

Management's Discussion and Analysis

Forward-Looking Statements	3
Key Financial Performance Indicators	4
Consolidated Results of Operations	5
Consolidated Other Business Matters	11
Reportable Operating Segments	12
Weston Foods Segment Results	12
Loblaw Segment Results	13
Choice Properties Operating Results	17
Liquidity and Capital Resources	18
Cash Flows	18
Liquidity	19
Components of Total Debt	21
Financial Condition	23
Credit Ratings	24
Share Capital	24
Off-Balance Sheet Arrangements	26
Quarterly Results of Operations	26
Internal Control Over Financial Reporting	27
Enterprise Risks and Risk Management	28
Accounting Standards	28
Outlook	31
Non-GAAP Financial Measures	32
Additional Information	38

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL" or the "Company") should be read in conjunction with the Company's first quarter 2019 unaudited interim period condensed consolidated financial statements and the accompanying notes on pages 39 to 71 of this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2018 and the related annual MD&A included in the Company's 2018 Annual Report. In addition, the following MD&A should be read in conjunction with the Company's "Forward-Looking Statements" beginning on page 3 of this Quarterly Report.

The Company's first quarter 2019 unaudited interim period condensed consolidated financial statements and the accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB"). These unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except where otherwise noted.

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

A glossary of terms and ratios used throughout this Quarterly Report can be found beginning on page 174 of the Company's 2018 Annual Report.

On January 1, 2019, the Company implemented IFRS 16, "Leases" ("IFRS 16"), replacing International Accounting Standard 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 first quarter of 2019 results reflect lease accounting under IFRS 16. Under IFRS 16, the depreciation expense on right-of-use assets and interest expense on lease liabilities replaces rent expense, which was previously recognized on a straight-line basis in operating income under IAS 17 over the term of a lease. Prior year results have not been restated. See the "Consolidated Other Business Matters" section of this MD&A for more information on the implementation of IFRS 16.

On November 1, 2018, the Company and Loblaw Companies Limited ("Loblaw") completed a reorganization under which Loblaw spun out its approximate 61.6% effective interest in Choice Properties Real Estate Investment Trust ("Choice Properties") to the Company (the "reorganization"). In connection with the reorganization, the Company issued approximately 26.6 million common shares to Loblaw shareholders other than the Company and its subsidiaries ("Loblaw minority shareholders"). Following the reorganization, the Company owned an approximate 65.4% effective interest in Choice Properties directly (which includes the approximate 3.8% interest in Choice Properties directly owned by GWL prior to the reorganization) and Choice Properties became a reportable operating segment of the Company.

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.

The information in this MD&A is current to May 6, 2019, unless otherwise noted.

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements reflect the Company's current 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 ("AIF") for the year ended December 31, 2018. Such risks and uncertainties include:

- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to realize benefits from investments in the Company's new IT systems;
- failure to realize the anticipated benefits associated with the Company's strategic priorities and major initiatives, including revenue growth, anticipated cost savings, operating efficiencies, or organizational changes that may impact the relationships with franchisees and associates;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- failure to maintain an effective supply chain could adversely affect the assortment and product availability at store level, which may negatively impact customer experience;
- failure to execute Loblaw's e-commerce initiative or to adapt its business model to the shifts in the retail landscape caused by digital advances;
- public health events including those related to food and drug safety;

Management's Discussion and Analysis

- errors made through medication dispensing or errors related to patient services or consultations;
- adverse outcomes of legal and regulatory proceedings and related matters;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, political uncertainty, interest rates, currency exchange rates or derivative and commodity prices;
- the inability of the Company to effectively develop and execute its strategy; and
- the inability of the Company to anticipate, identify and react to consumer and retail trends.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including without limitation, the section entitled "Operating and Financial Risks and Risk Management" in the Company's AIF for the year ended December 31, 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 Quarterly Report. 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.

KEY FINANCIAL PERFORMANCE INDICATORS

The Company has identified specific key financial performance indicators to measure the progress of short and long term objectives. Certain key financial performance indicators are set out below:

(\$ millions except where otherwise indicated)

As at or for the periods ended as indicated	12 Weeks Ended	
	Mar. 23, 2019	Mar. 24, 2018
Sales	\$ 11,173	\$ 10,744
Operating income	\$ 586	\$ 502
Adjusted EBITDA ⁽¹⁾	1,158	918
Adjusted EBITDA margin ⁽¹⁾	10.4%	8.5%
Net (loss) earnings attributable to shareholders of the Company	\$ (478)	\$ 190
Net (loss) earnings available to common shareholders of the Company	(488)	180
Adjusted net earnings available to common shareholders of the Company ⁽¹⁾	201	178
Diluted net (loss) earnings per common share (\$)	\$ (3.18)	\$ 1.40
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 1.30	\$ 1.38
Cash and cash equivalents, short term investments and security deposits	\$ 1,787	\$ 3,891
Cash flows from operating activities	1,107	458
Free cash flow ⁽¹⁾	418	35
Total debt excluding lease liabilities	\$ 15,817	\$ 14,312
Rolling year adjusted return on average equity attributable to common shareholders of the Company ⁽¹⁾	13.8%	12.8%
Rolling year adjusted return on capital ⁽¹⁾	10.4%	12.6%

CONSOLIDATED RESULTS OF OPERATIONS

Unless otherwise indicated, the Company's results include:

- the impact of the implementation of 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 unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of as a result of the significant increase in Choice Properties' unit price in the quarter, recorded in net interest expense and other financing charges, further described below and as set out in the "Non-GAAP Financial Measures" section of this MD&A; 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 by which the Company acquired Loblaw's approximate 61.6% effective interest in Choice Properties, as set out in the "Consolidated Other Business Matters" section below.

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2019	Mar. 24, 2018	\$ Change	% Change
Sales	\$ 11,173	\$ 10,744	\$ 429	4.0 %
Operating income	\$ 586	\$ 502	\$ 84	16.7 %
Adjusted EBITDA ⁽¹⁾	1,158	918	240	26.1 %
Adjusted EBITDA margin ⁽¹⁾	10.4%	8.5%		
Depreciation and amortization⁽ⁱ⁾	\$ 535	\$ 400	\$ 135	33.8 %
Net interest expense and other financing charges	872	18	854	4,744.4 %
Adjusted net interest expense and other financing charges ⁽¹⁾	247	141	106	75.2 %
Income taxes	\$ 86	\$ 106	\$ (20)	(18.9)%
Adjusted income taxes ⁽¹⁾	133	135	(2)	(1.5)%
Adjusted income tax rate ⁽¹⁾	26.9%	26.9%		
Net (loss) earnings attributable to shareholders of the Company	\$ (478)	\$ 190	\$ (668)	(351.6)%
Net (loss) earnings available to common shareholders of the Company	(488)	180	(668)	(371.1)%
Adjusted net earnings available to common shareholders of the Company ⁽¹⁾	201	178	23	12.9 %
Diluted net (loss) earnings per common share (\$)	\$ (3.18)	\$ 1.40	\$ (4.58)	(327.1)%
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 1.30	\$ 1.38	\$ (0.08)	(5.8)%

- (i) Depreciation and amortization includes \$119 million (2018 – \$121 million) in the first quarter of 2019 of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation, recorded by Loblaw and in the first quarter of 2018, \$4 million of accelerated depreciation and amortization recorded by Weston Foods, related to restructuring and other related costs.

Management's Discussion and Analysis

Net Earnings Available to Common Shareholders of the Company

In the first quarter of 2019, the Company recorded a net loss available to common shareholders of the Company of \$488 million compared to net earnings available to common shareholders of the Company of \$180 million in the same period in 2018. The decline was mainly attributable to the unfavourable year-over-year impact of adjusted items totaling \$691 million, including the impact of the fair value adjustment of the Trust Unit liability, partially offset by the improvement in the underlying operating performance of \$23 million described below:

- The unfavourable year-over-year net impact of adjusting items totaling \$691 million was primarily due to:
 - the fair value adjustment of the Trust Unit liability of \$601 million;
 - the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of \$68 million; and
 - the fair value adjustment of investment properties of \$15 million.
- The improvement in underlying operating performance of \$23 million included the unfavourable impact of IFRS 16 of approximately \$3 million. Normalized for this impact, the underlying operating performance improved by \$26 million, primarily due to:
 - the favourable 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;
 - 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,
 - an increase in adjusted net interest expense and other financing charges⁽¹⁾ mainly due to the impact of the acquisition of CREIT described below; and
 - an increase in depreciation and amortization expense described below.

Adjusted net earnings available to common shareholders of the Company⁽¹⁾ increased by \$23 million, or 12.9%, to \$201 million in the first quarter of 2019 compared to the same period in 2018. Normalized for the unfavourable impact of IFRS 16 of approximately \$3 million, adjusted net earnings available to common shareholders of the Company⁽¹⁾ increased by \$26 million, or 14.6%, due to the improvement in the underlying operating performance described above.

In the first quarter of 2019, the Company recorded a diluted net loss per common share of \$3.18, a decrease of \$4.58 per common share compared to the same period in 2018. The decrease was mainly due to:

- the unfavourable year-over-year impact of adjusting items totaling \$4.50 per common share, primarily due to the following:
 - the fair value adjustment of the Trust Unit liability of \$3.94 per common share;
 - the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of \$0.48 per common share; and
 - the fair value adjustment of investment properties of \$0.09 per common share; and
- a decline of \$0.08 per common share, including the net earnings improvement in the underlying operating performance described above, which was more than offset by the unfavourable impact of IFRS 16 and the dilutive impact of the Company's issuance of approximately 26.6 million common shares in connection with the reorganization.

