

Management's Discussion and Analysis

At a Glance	3
Key Performance Indicators	4
1. Overall Financial Performance	6
1.1 Consolidated Results of Operations	6
1.2 Consolidated Other Business Matters	14
2. Results of Reportable Operating Segments	15
2.1 Loblaw Operating Results	15
2.2 Choice Properties Operating Results	19
2.3 Weston Foods Operating Results	20
3. Liquidity and Capital Resources	21
3.1 Cash Flows	21
3.2 Liquidity	23
3.3 Components of Total Debt	24
3.4 Financial Condition	28
3.5 Credit Ratings	28
3.6 Share Capital	29
3.7 Off-Balance Sheet Arrangements	30
4. Quarterly Results of Operations	31
5. Internal Control Over Financial Reporting	32
6. Enterprise Risks and Risk Management	32
7. COVID-19 Update	33
8. Accounting Standard Implemented	34
9. Non-GAAP Financial Measures	34
10. Forward-Looking Statements	43
11. Additional Information	44

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 third quarter 2020 unaudited interim period condensed consolidated financial statements and the accompanying notes on pages 45 to 75 of this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2019 and the related annual MD&A included in the Company's 2019 Annual Report.

The Company's third quarter 2020 unaudited interim period condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). These unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except where otherwise noted.

Under International Financial Reporting Standards ("IFRS" or "GAAP"), certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. Non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated and segment underlying operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. See Section 9, "Non-GAAP Financial Measures", of this MD&A for more information on the Company's non-GAAP financial measures.

The Company operates through its three reportable operating segments, Loblaw Companies Limited ("Loblaw"), Choice Properties Real Estate Investment Trust ("Choice Properties") and Weston Foods. Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation and cash and short-term investments held by the Company. All other company level activities that are not allocated to the reportable operating segments, such as net interest expense, corporate activities and administrative costs are included in Other and Intersegment. Loblaw has two reportable operating segments, retail and financial services. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise and financial services. Choice Properties owns, manages and develops a high-quality portfolio of commercial retail, industrial, office and residential properties across Canada. Weston Foods is a North American bakery making bread, rolls, cupcakes, donuts, biscuits, cakes, pies, cones and wafers, artisan baked goods and more. As at the end of the third quarter of 2020, the Company's ownership interest in Loblaw was 52.2%, 61.5% in Choice Properties and 100% in Weston Foods.

In this MD&A, "Consolidated" refers to the consolidated results of GWL including its subsidiaries, while "GWL Corporate" refers to the non-consolidated financial results and metrics of GWL, such as dividends paid by GWL to its shareholders or cash flows received by GWL from its operating businesses. GWL Corporate is a subset of Other and Intersegment.

A glossary of terms and ratios used throughout this Quarterly Report can be found beginning on page 172 of the Company's 2019 Annual Report.

This MD&A contains forward-looking statements, which are subject to risks and uncertainties that could cause the Company's actual results to differ materially from the forward-looking statements. For additional information related to forward looking statements, material assumptions and material risks associated with them, see Section 6, "Enterprise Risks and Risk Management", Section 7, "COVID-19 Update" and Section 10, "Forward-Looking Statements" of this MD&A.

The information in this MD&A is current to November 16, 2020, unless otherwise noted.

At a Glance

Key Financial Highlights

As at or for the 16 weeks ended October 3, 2020 and October 5, 2019
(\$ millions except where otherwise indicated)

The Company's results include the impact of COVID-19 and related costs. See Section 1.1, "Consolidated Results of Operations" and Section 1.2, "Consolidated Other Business Matters", of this MD&A.

Consolidated

\$16,209	+6.5%	\$ 983	+11.2%	\$ 1,715	+3.3%	10.6%	-30bps
	vs. Q3 2019		vs. Q3 2019		vs. Q3 2019		vs. Q3 2019
REVENUE		OPERATING INCOME		ADJUSTED EBITDA⁽¹⁾		ADJUSTED EBITDA MARGIN⁽¹⁾ (%)	
\$ 303	+339.1%	\$ 362	-7.4%	\$ 1.96	+345.5%	\$ 2.35	-7.5%
	vs. Q3 2019		vs. Q3 2019		vs. Q3 2019		vs. Q3 2019
NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS		ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS⁽¹⁾		DILUTED NET EARNINGS PER COMMON SHARE (\$)		ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE⁽¹⁾ (\$)	

GWL Corporate⁽²⁾

\$ 191	+141.8%	\$ 307	+802.9%	\$ 0.53	+0%	10.0%	-40bps
	vs. Q3 2019		vs. Q3 2019		vs. Q3 2019		vs. Q3 2019
CASH FLOW FROM OPERATING BUSINESSES⁽¹⁾		GWL CORPORATE FREE CASH FLOW⁽¹⁾		QUARTERLY DIVIDENDS DECLARED PER SHARE (\$)		ROLLING YEAR ADJUSTED RETURN ON CAPITAL⁽¹⁾ (%)	

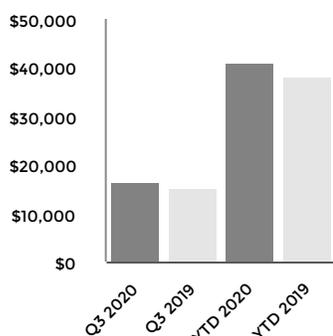
(1) See Section 9, "Non-GAAP Financial Measures", of this MD&A.

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

Key Performance Indicators

For the 16 weeks and 40 weeks ended October 3, 2020 and October 5, 2019
(\$ millions except where otherwise indicated)

REVENUE

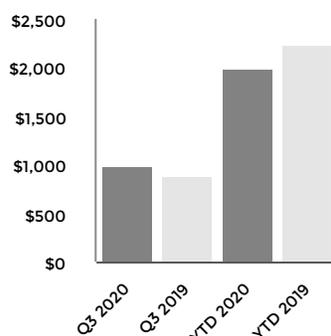


Q3 2020	\$16,209	
Q3 2019	\$ 15,226	+6.5%
YTD 2020	\$40,899	
YTD 2019	\$38,002	+7.6%

How we performed

Revenue increased in the third quarter and year-to-date 2020 mainly due to growth in Loblaw retail, partially offset by the decline in sales in Weston Foods driven by the impact of COVID-19.

OPERATING INCOME



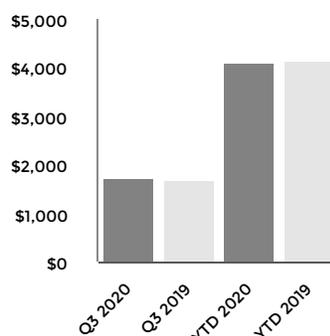
Q3 2020	\$ 983	
Q3 2019	\$ 884	+11.2%
YTD 2020	\$ 1,982	
YTD 2019	\$ 2,240	-11.5%

How we performed

Operating income increased in the third quarter 2020 mainly due to the favourable year-over-year net impact of adjusting items and improvements in the underlying operating performance of Loblaw and certain one-time gains, partially offset by decline in Weston Foods, driven by the impact of COVID-19 and related costs.

Decrease in year-to-date was primarily due to the unfavourable year-over-year net impact of adjusting items and declines in the underlying operating performance of Loblaw, Weston Foods and Choice Properties, driven by the impact of COVID-19 and related costs.

ADJUSTED EBITDA⁽¹⁾



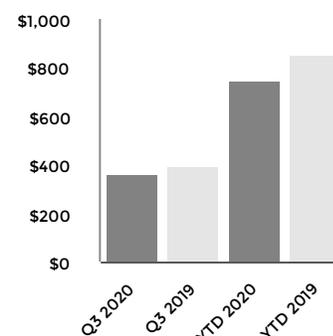
Q3 2020	\$ 1,715	
Q3 2019	\$ 1,661	+3.3%
YTD 2020	\$ 4,106	
YTD 2019	\$ 4,132	-0.6%

How we performed

Adjusted EBITDA⁽¹⁾ increased in the third quarter 2020 mainly due to increase in Loblaw and certain one-time gains, partially offset by decline in Weston Foods driven by the impact of COVID-19 and related costs.

Decrease in year-to-date was mainly due to declines in Weston Foods and Choice Properties, driven by the impact of COVID-19 and related costs, partially offset by certain one-time gains and an increase in Loblaw including the impact of COVID-19 and related costs.

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS⁽¹⁾



Q3 2020	\$ 362	
Q3 2019	\$ 391	-7.4%
YTD 2020	\$ 743	
YTD 2019	\$ 855	-13.1%

How we performed

Adjusted net earnings available to common shareholders⁽¹⁾ in the third quarter 2020 decreased due to higher adjusted income tax expense⁽¹⁾ and higher adjusted net interest expense and other financing charges⁽¹⁾, partially offset by the overall improvement in the underlying operating performance of the Company's operating segments including the impact of COVID-19, and certain one-time gains.

Decrease in year-to-date was primarily due to higher adjusted income tax expense⁽¹⁾, higher adjusted net interest expense and other financing charges⁽¹⁾ and a decline in the underlying operating performance of the Company resulting from the impact of COVID-19 and related costs.

ADJUSTED EBITDA MARGIN⁽¹⁾ (%)

10.6%		-30bps
Q3 2020	vs. Q3 2019	
10.0%		-90bps
YTD 2020	vs. 2019	

ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE⁽¹⁾ (\$)

\$ 2.35		-7.5%
Q3 2020	vs. Q3 2019	
\$ 4.82		-13.0%
YTD 2020	vs. 2019	

(1) See Section 9, "Non-GAAP Financial Measures", of this MD&A.

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

GWL Corporate Free Cash Flow⁽¹⁾

Following the reorganization of Choice Properties to GWL, management evaluates the cash generating capabilities of GWL Corporate⁽²⁾ based on the various cash flow streams it receives from its operating subsidiaries. As a result, the GWL Corporate free cash flow⁽¹⁾ is based on the dividends received from Loblaw, distributions received from Choice Properties and net cash flow contributions received from Weston Foods less corporate expenses, interest and income taxes paid.

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Weston Foods adjusted EBITDA ⁽¹⁾	\$ 62	\$ 72	\$ 121	\$ 167
Weston Foods capital expenditures	(52)	(55)	(109)	(124)
Distributions from Choice Properties	109	84	245	243
Dividends from Loblaw	117	118	235	233
Weston Foods income taxes recovered (paid)	12	–	14	(7)
Other	(57)	(140)	(68)	(104)
GWL Corporate cash flow from operating businesses⁽¹⁾	\$ 191	\$ 79	\$ 438	\$ 408
Proceeds from participation in Loblaw's Normal Course Issuer Bid	169	–	261	–
GWL Corporate and financing costs ⁽ⁱ⁾	(51)	(42)	(99)	(84)
Income taxes paid	(2)	(3)	(9)	(15)
GWL Corporate free cash flow⁽¹⁾	\$ 307	\$ 34	\$ 591	\$ 309

(i) Included in Other and Intersegment. GWL Corporate includes all other company level activities that are not allocated to the reportable operating segments such as net interest expense, corporate activities and administrative costs. Also included are preferred share dividends.

As at or for the 16 weeks and 40 weeks ended October 3, 2020 and October 5, 2019
(\$ millions except where otherwise indicated)

GWL CORPORATE⁽²⁾ CASH FLOW FROM OPERATING BUSINESSES⁽¹⁾		
\$ 191	+141.8%	
Q3 2020	vs. Q3 2019	
\$ 438	+7.4%	
YTD 2020	vs. 2019	

How we performed

Increase in the third quarter 2020 primarily due to favourable changes in Weston Foods' non-cash working capital recorded in Other and increased distributions from Choice Properties, both due to timing.

Increase in year-to-date 2020 primarily due to favourable changes in Weston Foods' non-cash working capital recorded in Other due to timing.

GWL CORPORATE⁽²⁾ FREE CASH FLOW⁽¹⁾		
\$ 307	+802.9%	
Q3 2020	vs. Q3 2019	
\$ 591	+91.3%	
YTD 2020	vs. 2019	

How we performed

Increase in the third quarter and year-to-date 2020 primarily due to proceeds from participation in Loblaw's Normal Course Issuer Bid and favourable changes in cash flow from operating businesses.

GWL CORPORATE⁽²⁾ NET DEBT		
\$ 193	-65.8%	
Q3 2020	vs. Q3 2019	
\$ 565		
Q3 2019		

How we performed

Decrease primarily driven by higher cash and short-term investments and lower total debt.

See Section 3.2, "Liquidity", of this MD&A for a calculation of this metric.

