 16, 2018				
	Weston Foods	Loblaws	Choice Properties	Other and Intersegment ⁽ⁱ⁾	Total	Weston Foods ⁽³⁾	Loblaws ⁽³⁾	Choice Properties	Other and Intersegment ⁽ⁱⁱ⁾⁽³⁾	Total
Revenue	\$ 995	\$ 21,792	\$ 647	\$ (658)	\$ 22,776	\$ 985	\$ 21,156	\$ 510	\$ (662)	\$ 21,989
Operating income	\$ 22	\$ 1,035	\$ 449	\$ (150)	\$ 1,356	\$ 31	\$ 882	\$ 212	\$ (34)	\$ 1,091
Net interest expense and other financing charges	—	348	1,112	(280)	1,180	—	177	(94)	320	403
Earnings before income tax	\$ 22	\$ 687	\$ (663)	\$ 130	\$ 176	\$ 31	\$ 705	\$ 306	\$ (354)	\$ 688
Operating income	\$ 22	\$ 1,035	\$ 449	\$ (150)	\$ 1,356	\$ 31	\$ 882	\$ 212	\$ (34)	\$ 1,091
Depreciation and amortization	67	1,160	1	(159)	1,069	59	682	—	59	800
Adjusting items ⁽¹⁾	6	16	13	11	46	2	5	156	(63)	100
Adjusted EBITDA ⁽¹⁾	\$ 95	\$ 2,211	\$ 463	\$ (298)	\$ 2,471	\$ 92	\$ 1,569	\$ 368	\$ (38)	\$ 1,991
Depreciation and amortization ⁽ⁱⁱ⁾	65	925	1	(159)	832	55	442	—	59	556
Adjusted operating income ⁽¹⁾	\$ 30	\$ 1,286	\$ 462	\$ (139)	\$ 1,639	\$ 37	\$ 1,127	\$ 368	\$ (97)	\$ 1,435

- (i) For further detail on items included in Other and Intersegment, see note 22, “Segment Information” of the Company’s 2019 Second Quarter Report to Shareholders.
- (ii) Excludes \$235 million (2018 – \$240 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaws, and \$2 million (2018 – \$4 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 SECOND QUARTER REPORT TO SHAREHOLDERS

The Company's 2018 Annual Report and 2019 Second 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 Mr. Roy MacDonald, Vice President, Investor Relations, at the Company's Executive Office or by e-mail at investor@weston.ca.

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

SECOND QUARTER CONFERENCE CALL AND WEBCAST

George Weston Limited will host a conference call as well as an audio webcast on Friday, July 26, 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: 3386632#. 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 Second 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 Second 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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