Adjusted diluted net earnings per common share⁽¹⁾ in the first quarter of 2019 were \$1.30 per common share, a decline of \$0.08 per common share, or 5.8%, compared to the same period in 2018. Normalized for the unfavourable impact of IFRS 16 of approximately \$0.02 per common share, adjusted diluted net earnings per common share⁽¹⁾ decreased by approximately \$0.06 per common share, or 4.3%, which included the dilutive impact of the Company's issuance of approximately 26.6 million common shares.

Sales

(\$ millions except where otherwise indicated)

For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2019	Mar. 24, 2018 ⁽³⁾	\$ Change	% Change
Weston Foods	\$ 516	\$ 517	\$ (1)	(0.2)%
Loblaw	\$ 10,659	\$ 10,335	\$ 324	3.1 %
Choice Properties	\$ 323	\$ 215	\$ 108	50.2 %
Other and intersegment	\$ (325)	\$ (323)		
Consolidated	\$ 11,173	\$ 10,744	\$ 429	4.0 %

Sales in the first quarter of 2019 were \$11,173 million, an increase of \$429 million, or 4.0% compared to the same period in 2018. The increase in sales was impacted by each of the Company's reportable operating segments as follows:

- Negatively by a nominal amount due to a decline in sales of 0.2% at Weston Foods. Sales included the favourable impact of foreign currency translation of approximately 2.9%. Excluding the favourable impact of foreign currency translation, sales decreased by 3.1% mainly due to the impact of product rationalization and the lapping of sales lost from key customers in 2018, partially offset by the combined positive impact of pricing and changes in sales mix.
- Positively by 3.0% due to sales growth of 3.1% at Loblaw, driven primarily by an increase in Loblaw's Retail segment. Retail sales increased by \$297 million, or 2.9%, compared to the same period in 2018. Excluding the consolidation of franchises, Retail sales increased by \$197 million, or 2.0% due to positive same-store sales growth. Food retail same-store sales growth was 2.0% for the quarter. Food retail traffic was relatively flat and basket size increased in the quarter. Loblaw's food retail average quarterly internal food price index was slightly lower than (2018 – marginally lower than) the average quarterly national food price inflation of 3.3% (2018 – inflation of 1.2%), 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. Drug retail same-store sales growth was 2.2%.
- Positively by 1.0% due to sales growth of 50.2% at Choice Properties. The improvement of \$108 million was mainly due to the acquisition of CREIT of \$101 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.

Management's Discussion and Analysis

Operating Income

(\$ millions except where otherwise indicated)

For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2019	Mar. 24, 2018 ⁽³⁾	\$ Change	% Change
Weston Foods	\$ 10	\$ 11	\$ (1)	(9.1)%
Loblaw	\$ 449	\$ 374	\$ 75	20.1 %
Choice Properties	\$ 223	\$ 178	\$ 45	25.3 %
Other and Intersegment	\$ (96)	\$ (61)		
Consolidated	\$ 586	\$ 502	\$ 84	16.7 %

Operating income in the first quarter of 2019 was \$586 million, an increase of \$84 million, or 16.7% compared to the same period in 2018 and included the year-over-year favourable impact of IFRS 16 of approximately \$36 million. Normalized for this amount, operating income increased by \$48 million. The increase included improvements in the underlying operating performance of \$63 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 \$63 million was primarily due to:
 - the underlying operating performance of Choice Properties, driven by the acquisition of CREIT; and
 - the underlying operating performance of Loblaw's Retail segment, including the favourable year-over-year contribution from the consolidation of Loblaw franchises in the quarter, partially offset by a decline in the underlying operating performance of Loblaw's Financial Services segment and an increase in depreciation and amortization;
 partially offset by,
 - the unfavourable underlying operating performance of Weston Foods, including an increase in depreciation and amortization.
- the unfavourable year-over-year net impact of adjusting items totaling \$15 million was primarily due to:
 - prior year income earned, net of certain costs incurred, from the wind-down of Loblaw's President's Choice Financial® ("PC Financial") personal banking services of \$17 million;
 - the fair value adjustment to investment properties of \$16 million; and
 - the foreign currency translation of \$15 million;
 partially offset by,
 - the favourable impact of the prior year inventory charge at Loblaw related to healthcare reform of \$19 million; and
 - the favourable impact of prior year charges related to the Loblaw Card Program of \$19 million.

Adjusted EBITDA⁽¹⁾

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2019	Mar. 24, 2018 ⁽³⁾	\$ Change	% Change
Weston Foods	\$ 46	\$ 45	\$ 1	2.2%
Loblaw	\$ 1,038	\$ 731	\$ 307	42.0%
Choice Properties	\$ 230	\$ 157	\$ 73	46.5%
Other and Intersegment	\$ (156)	\$ (15)		
Consolidated	\$ 1,158	\$ 918	\$ 240	26.1%

Adjusted EBITDA⁽¹⁾ in the first quarter of 2019 was \$1,158 million, an increase of \$240 million, or 26.1% compared to the same period in 2018 and included the favourable impact of IFRS 16 of approximately \$155 million. Normalized for this impact, adjusted EBITDA⁽¹⁾ increased by \$85 million, or 9.3%, and was impacted by each of the Company's reportable operating segments as follows:

- Negatively by 0.2% due to a decrease of 4.4% in adjusted EBITDA⁽¹⁾ at Weston Foods. The decrease was due to higher input and distribution costs and the decline in sales, partially offset by productivity improvements and the net benefits realized from Weston Foods transformation program.
- Positively by 2.7% due to an increase of 3.4% in adjusted EBITDA⁽¹⁾ at Loblaw, primarily driven by Loblaw's Retail segment, partially offset by Loblaw's Financial Services segment. The improvement in Loblaw's Retail segment adjusted EBITDA⁽¹⁾ was primarily driven by an increase in Retail gross profit, partially offset by an increase in Retail selling, general and administrative expenses ("SG&A").
- Positively by 8.0% due to an increase of 46.5% in adjusted EBITDA⁽¹⁾ at Choice Properties, primarily driven by the acquisition of CREIT. The increase also included an increase in net operating income from existing properties and additional net operating income generated from other property acquisitions, and tenant openings in newly developed leasable space.

Depreciation and Amortization

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2019	Mar. 24, 2018 ⁽³⁾	\$ Change	% Change
Weston Foods	\$ 32	\$ 31	\$ 1	3.2 %
Loblaw	\$ 580	\$ 341	\$ 239	70.1 %
Choice Properties	\$ —	\$ —		
Other and Intersegment	\$ (77)	\$ 28	\$ (105)	(375.0)%
Consolidated	\$ 535	\$ 400	\$ 135	33.8 %

Depreciation and amortization in the first quarter of 2019 was \$535 million, an increase of \$135 million compared to the same period in 2018 and included the unfavourable impact of IFRS 16 of approximately \$119 million. Normalized for this impact, depreciation and amortization increased by \$16 million. Depreciation and amortization in the first quarter of 2019 included \$119 million (2018 – \$121 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and, in the first quarter of 2018, \$4 million of accelerated depreciation and amortization incurred by Weston Foods. Excluding these amounts and the impact of IFRS 16, depreciation and amortization increased in the first quarter of 2019 by \$22 million, driven by:

- an increase in depreciation from the consolidation of Loblaw franchises;
- an increase in Loblaw's IT assets;
- an increase in depreciation due to investments in capital at Weston Foods; and
- an increase in depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost recorded in Other and Intersegment.

Management's Discussion and Analysis

Net Interest Expense and Other Financing Charges

(\$ millions) For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2019	Mar. 24, 2018	\$ Change	% Change
Net interest expense and other financing charges	\$ 872	\$ 18	\$ 854	4,744.4 %
Add: Fair value adjustment of the Trust Unit liability	(582)	81	(663)	(818.5)%
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	(43)	42	(85)	(202.4)%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 247	\$ 141	\$ 106	75.2 %

Net interest expense and other financing charges in the first quarter of 2019 were \$872 million, an increase of \$854 million compared to the same period in 2018. The increase was mainly due to the unfavourable year-over-year impact of adjusting items totaling \$748 million including the fair value adjustment of the Trust Unit liability of \$663 million, as a result of the significant increase in Choice Properties' unit price in the quarter. The Company is exposed to market price fluctuations as a result of units held by unitholders other than the Company which are redeemable for cash at the option of the holder and are presented as a liability on the Company's consolidated balance sheet.

Adjusted net interest expense and other financing charges⁽¹⁾ increased by \$106 million, and included the unfavourable impact of IFRS 16 of approximately \$42 million. Normalized for this impact, adjusted net interest expense and other financing charges⁽¹⁾ increased by \$64 million. The increase was primarily due to:

- higher interest expense in Choice Properties segment, as a result of the issuance of new senior unsecured debentures, debt assumed on the acquisition of CREIT, higher distributions from newly issued Trust Units to former CREIT unitholders as part of the acquisition consideration, partially offset by the repayment of Series A senior unsecured debentures and interest income on the joint ventures assumed on the acquisition of CREIT; and
- higher interest expense in Loblaw's Financial Services segment, partially offset by the repayment of term loans.

Income Taxes

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2019	Mar. 24, 2018	\$ Change	% Change
Income taxes	\$ 86	\$ 106	\$ (20)	(18.9)%
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽¹⁾⁽ⁱ⁾	47	29	18	62.1 %
Adjusted income taxes ⁽¹⁾	\$ 133	\$ 135	\$ (2)	(1.5)%
Effective income tax rate applicable to earnings before taxes	(30.1)%	21.9%		
Adjusted income tax rate applicable to adjusted earnings before taxes ⁽¹⁾	26.9 %	26.9%		

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

The effective tax rate in the first quarter of 2019 was (30.1%), compared to 21.9% in the same period in 2018. The change in the effective income tax rate was primarily attributable to an increase in the non-deductible fair value adjustment to the Trust Unit liability and the impact of certain other non-deductible items.

The adjusted income tax rate⁽¹⁾ for the first quarter of 2019 was 26.9%, compared to 26.9% in the same period in 2018.