Management's Discussion and Analysis

1. Overall Financial Performance

1.1 Consolidated Results of Operations

Loblaw delivered strong results in a quarter still significantly affected by COVID-19, with same-store sales increases, strong online growth and an improving margin trend, supported by significant investments of \$85 million to ensure the safety and security of customers and colleagues. Loblaw maintained its commitment to enhance the overall value proposition for consumers, maintaining its promotional intensity. In the quarter, Loblaw made two important announcements in its strategic growth areas of Payments and Rewards and Connected Health, with the launch of the *PC Money Account* and an investment in Maple Corporation and the launch of a *PC Health* app, providing Canadians with digital financial services and health and wellness services bolstered by *PC Optimum* loyalty rewards.

Choice Properties results reflected solid earnings, increased rent collections, lower bad debt provisions and the resumption of investment activity after a difficult second quarter. During the third quarter, Choice Properties collected 98% of contractual rents, further underscoring the stability of its necessity-based portfolio. Choice Properties continued to support tenants negatively impacted by the pandemic by providing rent relief through rent deferrals and other arrangements, including participating in the Canada Emergency Commercial Rent Assistance ("CECRA") rent relief program, recording a bad debt provision of \$4 million for certain past due amounts. Additionally, Choice Properties completed three acquisitions and one disposition in the third quarter, consistent with its ongoing commitment to strengthen its balance sheet by improving the quality of the portfolio and reducing leverage.

Weston Foods sales and earnings improved in the third quarter of 2020 compared to the second quarter, as food retailers began to reopen bakery display cases and government mandated restrictions for dine-in restaurants eased in several regions. During the third quarter of 2020, Weston Foods incurred \$4 million in COVID-19 costs relating to increased health and safety measures to protect its colleagues. Despite the easing of certain COVID-19 restrictions in the quarter, Weston Foods' year-over-year financial results continue to reflect the negative impact of the pandemic on sales in certain retail categories and foodservice channels. Operationally, service levels and manufacturing efficiency improved, and the benefits of Weston Foods' transformation program continued.

The Company's strong liquidity and ability to respond to the ever-changing demands of the current environment positions us well for the long term.

The Company's results reflect:

- the impact of COVID-19. Also refer to Section 2, "Results of Reportable Operating Segments", Section 6, "Enterprise Risks and Risk Management" and Section 7, "COVID-19 Update", of this MD&A for more information; and
- the year-over-year impact of the fair value adjustment of the Trust Unit liability as a result of the significant changes in Choice Properties' unit price, recorded in net interest expense and other financing charges. The Company's results are impacted by market price fluctuations of Choice Properties' Trust Units on the basis that the Trust Units held by unitholders, other than the Company, are redeemable for cash at the option of the holder and are presented as a liability on the Company's consolidated balance sheet. The Company's financial results are negatively impacted when the Trust Unit price rises and positively impacted when the Trust Unit price declines.

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change
Revenue	\$ 16,209	\$ 15,226	\$ 983	6.5%	\$ 40,899	\$ 38,002	\$ 2,897	7.6%
Operating income	\$ 983	\$ 884	\$ 99	11.2%	\$ 1,982	\$ 2,240	\$ (258)	(11.5)%
Adjusted EBITDA ⁽¹⁾	\$ 1,715	\$ 1,661	\$ 54	3.3%	\$ 4,106	\$ 4,132	\$ (26)	(0.6)%
Adjusted EBITDA margin ⁽¹⁾	10.6%	10.9%			10.0%	10.9%		
Depreciation and amortization⁽ⁱ⁾	\$ 729	\$ 701	\$ 28	4.0%	\$ 1,855	\$ 1,770	\$ 85	4.8%
Net interest expense and other financing charges	\$ 323	\$ 517	\$ (194)	(37.5)%	\$ 586	\$ 1,697	\$ (1,111)	(65.5)%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 308	\$ 296	\$ 12	4.1%	\$ 831	\$ 794	\$ 37	4.7%
Income taxes	\$ 162	\$ 103	\$ 59	57.3%	\$ 327	\$ 298	\$ 29	9.7%
Adjusted income taxes ⁽¹⁾	\$ 221	\$ 177	\$ 44	24.9%	\$ 494	\$ 482	\$ 12	2.5%
Adjusted effective tax rate ⁽¹⁾	26.4%	21.5%			26.9%	24.5%		
Net earnings (loss) attributable to shareholders of the Company	\$ 317	\$ 83	\$ 234	281.9%	\$ 664	\$ (201)	\$ 865	430.3%
Net earnings (loss) available to common shareholders of the Company	\$ 303	\$ 69	\$ 234	339.1%	\$ 630	\$ (235)	\$ 865	368.1%
Adjusted net earnings available to common shareholders of the Company ⁽¹⁾	\$ 362	\$ 391	\$ (29)	(7.4)%	\$ 743	\$ 855	\$ (112)	(13.1)%
Diluted net earnings (loss) per common share (\$)	\$ 1.96	\$ 0.44	\$ 1.52	345.5%	\$ 4.08	\$ (1.55)	\$ 5.63	363.2%
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 2.35	\$ 2.54	\$ (0.19)	(7.5)%	\$ 4.82	\$ 5.54	\$ (0.72)	(13.0)%

- (i) Depreciation and amortization includes \$155 million (2019 - \$157 million) in the third quarter of 2020 and \$392 million (2019 - \$392 million) year-to-date of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation, recorded by Loblaw and \$3 million (2019 - \$4 million) in the third quarter of 2020 and \$22 million (2019 - \$6 million) year-to-date of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY

In the third quarter of 2020, the Company recorded net earnings available to common shareholders of the Company of \$303 million (\$1.96 per common share), an increase of \$234 million (\$1.52 per common share) compared to the same period in 2019. The increase was due to the favourable year-over-year net impact of adjusting items totaling \$263 million (\$1.71 per common share), partially offset by a decline of \$29 million (\$0.19 per common share) in the consolidated underlying operating performance of the Company described below.

- The favourable year-over-year net impact of adjusting items totaling \$263 million (\$1.71 per common share) was due to:
 - the favourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$181 million (\$1.19 per common share) as a result of the decrease in Choice Properties' unit price in the third quarter of 2020;
 - the favourable year-over-year impact of the fair value adjustment on investment properties of \$39 million (\$0.25 per common share); and
 - the favourable year-over-year impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of \$22 million (\$0.14 per common share).

Management's Discussion and Analysis

- The decline in the Company's consolidated underlying operating performance of \$29 million (\$0.19 per common share) was due to:
 - the increase in adjusted income tax expense⁽¹⁾ due to the unfavourable year-over-year impact of the prior year non-taxable portion of the gain from the Choice Properties' portfolio transaction, as described in Section 1.2 "Consolidated Other Business Matters", and the impact of certain non-deductible tax items;
 - an increase in depreciation and amortization;
 - an increase in adjusted net interest expense and other financing charges⁽¹⁾; and
 - the unfavourable underlying operating performance of Weston Foods driven by the impact of COVID-19 and related costs;partially offset by,
 - the favourable underlying operating performance of Loblaw including the impact of COVID-19 and related costs; and
 - certain one-time gains recorded on consolidation in Other and Intersegment related to Choice Properties' transactions described in Section 1.2 "Consolidated Other Business Matters".

Adjusted net earnings available to common shareholders of the Company⁽¹⁾ were \$362 million (\$2.35 per common share), a decrease of \$29 million (\$0.19 per common share), or 7.4%, compared to the same period in 2019, due to the decline in the Company's consolidated underlying operating performance described above.

Year-to-date net earnings available to common shareholders of the Company were \$630 million (\$4.08 per common share) compared to a net loss available to common shareholders of the Company of \$235 million (\$1.55 per common share) in the same period in 2019. The increase of \$865 million (\$5.63 per common share), or 368.1% was due to the favourable year-over-year net impact of adjusting items totaling \$977 million (\$6.35 per common share), partially offset by a decline in the Company's consolidated underlying operating performance of \$112 million (\$0.72 per common share) described below.

- The favourable year-over-year net impact of adjusting items totaling \$977 million (\$6.35 per common share) was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$1,012 million (\$6.59 per common share) as a result of the significant decrease in Choice Properties' unit price during 2020; and
 - the favourable year-over-year impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of \$106 million (\$0.69 per common share);partially offset by,
 - the unfavourable year-over-year impact of the fair value adjustment on investment properties of \$108 million (\$0.70 per common share); and
 - the unfavourable year-over-year impact of restructuring and other related costs of \$18 million (\$0.12 per common share).
- The decline in the Company's consolidated underlying operating performance of \$112 million (\$0.72 per common share) was due to:
 - the unfavourable underlying operating performance of Weston Foods and Choice Properties driven by the impact of COVID-19 and related costs, as described below;
 - the increase in adjusted income tax expense⁽¹⁾ due to the unfavourable year-over-year impact of the prior year non-taxable portion of the gain from Choice Properties' portfolio transaction, as described in Section 1.2 "Consolidated Other Business Matters", and the impact of certain non-deductible tax items;
 - an increase in adjusted net interest expense and other financing charges⁽¹⁾; and
 - an increase in depreciation and amortization;partially offset by,
 - certain one-time gains recorded on consolidation in Other and Intersegment related to Choice Properties' transactions, as described in Section 1.2 "Consolidated Other Business Matters"; and
 - the positive contribution from the year-over-year increase in the Company's ownership interest in Loblaw, as a result of Loblaw share repurchases.

Year-to-date adjusted net earnings available to common shareholders of the Company⁽¹⁾ were \$743 million (\$4.82 per common share), a decrease of \$112 million (\$0.72 per common share), or 13.1%, compared to the same period of 2019, due to the decline in the Company's consolidated underlying operating performance described above.

REVENUE

(\$ millions except where otherwise indicated)

For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change
Loblaw	\$ 15,671	\$ 14,655	\$ 1,016	6.9%	\$ 39,428	\$ 36,447	\$ 2,981	8.2%
Choice Properties	\$ 309	\$ 324	\$ (15)	(4.6)%	\$ 949	\$ 971	\$ (22)	(2.3)%
Weston Foods	\$ 592	\$ 638	\$ (46)	(7.2)%	\$ 1,539	\$ 1,633	\$ (94)	(5.8)%
Other and Intersegment	\$ (363)	\$ (391)			\$ (1,017)	\$ (1,049)		
Consolidated	\$ 16,209	\$ 15,226	\$ 983	6.5%	\$ 40,899	\$ 38,002	\$ 2,897	7.6%

Revenue in the third quarter of 2020 was \$16,209 million, an increase of \$983 million, or 6.5%, compared to the same period in 2019. The increase in revenue in the third quarter of 2020 was impacted by each of its reportable operating segments as follows:

- Positively by 6.7% due to revenue growth of 6.9% at Loblaw, primarily driven by retail sales, partially offset by a decrease in financial services revenue. Retail sales increased by \$1,044 million, or 7.2%, compared to the same period in 2019. Excluding the consolidation of franchises, retail sales increased by \$939 million, or 6.7%. The increase was primarily due to positive same-store sales growth and a net increase in retail square footage. Food retail same-store sales growth was 6.9% for the quarter. Food retail same-store sales growth was positively impacted by COVID-19. Food retail basket size increased and traffic decreased in the quarter; Loblaw's food retail average article price was higher by 5.3% (2019 - 2.2%), which reflects the year-over-year growth in food retail revenue over the average number of articles sold in Loblaw's stores in the quarter. The increase in average article price was due to sales mix. Drug retail same-store sales growth was 6.1%. Drug retail same-store sales was positively impacted by COVID-19.
- Negatively by 0.1% due to a decline in revenue of 4.6% at Choice Properties. The decrease of \$15 million was mainly due to foregone revenue from sold properties including those sold as part of the Choice Properties' portfolio transaction in the third quarter of 2019, partially offset by additional revenue generated from properties acquired in 2019 and 2020 and from tenant openings in newly developed leasable space.
- Negatively by 0.3% due to a decline in sales of 7.2% at Weston Foods. Sales included the positive impact of foreign currency translation of approximately 0.5%. Excluding the favourable impact of foreign currency translation, sales decreased by 7.7%. Sales were impacted by a decrease in volumes in certain retail categories and foodservice channels as a result of the COVID-19 pandemic, the unfavourable impact of product rationalization, and the combined negative impact of pricing and changes in sales mix.