CONSOLIDATED OTHER BUSINESS MATTERS

IFRS 16 Implementation In 2016, the IASB issued IFRS 16, replacing IAS 17, and related interpretations. The standard introduces a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. The Company implemented the standard on January 1, 2019 using the modified retrospective approach. As a result, the Company's first quarter of 2019 results reflected lease accounting under IFRS 16. Prior year results have not been restated. See the "Accounting Standards" section of this MD&A for more information on the implementation of IFRS 16.

The implementation of IFRS 16 significantly increased the assets and liabilities on the Company's Condensed Consolidated Balance Sheet and changed the timing and presentation of lease-related expenses in the Company's results. The Company recorded a right-of-use asset of \$4.1 billion and a lease liability of \$5.1 billion under the new standard. 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 first quarter of 2019:

(\$ millions except where otherwise indicated)	12 Weeks Ended Mar. 23, 2019			
	\$ Change			Total ⁽ⁱ⁾
	Weston Foods	Loblaw	Other and Intersegment	
Operating income	\$ 1	\$ 75	\$ (40)	\$ 36
Adjusted EBITDA ⁽¹⁾	3	282	(130)	155
Net interest expense and other financing charges	1	82	(41)	42
Depreciation and amortization	2	207	(90)	119
Net loss available to common shareholders of the Company	—	(3)	—	(3)
Diluted net loss per common share (\$)	—	—	—	(0.02)

(i) Includes nominal year-over-year impact in the first quarter of 2019 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. 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 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⁾.

The Company continues to be controlled by Mr. W. Galen Weston who, directly and indirectly through entities which he controls, owns approximately 53.1% of the outstanding common shares of the Company.

Management's Discussion and Analysis

Offering of Trust Units Subsequent to the end of the first quarter of 2019, Choice Properties entered into an agreement to sell 22,815,000 Trust Units (the "Offered Units"), on a bought deal basis, at a price of \$13.15 per Offered Unit (the "Offer Price") to a syndicate of underwriters for gross proceeds of approximately \$300 million (the "Offering"). Choice Properties has also granted to the underwriters an over-allotment option to purchase an additional 3,422,250 Offered Units, which if exercised in full, would increase the gross size of the Offering to approximately \$345 million. In addition pursuant to its pre-emptive rights, the Company has agreed to purchase 3,805,000 Offered Units at the Offer Price for approximately \$50 million. The Offering is expected to close in the second quarter of 2019 subject to Choice Properties obtaining customary regulatory approvals. Upon closing of the Offering, the Company will hold an approximate 63.3% effective interest in Choice Properties (or 63.0% assuming the over-allotment option is exercised in full).

REPORTABLE OPERATING SEGMENTS

WESTON FOODS SEGMENT RESULTS

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

For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2019	Mar. 24, 2018 ⁽³⁾	\$ Change	% Change
Sales	\$ 516	\$ 517	\$ (1)	(0.2)%
Operating income	\$ 10	\$ 11	\$ (1)	(9.1)%
Adjusted EBITDA ⁽¹⁾	\$ 46	\$ 45	\$ 1	2.2 %
Adjusted EBITDA margin ⁽¹⁾	8.9%	8.7%		
Depreciation and amortization ⁽ⁱ⁾	\$ 32	\$ 31	\$ 1	3.2 %

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

Sales Weston Foods sales in the first quarter of 2019 were \$516 million, a decrease of \$1 million, or 0.2%, compared to the same period in 2018. Sales included the favourable impact of foreign currency translation of approximately 2.9%. Excluding the favourable impact of foreign currency translation, sales decreased by 3.1% mainly due to the impact of product rationalization and the lapping of sales lost from key customers in 2018, partially offset by the combined positive impact of pricing and changes in sales mix. The timing of Easter had a nominal year-over-year impact on sales.

Operating Income Weston Foods operating income in the first quarter of 2019 was \$10 million, a decrease of \$1 million, or 9.1%, compared to the same period in 2018. Normalized for the favourable impact of IFRS 16 of approximately \$1 million, operating income decreased by \$2 million. The decrease was primarily due to the decline in underlying operating performance of \$5 million, partially offset by the favourable year-over-year net impact of adjusting items totaling \$3 million, due to:

- the favourable impact of restructuring and other related costs of \$13 million; partially offset by,
- the unfavourable impact of the fair value adjustment of derivatives of \$10 million.

Adjusted EBITDA⁽¹⁾ Weston Foods adjusted EBITDA⁽¹⁾ in the first quarter of 2019 was \$46 million, an increase of \$1 million, or 2.2%, compared to the same period in 2018. Normalized for the favourable impact of IFRS 16 of approximately \$3 million, adjusted EBITDA⁽¹⁾ decreased by \$2 million driven by higher input and distribution costs and the decline in sales, partially offset by productivity improvements and the net benefits realized from Weston Foods transformation program.

Weston Foods adjusted EBITDA margin⁽¹⁾ in the first quarter of 2019 increased to 8.9% compared to 8.7% in the same period in 2018. Normalized for the favourable impact of IFRS 16, adjusted EBITDA margin⁽¹⁾ declined by 40 basis points to 8.3% in the first quarter of 2019, driven by the factors described above.

Depreciation and Amortization Weston Foods depreciation and amortization in the first quarter of 2019 was \$32 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 first quarter of 2018 included \$4 million of accelerated depreciation related to the closure of an unprofitable manufacturing facility in the U.S. Excluding this amount and the impact of IFRS 16, depreciation and amortization increased in the first quarter of 2019 by \$3 million due to investments in capital.

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 first quarter of 2019, Weston Foods recorded restructuring and other related costs of \$2 million (2018 – \$15 million), which were primarily related to the reorganization costs from 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.

For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2019	Mar. 24, 2018 ⁽³⁾	\$ Change	% Change
Sales	\$ 10,659	\$ 10,335	\$ 324	3.1%
Operating income	\$ 449	\$ 374	\$ 75	20.1%
Adjusted EBITDA ⁽¹⁾	\$ 1,038	\$ 731	\$ 307	42.0%
Adjusted EBITDA margin ⁽¹⁾	9.7%	7.1%		
Depreciation and amortization ⁽ⁱ⁾	\$ 580	\$ 341	\$ 239	70.1%

(i) Depreciation and amortization in the first quarter of 2019 includes \$119 million (2018 – \$121 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

Sales Loblaw sales in the first quarter of 2019 were \$10,659 million, an increase of \$324 million, or 3.1%, compared to the same period in 2018, primarily due to Retail. The increase was also due to an increase in Financial Services, due to higher interest income and higher year-over-year sales attributable to *The Mobile Shop*.

Retail sales increased by \$297 million, or 2.9%, compared to the same period in 2018 and included food retail sales of \$7,515 million (2018 – \$7,271 million) and drug retail sales of \$2,937 million (2018 – \$2,884 million).

Management's Discussion and Analysis

Excluding the consolidation of franchises, Retail sales increased by \$197 million, or 2.0%, primarily driven by the following factors:

- food retail same-store sales growth was 2.0% for the quarter. The timing of Easter had a nominal impact on food retail same-store sales growth in the first quarters of 2019 and 2018. Food retail traffic was relatively flat and basket size increased in the quarter;
- Loblaw's food retail average quarterly internal food price index was slightly lower than (2018 – marginally lower than) the average quarterly national food price inflation of 3.3% (2018 – inflation of 1.2%), 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 2.2% for the quarter. The timing of Easter had a nominal impact on drug retail same-store sales growth in the first quarters of 2019 and 2018.
 - pharmacy same-store sales growth was 1.2% and included the negative impact of incremental healthcare reform; and
 - front store same-store sales growth was 3.1%.

In the last 12 months, 18 food and drug stores were opened, and 13 food and drug stores were closed, resulting in a net increase in Retail square footage of 0.2 million square feet, or 0.3%.

The redemption of Loblaw Cards resulted in the delivery of approximately \$2 million of free products to customers in the first quarter of 2019, which was provided for in the fourth quarter of 2017. The redemptions did not benefit sales or Loblaw's financial performance and Loblaw's management does not believe it had a significant impact on food retail same-store sales.

Operating Income Loblaw operating income in the first quarter of 2019 was \$449 million, an increase of \$75 million, or 20.1% compared to the same period in 2018. The increase in operating income included the favourable impact of IFRS 16 of approximately \$75 million and the unfavourable impact of spin-out related incremental depreciation of approximately \$22 million. Normalized for these impacts, operating income increased by \$22 million due to the improvements in underlying operating performance of \$13 million and the favourable year-over-year net impact of adjusting items totaling \$9 million described below:

- the improvement in underlying operating performance of \$13 million was primarily due to Retail, including the favourable contribution from the consolidation of franchises, partially offset by the decline in the underlying operating performance of Financial Services; and
- the favourable year-over-year net impact of adjusting items totaling \$9 million was primarily due to the following:
 - the prior year inventory charge related to healthcare reform of \$19 million; and
 - the prior year charges related to the Loblaw Card Program of \$19 million;partially offset by,
 - the unfavourable impact of prior year income earned, net of certain costs incurred, from the wind-down of *PC Financial* personal banking services of \$17 million; and
 - the year-over-year unfavourable impact of restructuring and other related costs of \$12 million.

Adjusted EBITDA⁽¹⁾ Loblaw adjusted EBITDA⁽¹⁾ in the first quarter of 2019 was \$1,038 million, an increase of \$307 million, or 42.0% compared to the same period in 2018, and included the year-over-year favourable impact of IFRS 16 of approximately \$282 million. Normalized for the impact of IFRS 16, adjusted EBITDA⁽¹⁾ increased by \$25 million, primarily due to improvements in Retail, partially offset by Financial Services.