Year-to-date revenue was \$40,899 million, an increase of \$2,897 million, or 7.6%, compared to the same period in 2019. The increase in revenue was impacted by each of the Company's reportable operating segments as follows:

- Positively by 7.8% due to revenue growth of 8.2% at Loblaw, primarily driven by retail sales, partially offset by a decrease in financial services revenue. Retail sales increased by \$3,038 million, or 8.5%, compared to the same period in 2019. Excluding the consolidation of franchises, retail sales increased by \$2,647 million, or 7.6%, due to positive same-store sales growth and a net increase in retail square footage. Food retail same-store sales growth was 8.7% and drug retail same-store sales growth was 5.3%.
- Negatively by a nominal amount due to a decline in revenue of 2.3% at Choice Properties. The decrease of \$22 million was mainly due to foregone revenue from sold properties including those sold as part of the Choice Properties' portfolio transaction in the third quarter of 2019, partially offset by additional revenue generated from properties acquired in 2019 and 2020 and from tenant openings in newly developed leasable space.
- Negatively by 0.2% due to a decline in sales of 5.8% at Weston Foods. Sales included the positive impact of foreign currency translation of approximately 0.7%. Excluding the favourable impact of foreign currency translation, sales decreased by 6.5%. Sales were impacted by the decrease in volumes in certain retail categories and foodservice channels as a result of the COVID-19 pandemic and the unfavourable impact of product rationalization, partially offset by the combined positive impact of pricing and changes in sales mix.

Management's Discussion and Analysis

OPERATING INCOME

(\$ millions except where otherwise indicated)

For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change
Loblaw	\$ 716	\$ 688	\$ 28	4.1%	\$ 1,657	\$ 1,723	\$ (66)	(3.8)%
Choice Properties	\$ 242	\$ 221	\$ 21	9.5%	\$ 290	\$ 670	\$ (380)	(56.7)%
Weston Foods	\$ 16	\$ 23	\$ (7)	(30.4)%	\$ (32)	\$ 45	\$ (77)	(171.1)%
Other and Intersegment	\$ 9	\$ (48)			\$ 67	\$ (198)		
Consolidated	\$ 983	\$ 884	\$ 99	11.2%	\$ 1,982	\$ 2,240	\$ (258)	(11.5)%

Operating income in the third quarter of 2020 was \$983 million compared to \$884 million in the same period in 2019, an increase of \$99 million, or 11.2%. The increase was mainly attributable to the favourable year-over-year net impact of adjusting items totaling \$76 million, and the improvement in underlying operating performance of \$23 million described below:

- the favourable year-over-year net impact of adjusting items totaling \$76 million was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of investment properties of \$49 million;
 - the favourable year-over-year impact of restructuring and other related costs of \$17 million; and
 - the favourable year-over-year impact of the fair value adjustment of derivatives of \$5 million.
- the improvement in underlying operating performance of \$23 million was due to:
 - the favourable underlying operating performance of Loblaw; and
 - certain one-time gains recorded on consolidation in Other and Intersegment related to Choice Properties' transactions, as described in Section 1.2 "Consolidated Other Business Matters";
 partially offset by,
 - the unfavourable underlying operating performance of Weston Foods as a result of the impact of COVID-19 and related costs and an increase in depreciation and amortization.

Year-to-date operating income was \$1,982 million compared to \$2,240 million in the same period in 2019, a decrease of \$258 million, or 11.5%. The decrease was mainly attributable to the unfavourable year-over-year net impact of adjusting items totaling \$163 million and the decline in underlying operating performance of \$95 million described below:

- the unfavourable year-over-year net impact of adjusting items totaling \$163 million was primarily due to:
 - the unfavourable year-over-year impact of the fair value adjustment of investment properties of \$130 million;
 - the unfavourable year-over-year impact of restructuring and other related costs of \$20 million;
 - the unfavourable impact of the reversal of certain prior period items recognized in 2019 of \$15 million; and
 - the unfavourable year-over-year impact of the fair value adjustment of derivatives of \$7 million;
 partially offset by,
 - the favourable impact of prior year pension annuities and buy-outs of \$10 million.
- the decline in underlying operating performance of \$95 million was due to:
 - the unfavourable underlying operating performance of Loblaw, Weston Foods and Choice Properties primarily as a result of the impact of COVID-19 and related costs and an increase in depreciation and amortization;
 partially offset by,
 - certain one-time gains recorded on consolidation in Other and Intersegment related to Choice Properties' transactions, as described in Section 1.2 "Consolidated Other Business Matters".

ADJUSTED EBITDA⁽¹⁾

(\$ millions except where otherwise indicated)

For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change
Loblaw	\$ 1,522	\$ 1,490	\$ 32	2.1%	\$ 3,703	\$ 3,701	\$ 2	0.1%
Choice Properties	\$ 225	\$ 226	\$ (1)	(0.4)%	\$ 653	\$ 689	\$ (36)	(5.2)%
Weston Foods	\$ 62	\$ 72	\$ (10)	(13.9)%	\$ 121	\$ 167	\$ (46)	(27.5)%
Other and Intersegment	\$ (94)	\$ (127)			\$ (371)	\$ (425)		
Consolidated	\$ 1,715	\$ 1,661	\$ 54	3.3%	\$ 4,106	\$ 4,132	\$ (26)	(0.6)%

Adjusted EBITDA⁽¹⁾ in the third quarter of 2020 was \$1,715 million compared to \$1,661 million in the same period in 2019, an increase of \$54 million, or 3.3%. The increase in adjusted EBITDA⁽¹⁾, excluding the impact of certain one-time gains recorded on consolidation in Other and Intersegment related to Choice Properties transactions, as described in section 1.2 "Consolidated Other Business Matters", was impacted by each of the Company's reportable operating segments as follows:

- Positively by 1.9% due to an increase of 2.1% in adjusted EBITDA⁽¹⁾ at Loblaw, primarily driven by improvements in Loblaw retail and financial services. The improvement in Loblaw retail 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").
- Negatively by a nominal amount due to a decrease of 0.4% in adjusted EBITDA⁽¹⁾ at Choice Properties, primarily driven by foregone revenue from sold properties including those sold as part of the Choice Properties' portfolio transaction in the third quarter of 2019 and an increase in expected credit loss provisions, partially offset by contributions from acquisitions and additional revenue from completed development transfers.
- Negatively by 0.6% due to a decrease of 13.9% in adjusted EBITDA⁽¹⁾ at Weston Foods driven by the decline in sales, higher input costs and an increase in COVID-19 related expenses, partially offset by productivity improvements, the net benefits realized from Weston Foods' transformation program and cost savings initiatives.

Year-to-date adjusted EBITDA⁽¹⁾ was \$4,106 million compared to \$4,132 million in the same period in 2019, a decrease of \$26 million, or 0.6%. The decrease in adjusted EBITDA⁽¹⁾, excluding the impact of certain one-time gains recorded on consolidation in Other and Intersegment related to Choice Properties transactions, as described in Section 1.2 "Consolidated Other Business Matters", was impacted by each of the Company's reportable operating segments as follows:

- Positively by a nominal amount due to an increase of 0.1% in adjusted EBITDA⁽¹⁾ at Loblaw driven by the increase in Loblaw retail, partially offset by a decrease in financial services. The increase in Loblaw retail adjusted EBITDA⁽¹⁾ was driven by an increase in retail gross profit, partially offset by an increase in retail SG&A.
- Negatively by 0.9% due to a decrease of 5.2% in adjusted EBITDA⁽¹⁾ at Choice Properties, primarily driven by foregone revenue from sold properties including those sold as part of the Choice Properties' portfolio transaction in the third quarter of 2019, an increase in expected credit loss provisions across the portfolio and an allowance for expected credit losses for a specific mortgage receivable, partially offset by contributions from acquisitions and additional revenue from completed development transfers.
- Negatively by 1.1% due to a decrease of 27.5% in adjusted EBITDA⁽¹⁾ at Weston Foods driven by the decline in sales, higher input costs and an increase in COVID-19 related expenses, partially offset by productivity improvements, the net benefits realized from Weston Foods' transformation program and cost savings initiatives.

DEPRECIATION AND AMORTIZATION

(\$ millions except where otherwise indicated)

For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change
Loblaw	\$ 795	\$ 775	\$ 20	2.6%	\$ 1,987	\$ 1,935	\$ 52	2.7%
Choice Properties	\$ 1	\$ -	\$ 1	-%	\$ 2	\$ 1	\$ 1	100.0%
Weston Foods	\$ 47	\$ 44	\$ 3	6.8%	\$ 134	\$ 111	\$ 23	20.7%
Other and Intersegment	\$ (114)	\$ (118)			\$ (268)	\$ (277)		
Consolidated	\$ 729	\$ 701	\$ 28	4.0%	\$ 1,855	\$ 1,770	\$ 85	4.8%

Depreciation and amortization in the third quarter of 2020 was \$729 million, an increase of \$28 million compared to the same period in 2019. Year-to-date depreciation and amortization was \$1,855 million, an increase of \$85 million compared to the same period in 2019.

Management's Discussion and Analysis

Depreciation and amortization in the third quarter and year-to-date included \$155 million (2019 – \$157 million) and \$392 million (2019 – \$392 million), respectively, of amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation (“Shoppers Drug Mart”) recorded by Loblaw and \$3 million (2019 – \$4 million) and \$22 million (2019 – \$6 million), respectively, of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs. Excluding these amounts, depreciation and amortization increased in the third quarter and year-to date by \$31 million and \$69 million, respectively, driven by:

- an increase in depreciation from the consolidation of Loblaw franchises;
- an increase in Loblaw's information technology (“IT”) assets; and
- an increase in depreciation and amortization due to capital investments at Weston Foods.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change
Net interest expense and other financing charges	\$ 323	\$ 517	\$ (194)	(37.5)%	\$ 586	\$ 1,697	\$ (1,111)	(65.5)%
Add: Fair value adjustment of the Trust Unit liability	12	(169)	181	107.1%	259	(753)	1,012	134.4%
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	(27)	(52)	25	48.1%	(14)	(136)	122	89.7%
Choice Properties issuance costs	–	–	–	–%	–	(14)	14	–%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 308	\$ 296	\$ 12	4.1%	\$ 831	\$ 794	\$ 37	4.7%

Net interest expense and other financing charges in the third quarter of 2020 were \$323 million, a decrease of \$194 million compared to the same period in 2019. The decrease was primarily due to the year-over-year impact of adjusting items totaling \$206 million, itemized in the table above and an increase in adjusted net interest expense and other financing charges⁽¹⁾ of \$12 million. Included in the adjusting items was the favourable year-over-year fair value adjustment of the Trust Unit liability of \$181 million, as a result of the decrease in Choice Properties' unit price in the third quarter of 2020. 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 \$12 million. The increase was primarily driven by:

- higher interest expense in Other and Intersegment adjustments, primarily related to interest expense on the financial liabilities recognized on the Choice Properties' portfolio transaction, as discussed in Section 1.2 “Consolidated Other Business Matters”;
 - higher interest expense in the Choice Properties segment including Other and Intersegment adjustments, primarily related to higher distributions from newly issued Trust Units in the third quarter of 2020; and
 - higher interest expense in Loblaw financial services due to increased holdings in the liquid asset portfolio;
- partially offset by:
- a decrease in interest expense in the Choice Properties segment primarily due to lower overall debt levels compared to the prior year and the completion of refinancing activity over the last year at lower interest rates.

Year-to-date net interest expense and other financing charges were \$586 million, a decrease of \$1,111 million compared to the same period in 2019. The decrease was primarily due to the favourable year-over-year net impact of adjusting items totaling \$1,148 million, itemized in the table above, partially offset by an increase in adjusted net interest expense and other financing charges⁽¹⁾ of \$37 million. Included in the adjusting items was the favourable year-over-year fair value adjustment of the Trust Unit liability of \$1,012 million, as a result of the decrease in Choice Properties' unit price during 2020.

Year-to-date adjusted net interest expense and other financing charges⁽¹⁾ increased by \$37 million. The increase was primarily driven by:

- higher interest expense in Other and Intersegment adjustments, primarily related to interest expense on the financial liabilities recognized on the Choice Properties' portfolio transaction, as discussed in Section 1.2 “Consolidated Other Business Matters”;
- higher interest expense in the Choice Properties segment including Other and Intersegment adjustments, primarily related to higher distributions from newly issued Trust Units in the second quarter of 2019 and third quarter of 2020; and

- higher interest expense in Loblaw financial services due to an increased holding in liquid asset portfolio; partially offset by,
- a decrease in interest expense in the Choice Properties segment primarily due to lower overall debt levels compared to the prior year and the completion of refinancing activity over the last year at lower interest rates, partially offset by an early redemption premium paid by Choice Properties for two senior unsecured debentures maturing in 2021 that were repaid in full in the second quarter of 2020.