Retail adjusted EBITDA⁽¹⁾ in the first quarter of 2019 was \$985 million, an increase of \$313 million, compared to the first quarter of 2018 and included the favourable impact of IFRS 16 of approximately \$282 million. Normalized for this impact, adjusted EBITDA⁽¹⁾ in the first quarter of 2019 increased by \$31 million 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 SG&A.

- Retail gross profit percentage was 29.6%, an increase of 20 basis points compared to the same period in 2018. Excluding the consolidation of franchises, Retail gross profit percentage was 27.7%, a decrease of 30 basis points compared to the first quarter of 2018. Margins were negatively impacted by healthcare reform, while food retail margins remained relatively flat.
- Retail SG&A increased by \$13 million compared to the first quarter of 2018. Normalized for the impact of IFRS 16 and the consolidation of franchises, Retail SG&A increased by \$13 million and SG&A as a percentage of sales was 21.0%, an improvement of 30 basis points compared to the first quarter of 2018, driven by:
 - Process and Efficiency initiatives;
 - lower marketing costs as a result of the launch of the *PC Optimum* Program in the prior year; and
 - the favourable year-over-year impact of foreign exchange.

Financial Services adjusted EBITDA⁽¹⁾ decreased by \$6 million compared to the same quarter in 2018 due to lower core banking income attributable to the discontinuation of the personal banking services offered under the *PC Financial* brand, and higher operating costs including investments in digital strategy, partially offset by higher interest income attributable to the growth in the credit card portfolio and sales attributable to *The Mobile Shop*.

Loblaw adjusted EBITDA⁽¹⁾ in the first quarter of 2019 also included a gain of \$5 million (2018 – nil) related to the sale and leaseback of properties to Choice Properties.

Depreciation and Amortization Loblaw's depreciation and amortization was \$580 million in the first 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 \$207 million and the spin-out related incremental depreciation of approximately \$22 million. Normalized for these impacts, the increase in depreciation and amortization in the first quarter of 2019 was \$10 million, primarily driven by the consolidation of franchises and an increase in IT assets.

Depreciation and amortization in the first quarter of 2019 included \$119 million (2018 – \$121 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart.

Management's Discussion and Analysis

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 is expected to be an increase in annual depreciation and amortization of approximately \$85 million compared to 2018. Loblaw's 2019 first quarter financial results included incremental depreciation and amortization of \$22 million.

Process and Efficiency Loblaw continues to execute on a multi-year plan, initiated in 2018, that focuses on improving processes and generating efficiencies across its 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. Loblaw's management anticipates investing capital as well as recording restructuring and other charges related to these initiatives in 2019 and beyond. Loblaw recorded approximately \$12 million of restructuring and other related charges primarily related to Process and Efficiency initiatives in the first quarter of 2019.

Consolidation of Franchises Loblaw has more than 500 franchise food retail stores in its network. As at the end of the first quarter of 2019, 414 of these stores were consolidated for accounting purposes under a new, simplified franchise agreement ("Franchise Agreement") implemented in 2015.

Loblaw will convert franchises to the Franchise Agreement as existing agreements expire, at the end of which all franchises will be consolidated. The following table provides the total impact of the consolidation of franchises included in the consolidated results of the Company.

(\$ millions except where otherwise indicated)

For the periods ended as indicated	12 Weeks Ended	
	Mar. 23, 2019	Mar. 24, 2018
Number of Consolidated Franchise stores, beginning of period	400	310
Add: Net Number of Consolidated Franchise stores in the period	14	21
Number of Consolidated Franchise stores, end of period	414	331
Sales	\$ 299	\$ 199
Operating income	10	(5)
Adjusted EBITDA ⁽¹⁾	27	7
Depreciation and amortization	17	12
Net income attributable to Non-Controlling Interests	5	(5)

Operating income included in the table above does not significantly impact net earnings available to common shareholders of the Company as the related income is largely attributable to non-controlling interests.

Loblaw expects⁽²⁾ that the estimated annual impact in 2019 of new and current consolidated franchises will be revenue of approximately \$1,300 million, adjusted EBITDA⁽¹⁾ of approximately \$130 million, depreciation and amortization of approximately \$80 million and net earnings attributable to non-controlling interests of approximately \$40 million.

CHOICE PROPERTIES OPERATING RESULTS

(\$ millions except where otherwise indicated)

For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2019	Mar. 24, 2018 ⁽³⁾	\$ Change	% Change
Revenue	\$ 323	\$ 215	\$ 108	50.2 %
Net interest expense (income) and other financing charges ⁽ⁱ⁾	\$ 1,125	\$ (449)	\$ 1,574	350.6 %
Net (loss) income	\$ (902)	\$ 627	\$ (1,529)	(243.9)%
Funds from operations ⁽¹⁾⁽ⁱⁱ⁾	\$ 169	\$ 106	\$ 63	59.4 %

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

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

Revenue Revenue in the first quarter of 2019 was \$323 million, an increase of \$108 million compared to the same period in 2018 and included \$191 million (2018 – \$183 million) generated from tenants within Loblaw's Retail segment. The increase in revenue was primarily driven by:

- additional revenue generated from the investment properties included in the acquisition of CREIT of \$101 million;
- an increase in base rent and operating cost recoveries from existing properties; and
- additional revenue generated from other properties newly acquired and from tenant openings in newly developed leasable space.

Net Interest Expense (Income) and Other Financing Charges Net interest expense and other financing charges in the first quarter of 2019 resulted in an expense of \$1,125 million compared to interest income of \$449 million in 2018. The change of \$1,574 million was primarily driven by:

- an unfavourable year-over-year impact of the fair value adjustment on Class B LP Units ("Exchangeable Units") of \$1,546 million as a result of the significant increase in the unit price of Choice Properties in the quarter;
- 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; and
- higher distributions on the Exchangeable Units;

partially offset by,

- no distributions incurred on Class C LP Units following the conversion to Exchangeable Units concurrent with the acquisition of CREIT; and
- interest income earned on the mezzanine loan program, included in the acquisition of CREIT.

Net (loss) income Net loss was \$902 million in the first quarter of 2019, a decrease of \$1,529 million compared to 2018, primarily driven by:

- the unfavourable impact of higher interest expense and other financing charges described above; and
- the unfavourable year-over-year impact of the fair value adjustment to investment properties;

partially offset by,

- an increase in net operating income from investment properties acquired as part of the acquisition of CREIT;
- additional net operating income generated from other property acquisitions and tenant openings in newly developed leasable space; and
- an increase in net operating income from existing properties.

Funds from Operations⁽¹⁾ Funds from Operations⁽¹⁾ in the first quarter of 2019 was \$169 million, an increase of \$63 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.

Management's Discussion and Analysis

Choice Properties' Other Business Matters

Acquisition of Investment Properties During the first quarter of 2019, Choice Properties acquired two investment properties from Loblaw for an aggregate purchase price excluding acquisition costs of \$36 million. The acquisitions were settled with cash.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOWS

(\$ millions) For the periods ended as indicated	12 Weeks Ended		
	Mar. 23, 2019	Mar. 24, 2018	Change
Cash and cash equivalents, beginning of period	\$ 1,521	\$ 2,034	\$ (513)
Cash flows from (used in):			
Operating activities	1,107	458	649
Investing activities	(323)	(1,371)	1,048
Financing activities	(956)	453	(1,409)
Effect of foreign currency exchange rate changes on cash and cash equivalents	—	1	(1)
Cash and cash equivalents, end of period	\$ 1,349	\$ 1,575	\$ (226)

Cash Flows from Operating Activities Cash flows from operating activities were \$1,107 million in the first quarter of 2019, an increase of \$649 million compared to the same period in 2018. Normalized for the impact of IFRS 16, the increase in cash flows from operating activities was primarily driven by favourable changes in non-cash working capital and credit card receivables and higher cash earnings, partially offset by higher income taxes paid.

Cash Flows used in Investing Activities Cash flows used in investing activities were \$323 million in the first quarter of 2019, a decrease of \$1,048 million compared to the same period in 2018. The decrease in cash flows used in investing activities was primarily due to the change in security deposits driven by Choice Properties' acquisition of CREIT in the prior year, partially offset by a decrease in short term investments.

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

(\$ millions) For the periods ended as indicated	12 Weeks Ended		
	Mar. 23, 2019	Mar. 24, 2018	Change
Weston Foods	\$ 31	\$ 22	\$ 9
Loblaw	174	163	11
Choice Properties	31	59	(28)
Total capital investments	\$ 236	\$ 244	\$ (8)

Cash Flows used in Financing Activities Cash flows used in financing activities were \$956 million in the first quarter of 2019, an increase of \$1,409 million compared to the same period in 2018. The increase in cash flows used in financing activities was driven by Choice Properties' higher net issuance of long term debt in the prior year, primarily related to the acquisition of CREIT and reclassification of rent payments from operating activities to financing activities related to the implementation of IFRS 16, partially offset by lower repurchases of Loblaw's common shares and higher interest paid.

The Company's significant long term debt transactions are set out in the "Components of Total Debt" section of this MD&A.

Free Cash Flow⁽¹⁾ The definition of free cash flow⁽¹⁾ was changed in the first quarter of 2019 to normalize for the impact of the implementation of IFRS 16, which had no impact on cash flow.

(\$ millions) For the periods ended as indicated	12 Weeks Ended		
	Mar. 23, 2019	Mar. 24, 2018	Change
Cash flows from operating activities	\$ 1,107	\$ 458	\$ 649
Less: Interest paid	266	179	87
Fixed asset and investment properties purchases	144	158	(14)
Intangible asset additions	92	86	6
Lease payments, net ⁽ⁱ⁾	187	—	187
Free cash flow ⁽¹⁾	\$ 418	\$ 35	\$ 383

(i) Includes cash rent paid on lease liabilities, net of lease payments received from finance leases.

The year-over-year increase in free cash flow⁽¹⁾ in the first quarter of 2019 was \$383 million, primarily driven by higher cash flows from operating activities, partially offset by higher interest paid, as described above.

LIQUIDITY

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

Loblaw expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against committed credit facilities will enable it to finance its capital investment program and fund its ongoing business requirements, including working capital, pension plan funding requirements and financial obligations, over the next 12 months. Financial Services expects to obtain long term financing for the growth of its credit card portfolio through the issuance of *Eagle Credit Card Trust*[®] (“Eagle”) notes and Guaranteed Investment Certificates (“GICs”).

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

For details on the Company’s cash flows, see the “Cash Flows” section of this MD&A.

Management's Discussion and Analysis

Total Debt The following table presents total debt, as monitored by management:

(\$ millions)	Mar. 23, 2019				As at Mar. 24, 2018				Dec. 31, 2018			
	Loblaw	Choice Properties	Other/ Intersegment	Total	Loblaw	Choice Properties	Other/ Intersegment	Total	Loblaw	Choice Properties	Other/ Intersegment	Total
Bank indebtedness	\$ 130	\$ —	\$ —	\$ 130	\$ 270	\$ —	\$ —	\$ 270	\$ 56	\$ —	\$ —	\$ 56
Short term debt	615	—	677	1,292	440	—	629	1,069	915	—	664	1,579
Long term debt due within one year	787	486	—	1,273	1,792	1,300	—	3,092	847	496	—	1,343
Long term debt ⁽ⁱ⁾	5,876	6,807	915	13,598	5,943	3,468	915	10,326	6,379	6,681	915	13,975
Certain other liabilities	49	—	—	49	42	—	—	42	48	—	—	48
Fair value of financial derivatives related to the above debt	—	—	(525)	(525)	—	—	(487)	(487)	—	—	(556)	(556)
Total debt excluding lease liabilities	\$ 7,457	\$ 7,293	\$ 1,067	\$ 15,817	\$ 8,487	\$ 4,768	\$ 1,057	\$ 14,312	\$ 8,245	\$ 7,177	\$ 1,023	\$ 16,445
Lease liabilities due within one year	\$ 1,259	\$ 1	\$ (504)	\$ 756	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Lease liabilities	7,825	7	(3,584)	4,248	—	—	—	—	—	—	—	—
Total debt including total lease liabilities	\$ 16,541	\$ 7,301	\$ (3,021)	\$ 20,821	\$ 8,487	\$ 4,768	\$ 1,057	\$ 14,312	\$ 8,245	\$ 7,177	\$ 1,023	\$ 16,445

(i) Finance lease obligations of \$556 million and \$535 million were included in long term debt as at March 24, 2018 and December 31, 2018, respectively prior to the implementation of IFRS 16.

Management targets credit metrics consistent with those of a company with an investment grade profile. In Other and Intersegment, the Company (excluding Loblaw and Choice Properties) holds cash and cash equivalents and short term investments and as a result monitors its leverage on a net debt basis. The Company (excluding Loblaw and Choice Properties) has total debt excluding lease liabilities of \$1,067 million (March 24, 2018 – \$1,057 million; December 31, 2018 – \$1,023 million) and cash and cash equivalents and short term investments of \$696 million (March 24, 2018 – \$793 million; December 31, 2018 – \$612 million), resulting in a \$371 million net debt position (March 24, 2018 – \$264 million net debt position; December 31, 2018 – \$411 million net debt position).

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

- Loblaw targets maintaining Retail credit metrics consistent with those of investment grade retailers. Loblaw monitors the Retail segment's debt to rolling year adjusted EBITDA⁽¹⁾ ratio as a measure of the leverage being employed. The Retail segment's debt to rolling year adjusted EBITDA⁽¹⁾ ratio as at the end of the first quarter of 2019 increased compared to the first quarter of 2018 and year end 2018 primarily due to an increase in Retail segment's debt driven by the increase in lease liabilities as a result of implementation of IFRS 16. This increase was partially offset by the improvement in adjusted EBITDA⁽¹⁾ also as a result of the implementation of IFRS 16.
- President's Choice Bank ("PC Bank") capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory requirements as defined by the Office of the Superintendent of Financial Institutions.

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

Covenants and Regulatory Requirements The Company, Loblaw and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at the end of and throughout the first quarter of 2019, the Company, Loblaw and Choice Properties were in compliance with their respective covenants. As at the end of and throughout the first quarter of 2019, PC Bank and Choice Properties met all applicable regulatory requirements.

COMPONENTS OF TOTAL DEBT

Debentures The following table summarizes the debentures issued or assumed in the periods ended as indicated:

(\$ millions)	Interest Rate	Maturity Date	12 Weeks Ended	
			Mar. 23, 2019	Mar. 24, 2018
			Principal Amount	Principal Amount
Choice Properties senior unsecured debentures				
– Series I	3.01%	March 21, 2022	\$ —	\$ 300
– Series J	3.55%	January 10, 2025	—	350
– Series K	3.56%	September 9, 2024	—	550
– Series L	4.18%	March 8, 2028	—	750
Total debentures issued			\$ —	\$ 1,950

There were no debentures issued or repaid in the first quarter of 2019. During the first quarter of 2018, Choice Properties completed the early retirement of \$400 million Series A senior unsecured debentures.

Unsecured Term Loan Facilities In 2018, Choice Properties obtained \$800 million through two unsecured term loan facilities, one \$175 million 4-year unsecured term loan provided by syndicate of lenders maturing May 4, 2022 and one \$625 million 5-year unsecured term loan provided by a syndicate of lenders maturing May 4, 2023. The term loans bear interest at variable rates of either Prime plus 0.45% or bankers' acceptance rate plus 1.45%. The pricing of these term loans is contingent on Choice Properties credit ratings from DBRS and S&P remaining at "BBB".

Committed Credit Facilities The components of the committed lines of credit available were as follows:

(\$ millions)	Maturity Date	Mar. 23, 2019		As at Mar. 24, 2018		As at Dec. 31, 2018	
		Available Credit	Drawn	Available Credit	Drawn	Available Credit	Drawn
Loblaw committed credit facility	June 10, 2021	\$ 1,000	\$ —	\$ 1,000	\$ —	\$ 1,000	\$ —
Choice Properties committed syndicated credit facility ⁽ⁱ⁾	July 5, 2022	—	—	500	374	—	—
Choice Properties committed syndicated credit facility	May 4, 2023	1,500	455	—	—	1,500	325
Total committed lines of credit		\$ 2,500	\$ 455	\$ 1,500	\$ 374	\$ 2,500	\$ 325

(i) In 2018, Choice Properties repaid and cancelled the \$500 million committed syndicated credit facility in connection with the closing of the acquisition of CREIT.

Management's Discussion and Analysis

Independent Securitization Trusts Loblaw, through PC Bank, participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors the co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle* and Other Independent Securitization Trusts, in accordance with its financing requirements.

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

(\$ millions)	Mar. 23, 2019	As at	
		Mar. 24, 2018	Dec. 31, 2018
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> [®]	\$ 750	\$ 900	\$ 750
Securitized to Other Independent Securitization Trusts	615	440	915
Total securitized to independent securitization trusts	\$ 1,365	\$ 1,340	\$ 1,665

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at the end of the first quarter of 2019 and throughout the first quarter of 2019.

Independent Funding Trusts As at the end of the first quarter of 2019, the independent funding trusts had drawn \$530 million (March 24, 2018 – \$545 million; December 31, 2018 – \$536 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts in the amount of \$64 million (March 24, 2018 and December 31, 2018 – \$64 million), representing not less than 10% (March 24, 2018 and December 31, 2018 – not less than 10%) of the principal amount of loans outstanding.

Loblaw intends to renew the revolving committed credit facility upon its maturity date of June 10, 2019.

Debt Associated with Equity Forward Sale Agreement In 2001, Weston Holdings Limited (“WHL”) entered into an equity forward sale agreement based on 9.6 million Loblaw common shares at an original forward price of \$48.50 per Loblaw common share which, under the terms of the agreement, had increased to a forward price of \$119.61 (March 24, 2018 – \$114.58; December 31, 2018 – \$118.42) per Loblaw common share as at the end of the first quarter of 2019. The forward matures in 2031 and WHL is permitted to settle the liability at any time with the 9.6 million Loblaw common shares. The obligation of WHL under this forward is secured by the underlying Loblaw common shares. WHL recognizes a non-cash charge or income, which is included in consolidated net interest expense and other financing charges, representing the fair value adjustment of WHL’s forward sale agreement for 9.6 million shares. The fair value adjustment in the forward contract is a non-cash item resulting from fluctuations in the market price of the underlying Loblaw shares that WHL owns. WHL does not record any change in the market price associated with the Loblaw common shares it owns.

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

(\$ millions)	Maturity Date	As at		
		Mar. 23, 2019	Mar. 24, 2018	Dec. 31, 2018
Series A	2031	\$ 466	\$ 466	\$ 466
Series B	On demand	677	629	664
Fair value of financial derivatives related to the above debt	n/a	(525)	(487)	(556)
Debt associated with equity forward sale agreement ⁽ⁱ⁾		\$ 618	\$ 608	\$ 574
Debentures	2024 - 2033	450	450	450
Transaction costs and other		(1)	(1)	(1)
Other and Intersegment debt		\$ 1,067	\$ 1,057	\$ 1,023

(i) WHL is permitted to settle the liability at any time with the 9.6 million Loblaw common shares.

FINANCIAL CONDITION

	As at		
	Mar. 23, 2019 ⁽ⁱⁱ⁾	Mar. 24, 2018	Dec. 31, 2018
Rolling year adjusted return on average equity attributable to common shareholders of the Company ⁽¹⁾	13.8%	12.8%	12.7%
Rolling year adjusted return on capital ⁽¹⁾⁽ⁱ⁾	10.4%	12.6%	12.0%

(i) Includes the annualized impact of IFRS 16. Tax-effected adjusted operating income⁽¹⁾ is expected to be approximately \$81 million higher on an annualized basis due to the change in presentation of the Company's rent expense.