INCOME TAXES

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change
Income taxes	\$ 162	\$ 103	\$ 59	57.3%	\$ 327	\$ 298	\$ 29	9.7%
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽¹⁾⁽ⁱ⁾	46	66	(20)	(30.3)%	162	151	11	7.3%
Remeasurement of deferred tax balances	9	–	9	–%	9	15	(6)	(40.0)%
Outside basis difference in certain Loblaw shares	4	–	4	–%	(6)	–	(6)	–%
Statutory corporate income tax rate change	–	–	–	–%	2	10	(8)	(80.0)%
Reserve release related to 2014 tax audit	–	8	(8)	–%	–	8	(8)	–%
Adjusted income taxes ⁽¹⁾	\$ 221	\$ 177	\$ 44	24.9%	\$ 494	\$ 482	\$ 12	2.5%
Effective tax rate applicable to earnings before taxes	24.5%	28.1%			23.4%	54.9%		
Adjusted effective tax rate applicable to adjusted earnings before taxes ⁽¹⁾	26.4%	21.5%			26.9%	24.5%		

(i) See the adjusted EBITDA⁽¹⁾ table and the adjusted net interest expense and other financing charges⁽¹⁾ table included in Section 9, “Non-GAAP Financial Measures”, of this MD&A for a complete list of items excluded from adjusted earnings before taxes⁽¹⁾.

The effective tax rate in the third quarter of 2020 was 24.5%, compared to 28.1% in the same period in 2019. The decrease was primarily attributable to an increase in the non-taxable fair value adjustment of the Trust Unit liability and the remeasurement of certain deferred tax balances, partially offset by the prior year impact of the non-taxable portion of the gain from the sale of a portfolio of properties by Choice Properties, as described in Section 1.2 “Consolidated Other Business Matters”, and the impact of certain other non-deductible items.

The adjusted effective tax rate⁽¹⁾ for the third quarter of 2020 was 26.4%, compared to 21.5% in the same period in 2019. The increase was primarily attributable to the prior year impact of the non-taxable portion of the gain from the sale of a portfolio of properties by Choice Properties, and the impact of certain other non-deductible items.

The year-to-date effective tax rate was 23.4%, compared to 54.9% in the same period in 2019. The decrease was primarily attributable to an increase in the non-taxable fair value adjustment of the Trust Unit liability, partially offset by the prior year impact of the non-taxable portion of the gain from the sale of a portfolio of properties by Choice Properties, an increase in tax expense related to temporary differences in respect of GWL’s investment in certain Loblaw shares as a result of GWL’s participation in Loblaw’s NCIB program, and the remeasurement of certain deferred tax balances.

The year-to-date adjusted effective tax rate⁽¹⁾ was 26.9%, compared to 24.5% in the same period in 2019. The increase was primarily attributable to the prior year impact of the non-taxable portion of the gain from the sale of a portfolio of properties by Choice Properties and the impact of certain other non-deductible items.

Loblaw has been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron Bank Limited (“Glenhuron”), a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. The reassessments, which were received between 2015 and 2019, are for the 2000 to 2013 taxation years. On September 7, 2018, the Tax Court of Canada (“Tax Court”) released its decision relating to the 2000 to 2010 taxation years. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation. On October 4, 2018, Loblaw filed a Notice of Appeal with the

Management's Discussion and Analysis

Federal Court of Appeal and recorded a charge of \$367 million, of which \$176 million was recorded in interest and \$191 million was recorded in income taxes, to cover its ultimate liability if the appeal was unsuccessful. During the second quarter, on April 23, 2020, the Federal Court of Appeal released its decision in the Glenhuron case in favour of Loblaw reversing the decision of the Tax Court. In the third quarter, the Crown filed an application for leave to appeal to the Supreme Court of Canada ("Supreme Court"). Subsequent to the end of the third quarter, on October 29, 2020, the Supreme Court granted the Crown leave to appeal. Loblaw has not reversed any portion of the previously recorded charge.

1.2 Consolidated Other Business Matters

COVID-19 RELATED COSTS As previously disclosed, in the second quarter of 2020, the Company made significant COVID-19 investments related to temporary pay premiums, pay protection safeguards, additional security, customer convenience and increased health and safety measures, resulting in COVID-19 related costs of approximately \$312 million. In the third quarter of 2020, the Company incurred COVID-19 related costs of approximately \$93 million primarily related to safety and security measures to protect colleagues, customers, tenants and other stakeholders. The estimated COVID-19 related costs incurred by each of the Company's reportable operating segments were as follows:

(unaudited) (\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended	12 Weeks Ended
	Oct. 3, 2020	Jun. 13, 2020
Loblaw	\$ 85	\$ 282
Choice Properties ⁽ⁱ⁾	\$ 4	\$ 14
Weston Foods	\$ 4	\$ 16
Consolidated	\$ 93	\$ 312

(i) Choice Properties recorded a provision of \$14 million and \$4 million in the second and third quarter of 2020, respectively, for certain past due amounts, reflecting increased collectability risk and potential abatements to be granted under the CECRA program.

Refer to Section 6, "Enterprise Risks and Risk Management" and Section 7, "COVID-19 Update" of this MD&A for more information.

CERTAIN ONE-TIME GAINS RECORDED ON CONSOLIDATION Choice Properties completed various property acquisitions and dispositions and financing activities in the third quarters of 2019 and 2020, improving the strength of its portfolio and reducing leverage. As a result of certain of these transactions, the Company recorded the consolidation impact in Other and Intersegment as set out below:

(unaudited) (\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended	40 Weeks Ended
	Oct. 3, 2020	Oct. 3, 2020
Choice Properties' Ground Lease	\$ 15	\$ 15
Transaction between Choice Properties and Wittington	10	10
Operating income	\$ 25	\$ 25
Choice Properties' Portfolio Transaction	\$ 7	\$ 20
Net interest expense and other financing charges	\$ 7	\$ 20

CHOICE PROPERTIES' GROUND LEASE In the third quarter of 2020, Choice Properties entered into a 99-year ground lease for a parcel of land on a property with an equity accounted joint venture in which Choice Properties has a 50% ownership interest. Under IFRS 16 "Leases", this arrangement was accounted for as a disposition by Choice Properties to the equity accounted joint venture. On consolidation, the Company recorded the property including the parcel of land in fixed assets as own-use property because Loblaw continues to be a tenant on the property. The approximate fair value of the parcel of land on the property was \$22 million. As a result of the disposition, the Company recorded a lease receivable of \$22 million, a disposition of the property at a cost of \$7 million, and a gain of \$15 million in operating income.

TRANSACTION BETWEEN CHOICE PROPERTIES AND WITTINGTON On July 31, 2020, Choice Properties acquired two real estate assets from Wittington Properties Limited, a related party and subsidiary of Wittington Investments, Limited ("Wittington"), at market terms and conditions, for an aggregate purchase price of \$209 million, excluding transaction costs, which was satisfied in full by the issuance of 16.5 million Trust Units of Choice Properties. The assets acquired included: (i) the Weston Centre, an office and retail property in Toronto, Ontario for \$129 million and (ii) the remaining 60% interest in a joint venture between

Choice Properties and Wittington Properties Limited for \$80 million, less a cost-to-complete receivable of \$16 million, giving Choice Properties 100% ownership of the joint venture.

Weston Centre The Company had multiple lease arrangements with Wittington, in addition to existing leases with Choice Properties at the Weston Centre. Upon acquisition of the property, the Company recognized a gain of \$6 million in operating income from the derecognition of its net impact of lease obligations and right-of-use assets associated with the property and will cease paying rents to Wittington. Due to continued tenancy on the property through its group of companies, \$51 million was recorded in fixed assets as own-use property and \$78 million was recorded in investment properties.

Joint Venture In 2014, a joint venture, partnership known as West Block between Choice Properties and Wittington Properties Limited, completed the acquisition of a parcel of land located on 500 Lakeshore Boulevard West in Toronto, Ontario from Loblaw. Choice Properties used the equity method of accounting to record its 40% interest in the joint venture.

During the second quarter of 2020, Loblaw recognized \$65 million of right-of-use assets and lease liabilities related to the leases of retail stores and a corporate office with the joint venture.

During the third quarter of 2020, Choice Properties acquired the remaining 60% interest of the joint venture, after which the investment was accounted for on a consolidated basis. As a result of the increase in ownership, the Company recorded a \$5 million fair value loss before income taxes in other comprehensive income, and a gain of \$4 million in operating income from the derecognition of its net impact of lease obligations and right-of-use assets associated with the property and will cease paying rents to Wittington. Due to continued tenancy on the property through its group of companies, \$95 million was recorded in fixed assets as own-use property and \$13 million was recorded in investment properties. Wittington will continue to act as the development and construction manager for the commercial space until development is completed.

CHOICE PROPERTIES' PORTFOLIO TRANSACTION In 2019, Choice Properties sold 31 properties consisting of Loblaw stand-alone retail properties and Loblaw distribution centres. On consolidation, the transactions were not recognized as a sale of assets as under the terms of the leases, Loblaw did not relinquish control of the properties for purposes of IFRS 16 "Leases" and IFRS 15 "Revenue from Contracts with Customers". Instead, the proceeds from the transactions were recognized as financial liabilities on the Company's consolidated balance sheet with corresponding interest expense recognized in the consolidated statement of earnings. Included in the third quarter of 2020, interest expense was \$7 million (2019 – nil) and year-to-date was \$20 million (2019 – nil). In 2019, for tax purposes, this transaction was treated as a sale, and income tax expense reflects the benefit from the non-taxable portion of the gain from the sale of the portfolio of properties by Choice Properties.

2. Results of Reportable Operating Segments

The following discussion provides details of the third quarter of 2020 results of operations of each of the Company's reportable operating segments.

2.1 Loblaw Operating Results

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change
Revenue	\$ 15,671	\$ 14,655	\$ 1,016	6.9%	\$ 39,428	\$ 36,447	\$ 2,981	8.2%
Operating income	\$ 716	\$ 688	\$ 28	4.1%	\$ 1,657	\$ 1,723	\$ (66)	(3.8)%
Adjusted EBITDA ⁽¹⁾	\$ 1,522	\$ 1,490	\$ 32	2.1%	\$ 3,703	\$ 3,701	\$ 2	0.1%
Adjusted EBITDA margin ⁽¹⁾	9.7%	10.2%			9.4%	10.2%		
Depreciation and amortization ⁽ⁱ⁾	\$ 795	\$ 775	\$ 20	2.6%	\$ 1,987	\$ 1,935	\$ 52	2.7%

(i) Depreciation and amortization in the third quarter of 2020 includes \$155 million (2019 – \$157 million) and \$392 million (2019 – \$392 million) year-to-date of amortization of intangible assets acquired with Shoppers Drug Mart.

Loblaw's operating results include the impacts of COVID-19 and the consolidation of franchises.

Management's Discussion and Analysis

REVENUE Loblaw revenue in the third quarter of 2020 was \$15,671 million, an increase of \$1,016 million, or 6.9%, compared to the same period in 2019, primarily driven by retail sales, partially offset by a decrease in financial services revenue.

Retail sales increased by \$1,044 million, or 7.2%, compared to the same period in 2019 and included food retail sales of \$11,215 million (2019 – \$10,423 million) and drug retail sales of \$4,249 million (2019 – \$3,997 million). Excluding the consolidation of franchises, retail sales increased by \$939 million, or 6.7%, primarily driven by the following factors:

- food retail same-store sales growth was 6.9% for the quarter. Food retail same-store sales growth was positively impacted by COVID-19. Food retail basket size increased and traffic decreased in the quarter;
- Loblaw's food retail average article price was higher by 5.3% (2019 – 2.2%), which reflects the year-over-year growth in food retail revenue over the average number of articles sold in Loblaw's stores in the quarter. The increase in average article price was due to sales mix; and
- drug retail same-store sales growth was 6.1% for the quarter. Pharmacy same-store sales growth was 10.3% and front store same-store sales growth was 2.4%. Drug retail same-store sales was positively impacted by COVID-19.

In the last 12 months, 16 food and drug stores were opened and 6 food and drug stores were closed, resulting in a net increase in retail square footage of 0.3 million square feet, or 0.4%.

Financial services revenue in the third quarter of 2020 decreased by \$31 million compared to the same period in 2019 mainly due to lower interest income from lower volume of credit card receivables, and lower interchange income and credit card related fees primarily driven by lower customer spending, partially offset by higher sales attributable to *The Mobile Shop*.