(ii) Opening equity and opening capital include the implementation impacts of IFRS 16 when calculating the average of equity and average of capital, respectively.

The rolling year adjusted return on average equity attributable to common shareholders of the Company⁽¹⁾ increased as at the end of the first quarter of 2019 compared to the end of the first quarter of 2018 and year end 2018 primarily due to Choice Properties' earnings growth and decrease in retained earnings as a result of the implementation of IFRS 16.

The rolling year adjusted return on capital⁽¹⁾ decreased as at the end of the first quarter of 2019 compared to the end of the first quarter of 2018 and year end 2018, primarily due to an increase in the average debt driven by the increase in lease liabilities as a result of the implementation of IFRS 16. This increase was partially offset by the improvement in tax-effected adjusted operating income⁽¹⁾ also as a result of IFRS 16.

Management's Discussion and Analysis

CREDIT RATINGS

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

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

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

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

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

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

SHARE CAPITAL

Common Share Capital The following table summarizes the activity in the Company's common shares issued and outstanding for the periods ended as indicated:

(\$ millions except where otherwise indicated)	12 Weeks Ended			
	Mar. 23, 2019		Mar. 24, 2018	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	153,370,108	\$ 2,766	127,905,581	\$ 221
Issued for settlement of stock options	152,499	12	52,245	5
Purchased and cancelled	(1,625)	—	(1,628)	—
Issued and outstanding, end of period	153,520,982	\$ 2,778	127,956,198	\$ 226
Shares held in trusts, beginning of period	(120,305)	—	(228,803)	—
Purchased for future settlement of RSUs and PSUs	(50,000)	(1)	—	—
Released for settlement of RSUs and PSUs	84,376	2	94,675	—
Shares held in trusts, end of period	(85,929)	1	(134,128)	—
Issued and outstanding net of shares held in trusts, end of period	153,435,053	\$ 2,779	127,822,070	\$ 226
Weighted average outstanding, net of shares held in trusts	153,279,008		127,713,971	

Normal Course Issuer Bid (“NCIB”) Program The following table summarizes the activity under its NCIB program:

(\$ millions except where otherwise indicated)	12 Weeks Ended	
	Mar. 23, 2019	Mar. 24, 2018
Purchased for future settlement of RSUs and PSUs (number of shares)	50,000	—
Purchased and cancelled (number of shares)	—	(1,628)
Cash consideration paid		
Purchased and held in trusts	\$ (5)	\$ —
Premium charged to retained earnings	\$ 5	\$ —

In the second quarter of 2018, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange (“TSX”) or through alternative trading systems up to 6,398,134 of its common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares. As of March 23, 2019, the Company has purchased 1,325,562 common shares under its current NCIB program.

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

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

(\$)	12 Weeks Ended	
	Mar. 23, 2019	Mar. 24, 2018
Dividends declared per share ⁽ⁱ⁾ :		
Common share	\$ 0.515	\$ 0.455
Preferred share:		
Series I	\$ 0.3625	\$ 0.3625
Series III	\$ 0.3250	\$ 0.3250
Series IV	\$ 0.3250	\$ 0.3250
Series V	\$ 0.296875	\$ 0.296875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on April 1, 2019. Dividends declared on Preferred Shares, Series I were paid on March 15, 2019.

The following table summarizes the Company’s cash dividends declared subsequent to the end of the first quarter of 2019:

(\$)	
Dividends declared per share ⁽ⁱ⁾ – Common share	\$ 0.525
– Preferred share:	
Series I	\$ 0.3625
Series III	\$ 0.3250
Series IV	\$ 0.3250
Series V	\$ 0.296875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V are payable on July 1, 2019. Dividends declared on Preferred Shares, Series I are payable on June 15, 2019.

Subsequent to the end of the first quarter of 2019, the Board of Directors raised the quarterly common share dividend by \$0.01 per common share to \$0.525 per common share.

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

Management's Discussion and Analysis

OFF-BALANCE SHEET ARRANGEMENTS

The Company uses off-balance sheet arrangements including letters of credit, guarantees and cash collateralization in connection with certain obligations. There were no significant changes to the Company's off-balance sheet arrangements during the first quarter of 2019. For a discussion of the Company's significant off-balance sheet arrangements see Section 7.7, "Off-Balance Sheet Arrangements", of the Company's 2018 Annual Report.

QUARTERLY RESULTS OF OPERATIONS

The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. Each of the years ended December 31, 2018 and December 31, 2017 contained 52 weeks. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. When a fiscal year contains 53 weeks, the fourth quarter is 13 weeks in duration.

The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period condensed consolidated financial statements for each of the eight most recently completed quarters.

Selected Quarterly Information

(\$ millions except where otherwise indicated)	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2019 (12 weeks)	2018 ⁽³⁾ (12 weeks)	2018 (12 weeks)	2017 ⁽³⁾ (12 weeks)	2018 (16 weeks)	2017 ⁽³⁾ (16 weeks)	2018 (12 weeks)	2017 ⁽³⁾ (12 weeks)
Sales	\$ 11,173	\$ 10,744	\$ 11,717	\$ 11,402	\$ 14,862	\$ 14,648	\$ 11,245	\$ 11,436
Operating income	586	502	690	164	804	1,244	589	640
Adjusted EBITDA ⁽¹⁾	1,158	918	1,146	1,065	1,391	1,307	1,073	1,038
Depreciation and amortization ⁽ⁱ⁾	535	400	416	407	530	509	400	385
Net (loss) earnings	(372)	378	412	78	130	904	78	365
Net (loss) earnings attributable to shareholders of the Company	(478)	190	281	44	65	434	38	170
Net (loss) earnings available to common shareholders of the Company	(488)	180	271	34	51	420	28	160
Net (loss) earnings per common share (\$) - basic	\$ (3.18)	\$ 1.41	\$ 1.86	\$ 0.27	\$ 0.40	\$ 3.29	\$ 0.22	\$ 1.25
Net (loss) earnings per common share (\$) - diluted	\$ (3.18)	\$ 1.40	\$ 1.86	\$ 0.27	\$ 0.40	\$ 3.25	\$ 0.21	\$ 1.23
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 1.30	\$ 1.38	\$ 1.59	\$ 1.76	\$ 2.25	\$ 2.14	\$ 1.63	\$ 1.67
Weston Foods' sales (decline) growth	(0.2)%	(4.1)%	(3.8)%	(1.9)%	(5.7)%	(0.7)%	(8.1)%	2.6 %
Weston Foods' sales (decline) growth excluding impact of foreign currency translation	(3.1)%	(1.5)%	(5.9)%	0.9 %	(7.3)%	1.0 %	(5.7)%	0.2 %
Average quarterly national food price inflation (deflation) (as measured by CPI)	3.3 %	1.2 %	1.7 %	1.0 %	0.3 %	0.3 %	0.1 %	(1.4)%
Loblaw's Food retail same-store sales growth	2.0 %	1.9 %	0.8 %	0.5 %	0.9 %	1.4 %	0.8 %	1.2 %
Loblaw's Drug retail same-store sales growth	2.2 %	3.7 %	1.9 %	3.6 %	2.5 %	3.3 %	1.7 %	3.7 %
Choice Properties' Funds From Operations per unit - diluted	\$ 0.252	\$ 0.255	\$ 0.256	\$ 0.282	\$ 0.253	\$ 0.263	\$ 0.272	\$ 0.262
Choice Properties' Net Operating Income (cash basis)	\$ 233	\$ 150	\$ 233	\$ 153	\$ 230	\$ 145	\$ 212	\$ 144

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

Impact of Trends and Seasonality on Quarterly Results Consolidated quarterly results for the last eight quarters were impacted by the following significant items: foreign currency exchange rates, seasonality and the timing of holidays. The impact of Weston Foods seasonality is greatest in the third and fourth quarters and least in the first quarter. The impact of Loblaw seasonality is greatest in the fourth quarter and least in the first quarter.

Net Earnings Available to Common Shareholders of the Company and Diluted Net Earnings Per Common Share

Consolidated quarterly net earnings available to common shareholders of the Company and diluted net earnings per common share for the last eight quarters were impacted by the following items:

- underlying operating performance of each of the Company's reportable operating segments;
- the disposition of Loblaw's gas bar operations in the third quarter of 2017;
- Loblaw's minimum wage increases and incremental healthcare reform;
- Loblaw's cost savings and operating efficiencies from Process and Efficiency initiatives and benefits from strategic initiatives;
- the favourable impact of Loblaw's share repurchases for cancellation; and
- the impact of certain adjusting items as set out in the "Non-GAAP Financial Measures" section of this MD&A, including:
 - the change in fair value adjustment to the Trust Unit liability;
 - the charge related to Glenhuron Bank Limited;
 - restructuring and other related costs;
 - the *PC Optimum* Program;
 - the Loblaw Card Program;
 - CREIT acquisition and other related costs;
 - asset impairments, net of recoveries; and
 - the impact of healthcare reform on inventory balances;partially offset by,
 - gain on disposition of Loblaw's gas bar operations;
 - the statutory corporate tax rate change;
 - the remeasurement of deferred tax balances;
 - the wind-down of *PC Financial* personal banking services; and
 - gain on sale of properties.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in Internal Control over Financial Reporting During the first quarter of 2019, and as result of the acquisition of CREIT, Choice Properties converted to a single ERP (Enterprise Resource Planning) instance. Except for the preceding change, there were no changes in the Company's internal controls over financial reporting in the first quarter of 2019 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Management's Discussion and Analysis

ENTERPRISE RISKS AND RISK MANAGEMENT

A detailed full set of risks inherent in the Company's business are included in the Company's AIF for the year ended December 31, 2018 and the MD&A included in the Company's 2018 Annual Report, which are hereby incorporated by reference. The Company's 2018 Annual Report and AIF are available at www.sedar.com. Those risks and risk management strategies remain unchanged.

ACCOUNTING STANDARDS

Accounting Standard Implemented in 2019

IFRS 16 In 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"), replacing IAS 17, "Leases" ("IAS 17") and related interpretations. The standard introduces a single, on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessees recognize a right-of-use asset representing its control of and right to use the underlying asset and a lease liability representing its obligation to make future lease payments. Lessor accounting remains similar to IAS 17.

IFRS 16 became effective for annual periods beginning on or after January 1, 2019. For leases where the Company is the lessee, it had the option of adopting a fully retrospective approach or a modified retrospective approach on transition to IFRS 16. The Company adopted the standard on January 1, 2019 using the modified retrospective approach. The Company applied the requirements of the standard retrospectively with the cumulative effects of initial application recorded in opening retained earnings as at January 1, 2019, and no restatement of the comparative period. Under the modified retrospective approach, the Company chose to measure all right-of-use assets retrospectively as if the standard had been applied since lease commencement dates.

Substantially all of the Company's operating leases are real estate leases for retail stores, production plants, distribution centers and corporate offices. Other leased assets include passenger vehicles, trucks and equipment. The Company recognized right-of-use assets and lease liabilities for its operating leases except for certain low-value leases and classes of underlying assets in which the lease terms are 12 months or less. 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 under IAS 17 over the term of a lease. There are no significant impacts to the Company's existing finance leases under IAS 17 as a lessee.

The Company also has owned and leased properties which are leased and subleased to third parties, respectively. The subleases are mainly related to non-consolidated franchisees and ancillary tenants. As an intermediate lessor, the Company reassessed the classification of its subleases by reference to the right-of-use assets arising from the head lease and recognized a corresponding finance lease receivable when the reassessment concluded that the subleases were finance leases.

IFRS 16 permits the use of recognition exemptions and practical expedients. The Company applied the following recognition exemptions and practical expedients:

- grandfathered the definition of leases for existing contracts at the date of initial application;
- excluded certain low-value and short term leases from IFRS 16 lease accounting;
- used portfolio application for leases with similar characteristics, such as vehicle and equipment leases;
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics at the date of initial application;
- excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- used hindsight in determining lease term at the date of initial application.

The Company did not exercise the practical expedient wherein a lessee may rely on its assessment of whether leases are onerous applying IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” immediately before the date of initial application as an alternative to performing an impairment review. On the date of initial application, the Company applied the requirements of IAS 36, “Impairment of Assets” and recorded an impairment of \$62 million on right-of-use assets in opening retained earnings, which represents an incremental \$16 million to the previous onerous lease provision.

The impact of adopting IFRS 16 on the Company’s balance sheet as at January 1, 2019 was as follows:

Condensed Consolidated Balance Sheet

Increase (Decrease) (\$ millions)	As at Jan. 1, 2019
Current Assets	
Prepaid expenses and other assets	\$ (62)
Total Current Assets	\$ (62)
Fixed Assets ⁽ⁱ⁾	(435)
Right-of-Use Assets ⁽ⁱ⁾	4,114
Intangible Assets	(82)
Deferred Income Taxes	32
Other Assets	85
Total Assets	\$ 3,652
Current Liabilities	
Trade payables and other liabilities	\$ (11)
Provisions	(4)
Long term debt due within one year ⁽ⁱ⁾	(37)
Lease liabilities due within one year ⁽ⁱ⁾⁽ⁱⁱ⁾	736
Total Current Liabilities	\$ 684
Provisions	(76)
Long Term Debt ⁽ⁱ⁾	(498)
Lease Liabilities ⁽ⁱ⁾⁽ⁱⁱ⁾	4,350
Deferred Income Taxes	(89)
Other Liabilities	(210)
Non-Controlling Interests	(394)
Retained Earnings	(115)
Total Liabilities and Equity	\$ 3,652

(i) Leases previously classified as finance lease arrangements under IAS 17 were presented within fixed assets, long term debt due within one year and long term debt. Effective January 1, 2019, these balances are included in right-of-use assets and lease liabilities.

(ii) Leases that are low-value, short term or where the lease payments are variable and do not depend on an index or rate are not included in the calculation of lease liabilities. These lease expenses are recognized in SG&A on the most systematic basis.

The Company used its incremental borrowing rates as at January 1, 2019 to measure lease liabilities. The weighted average incremental borrowing rate is 4.39%. The weighted average lease term remaining as at January 1, 2019 is approximately 10 years.

Management's Discussion and Analysis

The following reconciliation is between lease liabilities recognized on January 1, 2019 and operating lease commitments disclosed under IAS 17 as at December 31, 2018 discounted using the weighted average incremental borrowing rate as at the date of initial application:

(\$ millions)	As at Jan. 1, 2019
Operating lease commitment as at December 31, 2018 as disclosed in the Company's notes to the consolidated financial statements	\$ 4,826
Discounted using the weighted average incremental borrowing rate as at January 1, 2019	\$ 3,932
Finance lease obligations recognized as at December 31, 2018	535
Extension and termination options reasonably certain to be exercised	619
Lease liabilities recognized as at January 1, 2019	\$ 5,086
Lease liabilities due within one year	\$ 736
Lease liabilities	4,350
Total lease liabilities	\$ 5,086

Critical Accounting Estimates and Judgments for Leases

Judgments Made in Relation to Accounting Policies Applied Management exercises judgment in determining the appropriate lease term on a lease by lease basis. Management considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option including investments in major leaseholds, store performances and past business practice. The periods covered by renewal options are only included in the lease term if management is reasonably certain to renew. Management considers reasonably certain to be a high threshold. Changes in the economic environment or changes in the retail industry may impact management's assessment of lease term, and any changes in management's estimate of lease terms may have a material impact on the Company's balance sheet and statement of earnings.

Key Sources of Estimation In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset or portfolio of leased assets if the interest rate implicit in the lease is not readily determined. Management determines the incremental borrowing rate of each leased asset or portfolio of leased assets by incorporating the Company's creditworthiness, the security, term and value of the underlying leased asset, and the economic environment in which the leased asset operates in. The incremental borrowing rates are subject to change mainly due to macroeconomic changes in the environment.

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.

Management's Discussion and Analysis

NON-GAAP FINANCIAL MEASURES

The Company uses the following non-GAAP financial measures: adjusted EBITDA and adjusted EBITDA margin, adjusted net earnings attributable to shareholders of the Company, adjusted net earnings available to common shareholders of the Company, adjusted diluted net earnings per common share, rolling year adjusted return on average equity attributable to common shareholders of the Company, rolling year adjusted return on capital, free cash flow and with respect to Choice Properties: funds from operations. In addition to these items, the following measures are used by management in calculating adjusted diluted net earnings per common share: adjusted operating income, adjusted net interest expense and other financing charges, adjusted income taxes and adjusted income tax rate. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing underlying consolidated and segment operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. The Company excludes additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

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

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

(unaudited) (\$ millions)	12 Weeks Ended									
	Mar. 23, 2019					Mar. 24, 2018				
	Weston Foods	Loblaw	Choice Properties	Other & Intersegment	Consolidated	Weston Foods ^(b)	Loblaw ^(b)	Choice Properties	Other and Intersegment ^(b)	Consolidated
Net (loss) earnings attributable to shareholders of the Company					\$ (478)					\$ 190
Add impact of the following:										
Non-controlling interests					106					188
Income taxes					86					106
Net interest expense and other financing charges					872					18
Operating income	\$ 10	\$ 449	\$ 223	\$ (96)	\$ 586	\$ 11	\$ 374	\$ 178	\$ (61)	\$ 502
Add (deduct) impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ —	\$ 119	\$ —	\$ —	\$ 119	\$ —	\$ 121	\$ —	\$ —	\$ 121
Restructuring and other related costs	2	12	—	—	14	15	—	—	(1)	14
Pension annuities and buy-outs	—	10	—	—	10	—	—	—	—	—
Fair value adjustment of derivatives	2	(2)	—	—	—	(8)	(5)	—	—	(13)
Fair value adjustment on investment properties	—	(3)	3	16	16	—	—	(33)	33	—
Gain on sale of non-operating properties	—	(8)	—	—	(8)	—	—	—	—	—
CREIT acquisition and other related costs	—	—	4	—	4	—	—	12	—	12
Loblaw Card Program	—	—	—	—	—	—	19	—	—	19
Impact of healthcare reform on inventory balances	—	—	—	—	—	—	19	—	—	19
Wind-down of PC Financial personal banking services	—	—	—	—	—	—	(17)	—	—	(17)
Foreign currency translation ⁽ⁱ⁾	—	—	—	1	1	—	—	—	(14)	(14)
Adjusting items	\$ 4	\$ 128	\$ 7	\$ 17	\$ 156	\$ 7	\$ 137	\$ (21)	\$ 18	\$ 141
Adjusted operating income	\$ 14	\$ 577	\$ 230	\$ (79)	\$ 742	\$ 18	\$ 511	\$ 157	\$ (43)	\$ 643
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱⁱ⁾	32	461	—	(77)	416	27	220	—	28	275
Adjusted EBITDA	\$ 46	\$ 1,038	\$ 230	\$ (156)	\$ 1,158	\$ 45	\$ 731	\$ 157	\$ (15)	\$ 918

(i) Represents the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and cash equivalents and short term investments held by foreign operations.

(ii) Depreciation and amortization for the calculation of adjusted EBITDA excludes \$119 million (2018 – \$121 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and in the first quarter of 2018, \$4 million of accelerated depreciation and amortization recorded by Weston Foods, related to restructuring and other related costs.