On a year-to-date basis, Loblaw revenue was \$39,428 million, an increase of \$2,981 million, or 8.2%, compared to the same period in 2019, primarily driven by retail sales, partially offset by a decrease in financial services revenue.

Retail sales were \$38,816 million, an increase of \$3,038 million, or 8.5%, compared to the same period in 2019 and included food retail sales of \$28,294 million (2019 – \$25,796 million) and drug retail sales of \$10,522 million (2019 – \$9,982 million). Excluding the consolidation of franchises, retail sales on a year-to-date basis increased by \$2,647 million, or 7.6%. Year-to-date, the increase in food retail was primarily due to same-store sales growth of 8.7%. Year-to-date drug retail same-store sales growth was 5.3% with pharmacy same-store sales growth of 5.4% and front store same-store sales growth of 5.1%.

Year-to-date financial services revenue decreased by \$82 million compared to the same period in 2019 mainly due to lower interest income attributable to a lower volume of credit card receivables, lower interchange income and credit card related fees primarily driven by lower customer spending and lower sales attributable to partial closure of *The Mobile Shop* kiosks during the second quarter of 2020.

OPERATING INCOME Loblaw operating income in the third quarter of 2020 was \$716 million, an increase of \$28 million, or 4.1%, compared to the same period in 2019. The increase included an improvement in underlying operating performance of \$10 million and the favourable year-over-year net impact of adjusting items totaling \$18 million, as described below:

- the improvement in underlying operating performance of \$10 million was primarily due to an increase in financial services and retail. The improvement in retail included the unfavourable contribution from the consolidation of franchises of \$1 million. In the third quarter of 2020, Loblaw invested approximately \$85 million in COVID-19 related costs in the quarter to ensure the safety and security of customers and colleagues.
- the favourable year-over-year net impact of adjusting items totaling \$18 million was primarily due to the following:
 - the favourable year-over-year impact of restructuring and other related costs of \$10 million;
 - the favourable year-over-year impact of the impact of fair value adjustments on derivatives of \$3 million; and
 - the favourable year-over-year impact of a net gain on sale of non-operating properties compared to a net loss on sale of non-operating properties in the same period of 2019 of \$3 million.

Year-to-date Loblaw operating income was \$1,657 million, a decrease of \$66 million, or 3.8%, compared to the same period in 2019. The decrease included the decline in underlying operating performance of \$50 million and the unfavourable year-over-year net impact of adjusting items totaling \$16 million, as described below:

- the decline in underlying operating performance of \$50 million was primarily due to financial services and retail. The decline in retail was driven by an increase in SG&A due to an increase in COVID-19 related expenses and an increase in depreciation and amortization, partially offset by an increase in retail gross profit.
- the unfavourable year-over-year net impact of adjusting items totaling \$16 million was primarily due to:
 - the unfavourable impact of the reversal of certain prior period items recognized in 2019 of \$15 million;
 - the unfavourable year-over-year impact of the fair value adjustment of derivatives of \$7 million;
 - the unfavourable year-over-year impact of a net gain on sale of non-operating properties of \$3 million; and
 - the unfavourable year-over-year impact of the fair value adjustment on investment properties of \$3 million; partially offset by,
 - the favourable impact of prior year pension annuities and buy-outs of \$10 million; and
 - the favourable year-over-year impact of restructuring and other related costs of \$2 million.

ADJUSTED EBITDA⁽¹⁾ Loblaw adjusted EBITDA⁽¹⁾ in the third quarter of 2020 was \$1,522 million, an increase of \$32 million, or 2.1%, compared to the same period in 2019. The increase was primarily due to the improved underlying operating performance in retail and financial services.

Retail adjusted EBITDA⁽¹⁾ in the third quarter of 2020 increased by \$22 million, including the favourable impact of the consolidation of franchises of \$8 million and was driven by an increase in retail gross profit, partially offset by an increase in retail SG&A.

- Retail gross profit percentage of 29.3% decreased by 30 basis points compared to the same period in 2019. Excluding the consolidation of franchises, retail gross profit percentage was 26.7%, a decrease of 60 basis points compared to the same period of 2019. Food retail margins were negatively impacted as a result of COVID-19 related changes in sales mix, and pricing investments. Drug retail margins were negatively impacted as a result of COVID-19 related changes in prescription refill limits from 30 days back to 90 days.
- Excluding the consolidation of franchises, retail SG&A increased by \$139 million and SG&A as a percentage of sales was 17.2%, a decrease of 10 basis points compared to the same period of 2019. The favourable decrease of 10 basis points was primarily related to sales leverage and process and efficiency gains, which was partially offset by COVID-19 related costs and incremental e-Commerce labour costs as a result of increased online sales.

Financial services adjusted EBITDA⁽¹⁾ increased by \$10 million compared to the same period in 2019, primarily driven by lower credit losses and expected credit losses primarily due to lower customer spending which resulted in a decline in related receivables and lower customer acquisition costs, partially offset by lower revenue as described above.

In the third quarter of 2020, Loblaw adjusted EBITDA⁽¹⁾ included gains of nil (2019 – \$2 million) related to the sale and leaseback of properties to Choice Properties.

Year-to-date Loblaw adjusted EBITDA⁽¹⁾ was \$3,703 million, an increase of \$2 million, or 0.1%, compared to the same period in 2019. The increase was primarily due to the increase in retail, partially offset by financial services.

Year-to-date retail adjusted EBITDA⁽¹⁾ increased by \$47 million, including the favourable impact of the consolidation of franchises of \$24 million and was driven by an increase in retail gross profit, partially offset by an increase in retail SG&A.

Management's Discussion and Analysis

- Retail gross profit percentage of 29.5% decreased by 20 basis points compared to the same period in 2019. Excluding the consolidation of franchises, retail gross profit percentage was 26.9%, a decrease of 70 basis points compared to the same period in 2019. Food and drug retail margins were negatively impacted as a result of COVID-19 related changes in sales mix.
- Excluding the consolidation of franchises, retail SG&A increased by \$462 million and SG&A as a percentage of sales was 17.7%, flat compared to the same period in 2019, driven by sales leverage and process and efficiency gains which was offset by COVID-19 related costs and incremental e-Commerce labour costs as a result of higher online sales.

Year-to-date financial services adjusted EBITDA⁽¹⁾ decreased by \$45 million compared to the same period in 2019 primarily driven by lower revenue, as described above, and higher credit losses from increase in expected credit losses attributable to the recessionary environment, partially offset by lower customer acquisition costs.

Year-to-date Loblaw adjusted EBITDA⁽¹⁾ included gains of nil (2019 - \$7 million) related to the sale and leaseback of properties to Choice Properties.

DEPRECIATION AND AMORTIZATION Loblaw's depreciation and amortization in the third quarter of 2020 was \$795 million, an increase of \$20 million compared to the same period in 2019. Year-to-date depreciation and amortization was \$1,987 million, an increase of \$52 million compared to the same period in 2019. The increase in depreciation and amortization in the third quarter of 2020 and year-to-date was primarily driven by the consolidation of franchises and an increase in IT assets.

Depreciation and amortization included \$155 million (2019 - \$157 million) in the third quarter of 2020 and \$392 million (2019 - \$392 million) year-to-date of amortization of intangible assets related to the acquisition of Shoppers Drug Mart.

LOBLAW OTHER BUSINESS MATTERS

Process and Efficiency In the third quarter of 2020, Loblaw recorded approximately \$12 million (\$48 million year-to-date) of restructuring and other related costs, primarily related to Process and Efficiency initiatives. Included in the restructuring charges is \$6 million (\$30 million year-to-date) related to the closure of the two distribution centres in Laval and Ottawa, that were previously announced in the first quarter of 2020. Loblaw is investing to build a modern and efficient expansion to its Cornwall distribution centre to serve its food and drug retail businesses in Ontario and Quebec. Over the next two years, the distribution centres in Laval and Ottawa will be transferring their volumes to Cornwall. Loblaw expects to incur additional restructuring costs in 2020 and 2021 related to these closures.

Consolidation of Franchises Loblaw has more than 500 franchise food retail stores in its network. As at the end of the first quarter of 2020, Loblaw consolidated all of its remaining franchisees for accounting purposes under a simplified franchise agreement implemented in 2015.

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	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019 ⁽⁴⁾	Oct. 3, 2020	Oct. 5, 2019 ⁽⁴⁾
Number of Consolidated Franchise stores, beginning of period	526	424	470	400
Add: Net Number of Consolidated Franchise stores in the period	-	20	56	44
Number of Consolidated Franchise stores, end of period ⁽ⁱ⁾	526	444	526	444
Sales	\$ 532	\$ 427	\$ 1,427	\$ 1,036
Operating income	26	27	66	64
Adjusted EBITDA ⁽¹⁾	59	51	146	122
Depreciation and amortization	33	24	80	58
Net earnings attributable to non-controlling interests	15	19	38	41

(i) The number of franchise stores disclosed elsewhere includes certain stores under buying arrangements which will not be subject to the simplified franchise agreement.

Operating income that is 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.

In light of the uncertainty surrounding the duration and severity of the pandemic, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of franchises.

2.2 Choice Properties Operating Results

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change
Revenue	\$ 309	\$ 324	\$ (15)	(4.6)%	\$ 949	\$ 971	\$ (22)	(2.3)%
Net interest expense (income) and other financing charges ⁽ⁱ⁾	\$ 145	\$ 434	\$ (289)	(66.6)%	\$ (44)	\$ 1,546	\$ (1,590)	(102.8)%
Net income (loss)	\$ 97	\$ (211)	\$ 308	146.0%	\$ 334	\$ (875)	\$ 1,209	138.2%
Funds from Operations ⁽¹⁾⁽ⁱⁱ⁾	\$ 169	\$ 174	\$ (5)	(2.9)%	\$ 480	\$ 514	\$ (34)	(6.6)%

(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 third quarter of 2020 was \$309 million, a decrease of \$15 million, or 4.6%, compared to the same period in 2019, and included \$176 million (2019 – \$190 million) generated from tenants within Loblaw retail.

On a year-to-date basis, revenue was \$949 million, a decrease of \$22 million, or 2.3%, compared to the same period in 2019 and included \$544 million (2019 – \$572 million) generated from tenants within Loblaw retail.

The decrease in revenue in the third quarter of 2020 and year-to-date was primarily driven by:

- foregone revenue from sold properties including those sold as part of the Choice Properties' portfolio transaction in the third quarter of 2019;

partially offset by,

- additional revenue generated from properties acquired in 2019 and 2020 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 third quarter of 2020 were \$145 million compared to \$434 million in the same period in 2019. The change of \$289 million was primarily driven by:

- the favourable year-over-year impact of the fair value adjustment on Class B LP units ("Exchangeable Units") of \$282 million; and
- lower overall debt levels compared to the prior year and the completion of refinancing activity at lower interest rates.

Year-to-date, net interest income and other financing charges were \$44 million compared to net interest expense and other financing charges of \$1,546 million in the same period in 2019. The change of \$1,590 million was primarily driven by the favourable year-over-year impact of the fair value adjustment on the Exchangeable Units of \$1,580 million as a result of the significant decrease in the unit price of Choice Properties in 2020.

NET INCOME (LOSS) Net income in the third quarter of 2020 was \$97 million, compared to a net loss of \$211 million in the same period in 2019. The increase of \$308 million was primarily driven by:

- the favourable impact of lower net interest expense and other financing charges described above; and
- the favourable year-over-year impact of the fair value adjustment on investment properties;

partially offset by,

- an increase in expected credit loss provisions.

Year-to-date, net income was \$334 million, compared to a net loss of \$875 million in the same period in 2019. The increase of \$1,209 million was primarily driven by:

- the favourable impact of net interest income and other financing charges compared to net interest expense and other financing charges in the same period in 2019 described above;

partially offset by,

- the unfavourable year-over-year impact of the fair value adjustment on investment properties;
- an increase in expected credit loss provisions across the portfolio; and
- an allowance for expected credit losses for a specific mortgage receivable.

FUNDS FROM OPERATIONS⁽¹⁾ Funds from Operations⁽¹⁾ in the third quarter of 2020 was \$169 million, a decrease of \$5 million compared to the same period in 2019, primarily driven by an increase in expected credit loss provisions and the reduction in net operating income from sold properties including those sold as part of the Choice Properties' portfolio transaction in the third quarter of 2019, partially offset by lower borrowing costs as a result of a reduction in indebtedness.

Management's Discussion and Analysis

Year-to-date Funds from Operations⁽¹⁾ was \$480 million, a decrease of \$34 million compared to the same period in 2019 primarily driven by the activities as described above.