Management's Discussion and Analysis

The following items impacted operating income in the first quarters of 2019 and 2018:

Amortization of intangible assets acquired with Shoppers Drug Mart The acquisition of Shoppers Drug Mart in 2014 included approximately \$6 billion of definite life intangible assets, which are being amortized over their estimated useful lives. Annual amortization associated with the acquired intangible assets will be approximately \$525 million until 2024, and will decrease thereafter.

Restructuring and other related costs The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, manufacturing assets, distribution networks and administrative infrastructure with the objective to ensure a low cost operating structure. Restructuring activities related to these initiatives are ongoing.

Pension annuities and buy-outs The Company is undertaking annuity purchases and pension buy-outs in respect of former employees designed to reduce its defined benefit pension plan obligation and decrease future pension volatility and risks.

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

Fair value adjustment on investment properties In conjunction with the acquisition of CREIT, the Company elected to change the measurement of investment properties from cost model to fair value model. Prior to the second quarter of 2018, the Company recognized investment properties at cost less accumulated depreciation and any accumulated impairment losses. Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Fair value is determined based on available market evidence. If market evidence is not readily available in less active markets, the Company uses alternative valuation methods such as discounted cash flow projections or recent transaction prices. Gains and losses on fair value are recognized in operating income in the period in which they are incurred. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

Gain on sale of non-operating properties In the first quarter of 2019, Loblaw disposed of vacant land to a third party and recorded a gain of \$8 million related to the sale.

CREIT acquisition and other related costs During 2018 and 2019, Choice Properties recorded acquisition and other related costs in connection with the acquisition of CREIT.

Loblaw Card Program In the fourth quarter of 2017, the Company and Loblaw acknowledged their involvement in an industry wide price-fixing arrangement involving certain packaged bread products. In connection with the arrangement, the Company offered customers a \$25 Loblaw Card, which can be used to purchase items sold in Loblaw grocery stores across Canada. The Company recorded a charge of \$107 million associated with the Loblaw Card Program in the fourth quarter of 2017. In the first quarter of 2018, the Company recorded an additional charge of \$19 million.

Impact of healthcare reform on inventory balances In the first quarter of 2018, Loblaw recorded an inventory provision for the write-down of inventories below cost to net realizable value, related to its generic drug inventory, as a result of healthcare reform announced in the first quarter of 2018, effective April 1, 2018.

Wind-down of PC Financial personal banking services In the third quarter of 2017, PC Bank entered into an agreement to end its business relationship with a major Canadian chartered bank, which represented the personal banking services offered under the *PC Financial* brand. As a result of this agreement, PC Bank received a payment of approximately \$44 million, net of certain costs incurred, \$20 million of which was recognized in the first half of 2018 and \$24 million was recognized in 2017.

Foreign currency translation The Company's consolidated financial statements are expressed in Canadian dollars. A portion of the Company's (excluding Loblaw's) net assets are denominated in U.S. dollars and as a result, the Company is exposed to foreign currency translation gains and losses. The impact of foreign currency translation on a portion of the U.S. dollar denominated net assets, primarily cash and cash equivalents and short term investments held by foreign operations, is recorded in SG&A and the associated tax, if any, is recorded in income taxes. In the first quarter of 2019, a foreign currency translation loss of \$1 million (2018 – gain of \$14 million) was recorded in SG&A as a result of the depreciation (2018 – appreciation) of the U.S. dollar relative to the Canadian dollar.

Adjusted Net Interest Expense and Other Financing Charges The Company believes adjusted net interest expense and other financing charges is useful in assessing the ongoing net financing costs of the Company.

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

(\$ millions)	12 Weeks Ended	
	Mar. 23, 2019	Mar. 24, 2018
Net interest expense and other financing charges	\$ 872	\$ 18
Add (deduct) impact of the following:		
Fair value adjustment of the Trust Unit liability	(582)	81
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	(43)	42
Adjusted net interest expense and other financing charges	\$ 247	\$ 141

In addition to certain items described in the "Adjusted EBITDA" section above, the following items impacted net interest expense and other financing charges in the first quarters of 2019 and 2018:

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

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

Management's Discussion and Analysis

Adjusted Income Taxes and Adjusted Income Tax Rate The Company believes the adjusted income tax rate applicable to adjusted earnings before taxes is useful in assessing the underlying operating performance of its business.

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

(\$ millions except where otherwise indicated)	12 Weeks Ended	
	Mar. 23, 2019	Mar. 24, 2018
Adjusted operating income ⁽ⁱ⁾	\$ 742	\$ 643
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	247	141
Adjusted earnings before taxes	\$ 495	\$ 502
Income taxes	\$ 86	\$ 106
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽ⁱⁱ⁾	47	29
Adjusted income taxes	\$ 133	\$ 135
Effective income tax rate applicable to earnings before taxes	(30.1)%	21.9%
Adjusted income tax rate applicable to adjusted earnings before taxes	26.9 %	26.9%

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

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

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net Earnings Per Common Share The Company believes that adjusted net earnings available to common shareholders and adjusted diluted net earnings per common share are useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

The following table reconciles adjusted net earnings available to common shareholders of the Company and adjusted net earnings attributable to shareholders of the Company to net earnings attributable to shareholders of the Company and then to net earnings available to common shareholders of the Company reported for the periods ended as indicated.

(\$ millions except where otherwise indicated)	12 Weeks Ended	
	Mar. 23, 2019	Mar. 24, 2018
Net (loss) earnings attributable to shareholders of the Company	\$ (478)	\$ 190
Less: Prescribed dividends on preferred shares in share capital	(10)	(10)
Net (loss) earnings available to common shareholders of the Company	\$ (488)	\$ 180
Less: Reduction in net earnings due to dilutive instruments at Loblaw	(1)	(1)
Net (loss) earnings available to common shareholders for diluted earnings per share	\$ (489)	\$ 179
Net (loss) earnings attributable to shareholders of the Company	\$ (478)	\$ 190
Adjusting items (refer to the following table)	689	(2)
Adjusted net earnings attributable to shareholders of the Company	\$ 211	\$ 188
Less: Prescribed dividends on preferred shares in share capital	(10)	(10)
Adjusted net earnings available to common shareholders of the Company	\$ 201	\$ 178
Less: Reduction in net earnings due to dilutive instruments at Loblaw	(1)	(1)
Adjusted net earnings available to common shareholders for diluted earnings per share	\$ 200	\$ 177
Weighted average common shares outstanding (millions) ⁽ⁱ⁾	153.6	128.1

(i) Includes impact of dilutive instruments for purposes of calculating adjusted diluted net earnings per common share.

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

	12 Weeks Ended			
	Mar. 23, 2019		Mar. 24, 2018	
	Net (Loss) Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net (Loss) Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share
(\$ except where otherwise indicated)				
As reported	\$ (488)	\$ (3.18)	\$ 180	\$ 1.40
Add (deduct) impact of the following ⁽ⁱ⁾ :				
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 44	\$ 0.29	\$ 44	\$ 0.35
Restructuring and other related costs	6	0.04	11	0.08
Pension annuities and buy-outs	4	0.03	—	—
Fair value adjustment of derivatives	1	—	(8)	(0.06)
Fair value adjustment on investment properties	15	0.09	—	—
Gain on sale of non-operating properties	(4)	(0.03)	—	—
CREIT acquisition and other related costs	3	0.03	4	0.03
Loblaw Card Program	—	—	7	0.05
Impact of healthcare reform on inventory balances	—	—	7	0.05
Wind-down of <i>PC Financial</i> personal banking services	—	—	(5)	(0.04)
Fair value adjustment of the Trust Unit liability	582	3.79	(19)	(0.15)
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	37	0.24	(31)	(0.24)
Foreign currency translation	1	—	(12)	(0.09)
Adjusting items	\$ 689	\$ 4.48	\$ (2)	\$ (0.02)
Adjusted	\$ 201	\$ 1.30	\$ 178	\$ 1.38

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

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

The definition of free cash flow was changed in the first quarter of 2019 to normalize for the impact of the implementation of IFRS 16, which had no impact on cash flow.

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

	12 Weeks Ended	
	Mar. 23, 2019	Mar. 24, 2018
(\$ millions)		
Cash flows from operating activities	\$ 1,107	\$ 458
Less: Interest paid	266	179
Fixed asset and investment properties purchases	144	158
Intangible asset additions	92	86
Lease payments, net ⁽ⁱ⁾	187	—
Free cash flow	\$ 418	\$ 35

(i) Includes cash rent paid on lease liabilities, net of lease payments received from finance leases.

Management's Discussion and Analysis

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

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

(unaudited) (\$ millions)	12 Weeks Ended	
	Mar. 23, 2019	Mar. 24, 2018
Net (loss) income	\$ (902)	\$ 627
Add (deduct) impact of the following:		
Fair value adjustment on Exchangeable Units	991	(555)
Unit distributions on Exchangeable Units	72	59
Fair value adjustment on investment properties	3	(33)
CREIT acquisition and other related costs	4	12
Fair value adjustment on investment property held in equity accounted joint ventures	(9)	—
Internal expenses for leasing	2	1
Capitalized interest on equity accounted joint ventures	1	—
Fair value adjustment on unit-based compensation	7	(5)
Funds from Operations	\$ 169	\$ 106

ADDITIONAL INFORMATION

Additional information about the Company has been filed electronically with the Canadian securities regulatory authorities through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available at www.sedar.com.

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

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

Toronto, Canada

May 6, 2019

Footnote Legend

- (1) See "Non-GAAP Financial Measures" section of the Company's 2019 First Quarter Management's Discussion and Analysis beginning on page 32.
 - (2) To be read in conjunction with "Forward-Looking Statements" beginning on page 3.
 - (3) Comparative figures have been restated to conform with current year presentation.
-