CHOICE PROPERTIES OTHER BUSINESS MATTERS

Investment Property Transactions Subsequent to the end of the third quarter of 2020, Choice Properties completed or entered into agreements to acquire or dispose of certain properties as set out below.

On October 13, 2020, Choice Properties completed the acquisition of an industrial portfolio for an aggregate purchase price of \$86 million comprising of four assets. The portfolio is fully leased to a national logistics company with long-term leases in place.

On October 30, 2020, Choice Properties completed the disposition of a 50% non-managing interest in a retail property portfolio for an aggregate sale price of \$151 million, excluding transaction costs, comprising of ten assets to an institutional partner. The purchaser has the option to acquire three additional assets for an aggregate sale price of \$51 million.

Additionally, Choice Properties entered into an agreement to dispose of two retail property portfolios comprising of eight assets for an aggregate sale price of \$107 million.

2.3 Weston Foods Operating Results

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change	Oct. 3, 2020	Oct. 5, 2019	\$ Change	% Change
Sales	\$ 592	\$ 638	\$ (46)	(7.2)%	\$ 1,539	\$ 1,633	\$ (94)	(5.8)%
Operating income (loss)	\$ 16	\$ 23	\$ (7)	(30.4)%	\$ (32)	\$ 45	\$ (77)	(171.1)%
Adjusted EBITDA ⁽¹⁾	\$ 62	\$ 72	\$ (10)	(13.9)%	\$ 121	\$ 167	\$ (46)	(27.5)%
Adjusted EBITDA margin ⁽¹⁾	10.5%	11.3%			7.9%	10.2%		
Depreciation and amortization ⁽ⁱ⁾	\$ 47	\$ 44	\$ 3	6.8%	\$ 134	\$ 111	\$ 23	20.7%

(i) Depreciation and amortization in the third quarter of 2020 includes \$3 million (2019 - \$4 million) and \$22 million (2019 - \$6 million) year-to-date of accelerated depreciation related to restructuring and other related costs.

SALES Weston Foods sales in the third quarter of 2020 were \$592 million, a decrease of \$46 million, or 7.2%, compared to the same period in 2019. Sales included the positive impact of foreign currency translation of approximately 0.5%. Excluding the favourable impact of foreign currency translation, sales decreased by 7.7%. Sales were impacted by a decrease in volumes in certain retail categories and foodservice channels as a result of the COVID-19 pandemic, the unfavourable impact of product rationalization, and the combined negative impact of pricing and changes in sales mix.

On a year-to-date basis, sales were \$1,539 million, a decrease of \$94 million, or 5.8%, compared to the same period in 2019. Sales included the positive impact of foreign currency translation of approximately 0.7%. Excluding the favourable impact of foreign currency translation, sales decreased by 6.5%. Sales were impacted by the decrease in volumes in certain retail categories and foodservice channels as a result of the COVID-19 pandemic and the unfavourable impact of product rationalization, partially offset by the combined positive impact of pricing and changes in sales mix.

OPERATING INCOME (LOSS) Weston Foods operating income in the third quarter of 2020 was \$16 million compared to \$23 million in the same period in 2019, a decrease of \$7 million. The decrease was due to the decline in underlying operating performance of \$14 million, driven by the decline in sales and COVID-19 related costs from increasing health and safety measures at its facilities. This decline was partially offset by the favourable year-over-year net impact of adjusting items totaling \$7 million. The year-over-year net impact of adjusting items included the following:

- the favourable year-over-year impact of restructuring and other related costs of \$7 million; and
 - the favourable year-over-year impact of the fair value adjustment of derivatives of \$2 million;
- partially offset by,
- the unfavourable year-over-year impact of insurance proceeds on a prior year inventory loss of \$2 million.

Year-to-date operating loss was \$32 million compared to operating income of \$45 million in the same period in 2019, a decrease of \$77 million. The decrease was due to the decline in underlying operating performance of \$53 million driven by the decline in sales and COVID-19 related costs and the unfavourable year-over-year net impact of adjusting items totaling \$24 million. Weston Foods incurred COVID-19 related costs to support colleagues in its bakeries and distribution centres with temporary pay premiums, pay protection safeguards and by increasing health and safety measures at its facilities. The year-over-year net impact of adjusting items included the following:

- the unfavourable year-over-year impact of restructuring and other related costs of \$22 million; and

the unfavourable year-over-year impact of insurance proceeds on a prior year inventory loss of \$2 million.

ADJUSTED EBITDA⁽¹⁾ Weston Foods adjusted EBITDA⁽¹⁾ in the third quarter of 2020 was \$62 million compared to \$72 million in the same period in 2019, a decrease of \$10 million, or 13.9%. The decrease was driven by the decline in sales, higher input costs and an increase in COVID-19 related expenses, partially offset by productivity improvements, the net benefits realized from Weston Foods' transformation program and cost savings initiatives.

Weston Foods adjusted EBITDA margin⁽¹⁾ in the third quarter of 2020 decreased to 10.5% compared to 11.3% in the same period in 2019. The decline in adjusted EBITDA margin⁽¹⁾ in the third quarter of 2020 was driven by the factors described above.

Year-to-date adjusted EBITDA⁽¹⁾ was \$121 million compared to \$167 million in the same period in 2019, a decrease of \$46 million, or 27.5%. The decrease was driven by the decline in sales, higher input costs and an increase in COVID-19 related expenses, partially offset by productivity improvements, the net benefits realized from Weston Foods' transformation program and cost savings initiatives.

Year-to-date adjusted EBITDA margin⁽¹⁾ decreased to 7.9% compared to 10.2% in the same period in 2019. The decline in adjusted EBITDA margin⁽¹⁾ was driven by the factors described above.

DEPRECIATION AND AMORTIZATION Weston Foods depreciation and amortization in the third quarter of 2020 was \$47 million, an increase of \$3 million compared to the same period in 2019. Depreciation and amortization included \$3 million (2019 - \$4 million) of accelerated depreciation related to Weston Foods' transformation program. Excluding this amount, depreciation and amortization in the third quarter of 2020 increased by \$4 million due to capital investments.

Year-to-date depreciation and amortization in 2020 was \$134 million, an increase of \$23 million compared to the same period in 2019. Depreciation and amortization included \$22 million (2019 - \$6 million) of accelerated depreciation related to Weston Foods' transformation program. Excluding this amount, depreciation and amortization increased by \$7 million due to capital investments.

WESTON FOODS OTHER BUSINESS MATTERS

Restructuring and other related costs Weston Foods continuously evaluates strategic and cost reduction initiatives related to its manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. In the third quarter of 2020 and year-to-date, Weston Foods recorded restructuring and other related costs of \$2 million (2019 - \$9 million) and \$37 million (2019 - \$15 million), respectively, which were primarily related to Weston Foods' transformation program.

3. Liquidity and Capital Resources

3.1 Cash Flows

(\$ millions) For the periods ended as indicated	16 Weeks Ended			40 Weeks Ended		
	Oct. 3, 2020	Oct. 5, 2019 ⁽⁴⁾	\$ Change	Oct. 3, 2020	Oct. 5, 2019	\$ Change
Cash and cash equivalents, beginning of period	\$ 2,861	\$ 1,913	\$ 948	\$ 1,834	\$ 1,521	\$ 313
Cash flows from operating activities	\$ 1,171	\$ 1,091	\$ 80	\$ 3,947	\$ 3,283	\$ 664
Cash flows used in investing activities	\$ (276)	\$ (460)	\$ 184	\$ (1,089)	\$ (987)	\$ (102)
Cash flows used in financing activities	\$ (1,319)	\$ (1,050)	\$ (269)	\$ (2,256)	\$ (2,323)	\$ 67
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ (1)	\$ 1	\$ (2)	\$ -	\$ 1	\$ (1)
Cash and cash equivalents, end of period	\$ 2,436	\$ 1,495	\$ 941	\$ 2,436	\$ 1,495	\$ 941

CASH FLOWS FROM OPERATING ACTIVITIES Cash flows from operating activities were \$1,171 million in the third quarter of 2020, an increase of \$80 million compared to the same period in 2019. The increase in cash flows from operating activities was primarily due to lower income taxes paid, higher cash earnings and favourable change in working capital, partially offset by an increase in credit card receivables. While the overall customer spending on credit cards decreased significantly this year due to COVID-19, during this quarter, there was an increase in spend relative to the change in spend in the same period of prior year.

Year-to-date cash flows from operating activities were \$3,947 million in 2020, an increase of \$664 million compared to the same period in 2019. The increase in cash flows from operating activities was primarily due to a decrease in credit card receivables as a result of reduced customer spending due to COVID-19 and lower income taxes paid.

Management's Discussion and Analysis

CASH FLOWS USED IN INVESTING ACTIVITIES Cash flows used in investing activities were \$276 million in the third quarter of 2020, a decrease of \$184 million compared to the same period in 2019. The decrease in cash flows used in investing activities was primarily driven by a decrease in short-term investments and security deposits.

Year-to-date cash flows used in investing activities were \$1,089 million in 2020, an increase of \$102 million compared to the same period in 2019. The increase in year-to-date cash flows used in investing activities was primarily due to an increase in short-term investments, partially offset by higher proceeds from the sale of assets.

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

(\$ millions) For the periods ended as indicated	16 Weeks Ended			40 Weeks Ended		
	Oct. 3, 2020 ⁽ⁱ⁾	Oct. 5, 2019	\$ Change	Oct. 3, 2020 ⁽ⁱ⁾	Oct. 5, 2019	\$ Change
Loblaw	\$ 396	\$ 397	\$ (1)	\$ 806	\$ 780	\$ 26
Choice Properties	33	27	6	102	108	(6)
Weston Foods	52	55	(3)	109	124	(15)
Other	4	3	1	6	3	3
Total capital investments	\$ 485	\$ 482	\$ 3	\$ 1,023	\$ 1,015	\$ 8

(i) Additions to fixed assets in Loblaw included prepayments that were made in 2019 and transferred from other assets in 2020 of \$16 million in the third quarter of 2020 and \$66 million year-to-date.

CASH FLOWS USED IN FINANCING ACTIVITIES Cash flows used in financing activities were \$1,319 million in the third quarter of 2020, an increase of \$269 million compared to the same period in 2019. The increase in cash flows used in financing activities was primarily driven by higher proceeds received from Choice Properties' portfolio transaction in the prior year and higher net repayments of long-term debt in the current year, partially offset by GWL's participation in Loblaw's NCIB program and favourable change in short term debt.

Year-to-date cash flows used in financing activities were \$2,256 million in 2020, a decrease of \$67 million compared to the same period in 2019. The decrease in cash flows used in financing activities was primarily driven by lower net repurchases of Loblaw common shares under its NCIB and higher net issuances of long-term debt in the current year, partially offset by higher proceeds received from Choice Properties' portfolio transaction in the prior year, and higher issuances of Choice Properties units in the prior year.

The Company's significant long-term debt transactions are set out in Section 3.3, "Components of Total Debt".

FREE CASH FLOW⁽¹⁾

(\$ millions) For the periods ended as indicated	16 Weeks Ended			40 Weeks Ended		
	Oct. 3, 2020	Oct. 5, 2019 ⁽⁴⁾	\$ Change	Oct. 3, 2020	Oct. 5, 2019	\$ Change
Cash flows from operating activities	\$ 1,171	\$ 1,091	\$ 80	\$ 3,947	\$ 3,283	\$ 664
Less: Interest paid	284	292	(8)	703	710	(7)
Capital Investments ⁽ⁱ⁾	485	482	3	1,023	1,015	8
Lease payments, net	262	202	60	660	595	65
Free cash flow ⁽¹⁾	\$ 140	\$ 115	\$ 25	\$ 1,561	\$ 963	\$ 598

(i) Additions to fixed assets in Loblaw included prepayments that were made in 2019 and transferred from other assets in 2020 of \$16 million in the third quarter of 2020 and \$66 million year-to-date.

Free cash flow⁽¹⁾ in the third quarter 2020 was \$140 million, an increase of \$25 million compared to the same period in 2019. The increase in free cash flow⁽¹⁾ was primarily due to higher cash earnings, lower income taxes paid, partially offset by an increase in credit card receivables.

On a year-to-date basis, free cash flow⁽¹⁾ was \$1,561 million, an increase of \$598 million compared to the same period in 2019. The increase in free cash flow⁽¹⁾ was primarily driven by a decrease in credit card receivables as a result of reduced consumer spending and lower income taxes paid.

3.2 Liquidity

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

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

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

For details on the Company's cash flows, see Section 3.1 "Cash Flows", of this MD&A.

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

(\$ millions)	Oct. 3, 2020					As at									
						Oct. 5, 2019					Dec. 31, 2019				
	Loblaw	Choice Properties	Weston Foods	Other/ Intersegment	Total	Loblaw	Choice Properties	Weston Foods	Other/ Intersegment	Total	Loblaw	Choice Properties	Weston Foods	Other/ Intersegment	Total
Bank indebtedness	\$ 193	\$ -	\$ -	\$ -	\$ 193	\$ 152	\$ -	\$ -	\$ -	\$ 152	\$ 18	\$ -	\$ -	\$ -	\$ 18
Short-term debt	500	-	-	750	1,250	550	-	-	702	1,252	775	-	-	714	1,489
Long-term debt due within one year	683	301	-	-	984	994	699	-	-	1,693	1,127	715	-	-	1,842
Long-term debt	6,531	6,207	-	915	13,653	6,105	5,833	-	915	12,853	5,971	5,826	-	915	12,712
Certain other liabilities ⁽ⁱ⁾	71	430	-	-	501	56	426	-	-	482	65	435	-	-	500
Fair value of financial derivatives related to the above debt	-	-	-	(558)	(558)	-	-	-	(459)	(459)	-	-	-	(537)	(537)
Total debt excluding lease liabilities	\$ 7,978	\$ 6,938	\$ -	\$ 1,107	\$ 16,023	\$ 7,857	\$ 6,958	\$ -	\$ 1,158	\$ 15,973	\$ 7,956	\$ 6,976	\$ -	\$ 1,092	\$ 16,024
Lease liabilities due within one year ⁽ⁱⁱ⁾	\$ 1,331	\$ 1	\$ 13	\$ (543)	\$ 802	\$ 1,306	\$ 1	\$ 10	\$ (526)	\$ 791	\$ 1,419	\$ 1	\$ 13	\$ (576)	\$ 857
Lease liabilities ⁽ⁱⁱ⁾	\$ 7,542	\$ 3	\$ 50	\$ (3,378)	\$ 4,217	\$ 7,706	\$ 6	\$ 63	\$ (3,625)	\$ 4,150	\$ 7,691	\$ 6	\$ 60	\$ (3,507)	\$ 4,250
Total debt including lease liabilities	\$ 16,851	\$ 6,942	\$ 63	\$ (2,814)	\$ 21,042	\$ 16,869	\$ 6,965	\$ 73	\$ (2,993)	\$ 20,914	\$ 17,066	\$ 6,983	\$ 73	\$ (2,991)	\$ 21,131

(i) Includes financial liabilities of \$430 million (October 5, 2019 - \$426 million; December 31, 2019 - \$435 million) recorded primarily as a result of Choice Properties' portfolio transaction.

(ii) Lease liabilities due within one year of \$3 million (October 5, 2019 - \$3 million; December 31, 2019 - \$4 million) and lease liabilities of \$10 million (October 5, 2019 - \$13 million; December 31, 2019 - \$12 million) relating to GWL Corporate are included under Other and Intersegment.

Management targets credit metrics consistent with those of an investment grade profile. GWL Corporate holds cash and cash equivalents and short-term investments and as a result monitors its leverage on a net debt basis. GWL Corporate has total debt including lease liabilities of \$1,120 million (October 5, 2019 - \$1,174 million; December 31, 2019 - \$1,108 million) and cash and cash equivalents and short-term investments of \$927 million (October 5, 2019 - \$609 million; December 31, 2019 - \$679 million), resulting in a net debt position of \$193 million (October 5, 2019 - \$565 million; December 31, 2019 - \$429 million).

Management's Discussion and Analysis

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

- Loblaw targets maintaining retail segment credit metrics consistent with those of investment grade retailers. Loblaw monitors the retail segment's debt to rolling year retail adjusted EBITDA⁽¹⁾ ratio as a measure of the leverage being employed. Loblaw retail segment debt to rolling year retail adjusted EBITDA⁽¹⁾ ratio as at the end of the third quarter of 2020 decreased compared to the third quarter of 2019 and year end 2019 primarily due to an improvement in adjusted EBITDA⁽¹⁾ and decrease in retail debt.
- 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 third quarter of 2020, the Company, Loblaw and Choice Properties were in compliance with their respective covenants.

As at the end of and throughout the third quarter of 2020, PC Bank and Choice Properties met all applicable regulatory requirements.

3.3 Components of Total Debt

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

(\$ millions)	Interest Rate	Maturity Date	40 Weeks Ended	
			Oct. 3, 2020	Oct. 5, 2019
			Principal Amount	Principal Amount
Loblaw Companies Limited debenture	2.28%	May 7, 2030 ⁽ⁱ⁾	\$ 350	\$ –
Choice Properties senior unsecured debentures				
– Series M	3.53%	June 11, 2029	–	750
– Series N	2.98%	March 4, 2030	400	–
– Series O	3.83%	March 4, 2050	100	–
– Series P	2.85%	May 21, 2027	500	–
Total debentures issued			\$ 1,350	\$ 750

- (i) In connection with this issuance, Loblaw settled a bond forward with a notional value of \$350 million, resulting in a realized fair value loss of \$34 million before income taxes, which was recorded in other comprehensive loss as unrealized prior to settlement. The loss will be reclassified to the statements of earnings over the life of the aforementioned notes.

There were no debentures issued in the third quarters of 2020 and 2019.

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

(\$ millions)	Interest Rate	Maturity Date	16 Weeks Ended		40 Weeks Ended	
			Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
			Principal Amount	Principal Amount	Principal Amount	Principal Amount
Loblaw Companies Limited debenture	5.22%	June 18, 2020	\$ 350	\$ –	\$ 350	\$ –
Choice Properties senior unsecured debentures						
- Series 7	3.00%	September 20, 2019 ⁽ⁱ⁾	–	200	–	200
- Series 8	3.60%	April 20, 2020	–	–	300	–
- Series B-C	4.32%	January 15, 2021	–	–	100	–
- Series C	3.50%	February 8, 2021	–	–	250	–
- Series C-C	2.56%	November 30, 2019 ⁽ⁱ⁾	–	100	–	100
- Series E	2.30%	September 14, 2020	–	–	250	–
Choice Properties - Term Loan	Variable	May 4, 2022 ⁽ⁱⁱ⁾	–	–	–	175
Choice Properties - Term Loan	Variable	May 4, 2023 ⁽ⁱⁱⁱ⁾	–	400	–	625
Total debentures repaid			\$ 350	\$ 700	\$ 1,250	\$ 1,100

- (i) Choice Properties senior unsecured debentures Series 7 and Series C-C were redeemed on June 27, 2019.
- (ii) Choice Properties term loan facility bearing interest at variable rates of either Prime plus 0.45% or Bankers' Acceptance rate plus 1.45% were redeemed on June 11, 2019.
- (iii) Choice Properties term loan facility bearing interest at variable rates of either Prime plus 0.45% or Bankers' Acceptance rate plus 1.45% were redeemed on June 11, 2019 and September 30, 2019.

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

(\$ millions)	Maturity Date	As at					
		Oct. 3, 2020		Oct. 5, 2019		Dec. 31, 2019	
		Available Credit	Drawn	Available Credit	Drawn	Available Credit	Drawn
Loblaw committed credit facility	June 10, 2021 ⁽ⁱ⁾	\$ 1,000	\$ –	\$ 1,000	\$ –	\$ 1,000	\$ –
Choice Properties committed syndicated credit facility	May 4, 2023	1,500	25	1,500	117	1,500	132
Total committed credit facilities		\$ 2,500	\$ 25	\$ 2,500	\$ 117	\$ 2,500	\$ 132

- (i) Subsequent to the end of the third quarter of 2020, Loblaw amended its committed credit facility and extended the maturity date to October 7, 2023.

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 a co-ownership interest in credit card receivables with independent securitization trusts, including Eagle and the Other Independent Securitization Trusts, in accordance with its financing requirements.

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

(\$ millions)	Oct. 3, 2020	As at	
		Oct. 5, 2019	Dec. 31, 2019
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> [®]	\$ 1,050	\$ 1,000	\$ 1,000
Securitized to Other Independent Securitization Trusts	500	550	775
Total securitized to independent securitization trusts	\$ 1,550	\$ 1,550	\$ 1,775

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 third quarter of 2020 and throughout 2020 year-to-date.

During the third quarter of 2020, *Eagle* issued \$300 million of senior and subordinated term notes with a maturity date of July 17, 2025 at a weighted average interest rate of 1.34%. In connection with this issuance, \$200 million of bond forward agreements were settled, resulting in a realized fair value loss of \$11 million before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to settlement. The loss will be reclassified to the statements of earnings over the life of the aforementioned *Eagle* notes. This settlement also resulted in a net effective interest rate of 2.07% on the *Eagle* notes issued. In addition, \$250 million of senior and subordinated term notes at a weighted average interest rate of 2.23% previously issued by *Eagle*, matured and were repaid on September 17, 2020. As a result, during the third quarter of 2020, there was a net change in the balances related to *Eagle* notes of \$50 million.

During the third quarter of 2019, *Eagle* issued \$250 million of senior and subordinated term notes with a maturity date of July 17, 2024 at a weighted average interest rate of 2.28%. In connection with this issuance, \$250 million of bond forward agreements were settled, resulting in a realized fair value loss of \$8 million before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to settlement. The loss will be reclassified to the statements of earnings over the life of the aforementioned *Eagle* notes. This settlement also resulted in a net effective interest rate of 2.94% on the *Eagle* notes issued.

INDEPENDENT FUNDING TRUSTS As at the end of the third quarter of 2020, the independent funding trusts had drawn \$494 million (October 5, 2019 – \$501 million; December 31, 2019 – \$505 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts. As at the end of the third quarter of 2020, Loblaw provided a credit enhancement of \$64 million (October 5, 2019 and December 31, 2019 – \$64 million) for the benefit of the independent funding trusts representing not less than 10% (October 5, 2019 and December 31, 2019 – not less than 10%) of the principal amount of loans outstanding.

The revolving committed credit facility relating to the independent funding trusts has a maturity date of May 27, 2022.

DEBT ASSOCIATED WITH EQUITY FORWARD SALE AGREEMENT In 2001, Weston Holdings Limited (“WHL”), a subsidiary of GWL, issued \$466 million of 7.00% Series A Debentures due 2031, which are serviced by the issuance of Series B Debentures. In addition, WHL entered into an equity forward sale agreement with the lender to sell 9.6 million Loblaw common shares at an initial forward sale price of \$48.50 which increases by the interest rates on Series A Debentures and Series B Debentures. As at the end of the third quarter of 2020 the forward rate was \$127.26 (October 5, 2019 – \$122.44; December 31, 2019 – \$123.64) and Series B liability was \$750 million (October 5, 2019 – \$702 million; December 31, 2019 – \$714 million). The Series A Debentures (“A”), Series B Debentures and the accrued interest (“B”), and the fair value of the equity forward sale agreement (“C”) should be considered together. At any time, the aggregate value of A, B, and C will be equivalent to the market value of the 9.6 million shares (see chart below). WHL is permitted to settle the transaction in whole or in part, at any time prior to 2031.

Interest charges on Series A Debentures and Series B Debentures are non-cash and accrued at an interest rate of 7% and bankers’ acceptance plus 0.50%, respectively and are serviced by the issuance of Series B Debentures. The amount is offset by non-cash forward accretion income associated with the equity forward sale agreement. WHL recognizes a non-cash charge or income, representing the fair value adjustment of the forward sale agreement based on the changes in the value of the underlying 9.6 million Loblaw common shares. WHL has to pay a forward fee of \$16 million (October 5, 2019 – \$17 million; December 31, 2019 – \$20 million) to the lender comprised of servicing fees and estimated dividends associated with the underlying 9.6 million Loblaw common shares.

As at October 3, 2020

SERIES A AND B DEBENTURES	SETTLEMENT ASSET VALUE
\$466 million Series A Debentures (A)	\$558 million Fair value of equity forward sale agreement (C)
\$756 million Series B Debentures ⁽ⁱ⁾ (B) and accrued interest	\$664 million Net debt associated with the equity forward sale agreement ⁽ⁱⁱ⁾

Recognized in financial statements

- (i) Included the accrued interest of Series A Debenture and Series B Debenture of \$6 million.
- (ii) Calculated as the bid price of Loblaw of \$69.15 multiplied by 9.6 million Loblaw common shares.

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

(\$ millions)	Maturity Date	As at		
		Oct. 3, 2020	Oct. 5, 2019	Dec. 31, 2019
Series A	2031	\$ 466	\$ 466	\$ 466
Series B	On demand	750	702	714
Fair value of financial derivatives related to the above debt	n/a	(558)	(459)	(537)
Debt associated with equity forward sale agreement		\$ 658	\$ 709	\$ 643
Debentures	2024 - 2033	450	450	450
Transaction costs and other	n/a	(1)	(1)	(1)
Other and Intersegment debt		\$ 1,107	\$ 1,158	\$ 1,092

Management's Discussion and Analysis

3.4 Financial Condition

	Oct. 3, 2020	As at	
		Oct. 5, 2019	Dec. 31, 2019
Rolling year adjusted return on average equity attributable to common shareholders of the Company ⁽¹⁾	14.9%	16.8%	16.1%
Rolling year adjusted return on capital ⁽¹⁾	10.0%	10.4%	10.3%

The rolling year adjusted return on average equity attributable to common shareholders of the Company⁽¹⁾ decreased as at the end of the third quarter of 2020 compared to the end of the third quarter of 2019 due to a decline in the Company's earnings and an increase in retained earnings. The rolling year adjusted return on average equity attributable to common shareholders of the Company⁽¹⁾ decreased compared to year end 2019 primarily due to a decline in the Company's earnings.

The rolling year adjusted return on capital⁽¹⁾ decreased as at the end of the third quarter of 2020 compared to the end of the third quarter of 2019 and year end 2019, primarily due to a decline in the Company's earnings and an increase in cash and cash equivalents.

3.5 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

During the third quarter of 2020, Dominion Bond Rating Service reaffirmed the credit ratings and trend of GWL, and Standard and Poor's reaffirmed the credit ratings and outlook of GWL.

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 (high)	Stable	BBB	Stable
Medium term notes	BBB (high)	Stable	BBB	n/a
Other notes and debentures	BBB (high)	Stable	BBB	n/a
Second Preferred shares, Series B	Pfd-3 (high)	Stable	P-3 (high)	n/a

During the third quarter of 2020, Dominion Bond Rating Service upgraded the credit ratings of Loblaw from BBB (mid) to BBB (high) with a stable trend, and Standard and Poor's reaffirmed the credit ratings and outlook of Loblaw.

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 (high)	Stable	BBB	Stable
Senior unsecured debentures	BBB (high)	Stable	BBB	n/a

During the third quarter of 2020, Dominion Bond Rating Service upgraded the credit ratings of Choice Properties from BBB (mid) to BBB (high) with a stable trend, and Standard and Poor's reaffirmed the credit ratings and outlook of Choice Properties.

3.6 Share Capital

COMMON SHARE CAPITAL The following table summarizes the activity in the Company's common shares issued and outstanding for the periods ended as indicated:

(\$ millions except where otherwise indicated)	16 Weeks Ended				40 Weeks Ended			
	Oct. 3, 2020		Oct. 5, 2019		Oct. 3, 2020		Oct. 5, 2019	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital ⁽⁴⁾	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital ⁽⁴⁾
Issued and outstanding, beginning of period	153,670,563	\$ 2,809	153,568,888	\$ 2,782	153,667,750	\$ 2,809	153,370,108	\$ 2,766
Issued for settlement of stock options	–	–	322,709	30	2,813	–	523,114	46
Purchased and cancelled	–	–	–	–	–	–	(1,625)	–
Issued and outstanding, end of period	153,670,563	\$ 2,809	153,891,597	\$ 2,812	153,670,563	\$ 2,809	153,891,597	\$ 2,812
Shares held in trusts, beginning of period	(259,596)	\$ (4)	(81,576)	\$ –	(88,832)	\$ –	(120,305)	\$ –
Purchased for future settlement of RSUs and PSUs	–	–	(10,000)	–	(229,000)	(4)	(60,000)	(1)
Released for settlement of RSUs and PSUs	2,749	–	2,339	–	60,985	–	91,068	1
Shares held in trusts, end of period	(256,847)	\$ (4)	(89,237)	\$ –	(256,847)	\$ (4)	(89,237)	\$ –
Issued and outstanding, net of shares held in trusts, end of period	153,413,716	\$ 2,805	153,802,360	\$ 2,812	153,413,716	\$ 2,805	153,802,360	\$ 2,812
Weighted average outstanding, net of shares held in trusts	153,412,133		153,616,739		153,458,583		153,469,027	

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

(\$ millions except where otherwise indicated)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Purchased for future settlement of RSUs and PSUs (number of shares)	–	10,000	229,000	60,000
Purchased for current settlement of RSUs and DSUs (number of shares)	365	29,524	33,325	60,880
Cash consideration paid				
Purchased and held in trusts	\$ –	\$ (1)	\$ (21)	\$ (6)
Purchased and settled	\$ –	\$ (3)	\$ (3)	\$ (6)
Premium charged to retained earnings				
Purchased and held in trusts	\$ –	\$ –	\$ 17	\$ 5

During the second quarter of 2020, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 7,683,528 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 October 3, 2020, the Company purchased 365 common shares under its current NCIB program.

Management's Discussion and Analysis

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

(\$)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Dividends declared per share ⁽ⁱ⁾ :				
Common share	\$ 0.525	\$ 0.525	\$ 1.575	\$ 1.565
Preferred share:				
Series I	\$ 0.3625	\$ 0.3625	\$ 1.0875	\$ 1.0875
Series III	\$ 0.3250	\$ 0.3250	\$ 0.9750	\$ 0.9750
Series IV	\$ 0.3250	\$ 0.3250	\$ 0.9750	\$ 0.9750
Series V	\$ 0.296875	\$ 0.296875	\$ 0.890630	\$ 0.890625

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on October 1, 2020. Dividends declared on Preferred Shares, Series I were paid on September 15, 2020.

The following table summarizes the Company's cash dividends declared subsequent to the end of the third quarter of 2020:

(\$)		
Dividends declared per share ⁽ⁱ⁾	- Common share	\$ 0.550
	- 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 January 1, 2021. Dividends declared on Preferred Shares, Series I are payable on December 15, 2020.

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

3.7 Off-Balance Sheet Arrangements

The Company uses off-balance sheet arrangements including letters of credit, guarantees and cash collateralization in connection with certain obligations. There were no significant changes to these off-balance sheet arrangements during 2020. For a discussion of the Company's significant off-balance sheet arrangements see Section 3.7, "Off-Balance Sheet Arrangements", of the Company's 2019 Annual Report.

4. Quarterly Results of Operations

The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. Each of the years ended December 31, 2019 and December 31, 2018 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 such as 2020 contains 53 weeks, the fourth quarter is 13 weeks in duration.

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

SELECTED QUARTERLY INFORMATION

(\$ millions except where otherwise indicated)	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
	2020 (16 weeks)	2019 (16 weeks)	2020 (12 weeks)	2019 (12 weeks)	2020 (12 weeks)	2019 (12 weeks)	2019 (12 weeks)	2018 (12 weeks)
Revenue	\$ 16,209	\$ 15,226	\$ 12,357	\$ 11,603	\$ 12,333	\$ 11,173	\$ 12,107	\$ 11,717
Operating income	983	884	401	770	598	586	718	690
Adjusted EBITDA ⁽¹⁾	1,715	1,661	1,087	1,313	1,304	1,158	1,351	1,146
Depreciation and amortization ⁽ⁱ⁾	729	701	566	534	560	535	548	416
Net earnings (loss)	498	264	(172)	353	743	(372)	578	412
Net earnings (loss) attributable to shareholders of the Company	317	83	(245)	194	592	(478)	443	281
Net earnings (loss) available to common shareholders of the Company	303	69	(255)	184	582	(488)	433	271
Net earnings (loss) per common share (\$) - basic	\$ 1.98	\$ 0.45	\$ (1.66)	\$ 1.20	\$ 3.79	\$ (3.18)	\$ 2.82	\$ 1.86
Net earnings (loss) per common share (\$) - diluted	\$ 1.96	\$ 0.44	\$ (1.66)	\$ 1.19	\$ 3.78	\$ (3.18)	\$ 2.81	\$ 1.86
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 2.35	\$ 2.54	\$ 0.93	\$ 1.70	\$ 1.55	\$ 1.30	\$ 1.69	\$ 1.59
Loblaw's food retail same-store sales growth	6.9%	0.1%	10.0%	0.6%	9.6%	2.0%	1.9%	0.8%
Loblaw's drug retail same-store sales growth (decline)	6.1%	4.1%	(1.1)%	4.0%	10.7%	2.2%	3.9%	1.9%
Choice Properties' Funds From Operations per unit - diluted	\$ 0.238	\$ 0.250	\$ 0.201	\$ 0.248	\$ 0.244	\$ 0.252	\$ 0.237	\$ 0.256
Choice Properties' Net Operating Income (cash basis)	\$ 230	\$ 239	\$ 216	\$ 235	\$ 232	\$ 233	\$ 235	\$ 233
Weston Foods sales (decline) growth	(7.2)%	1.3%	(14.0)%	2.4%	3.7%	(0.2)%	3.0%	(3.8)%
Weston Foods sales (decline) growth excluding impact of foreign currency translation	(7.7)%	0.6%	(15.7)%	0.2%	3.7%	(3.1)%	3.2%	(5.9)%

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

IMPACT OF TRENDS AND SEASONALITY ON QUARTERLY RESULTS Consolidated quarterly results for the last eight quarters were impacted by the following significant items: foreign currency exchange rates, seasonality and the timing of holidays. Historically, Loblaw seasonality is greatest in the fourth quarter and least in the first quarter. Historically, Weston Foods seasonality is greatest in the third and fourth quarters and least in the first quarter.

The COVID-19 pandemic continued to have a significant impact on the Company. The Company's financial results for the 40 weeks ended October 3, 2020 show increased revenue, driven by increased demands for the Company's products, as well as increased cost of inventories sold. In addition, starting in the second quarter of 2020 SG&A also increased as the Company increased its spending on temporary pay premiums, pay protection safeguards, security, customer convenience and health and safety measures to protect colleagues, customers, tenants and other stakeholders, incurring incremental COVID-19 related costs, as described in Section 1.2, "Consolidated Other Business Matters" and Section 7, "COVID-19 Update" of this MD&A.

Management's Discussion and Analysis

NET EARNINGS (LOSS) AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY AND DILUTED NET EARNINGS (LOSS) PER COMMON SHARE Consolidated quarterly net earnings available to common shareholders of the Company and diluted net earnings per common share for the last eight quarters were impacted by the following items:

- COVID-19 pandemic related impacts. The Company's year-to-date 2020 financial results reflected an increase in revenue from the impact of COVID-19, primarily related to Loblaw. In addition, the Company incurred incremental COVID-19 related costs and investments in the second and third quarters of 2020;
- underlying operating performance of each of the Company's reportable operating segments;
- the impact of Loblaw's store closure plan;
- the impact of Choice Properties portfolio transactions, certain one-time gains recorded on consolidation in Other and Intersegment related to Choice Properties transactions; and
- the impact of certain adjusting items as set out in Section 9, "Non-GAAP Financial Measures", of this MD&A, including:
 - the change in fair value adjustment of the Trust Unit liability;
 - the change in fair value adjustment on investment properties;
 - the change in fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares;
 - restructuring and other related costs;
 - the remeasurement of deferred tax balances;
 - asset impairments, net of recoveries;
 - Choice Properties' issuance costs;
 - outside basis difference in certain Loblaw shares;
 - acquisition transaction costs and other related costs;
 - the statutory corporate income tax rate changes;
 - certain prior period items;
 - gain or loss on sale of non-operating properties;
 - the Loblaw Card Program; and
 - the change in foreign currency translation and other company level activities.

5. Internal Control Over Financial Reporting

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

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

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING There were no changes in the Company's internal control over financial reporting in the third quarter of 2020 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

6. Enterprise Risks and Risk Management

COVID-19 The duration and impact of the COVID-19 pandemic on each of the Company, Loblaw, Choice Properties and Weston Foods is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company and its operating segments. The Company and each of the operating segments took decisive action in response to COVID-19, continue to closely monitor the situation as it evolves day-to-day, and may take further actions in response to directives of government and public health authorities or that are in the best interests of its employees, customers, tenants, suppliers or other stakeholders, as necessary.

Loblaw remains committed to keeping its grocery stores and pharmacies, including its Shoppers Drug Mart locations, open and restocked, all while ensuring appropriate measures are in place to protect the health and safety of its customers and frontline colleagues.

Choice Properties is actively supporting its tenants and employees through the process of reopening its properties, and ensuring they have the information required to reopen safely, in compliance with public health measures. Choice Properties is implementing additional safety measures at all of its properties, including increased frequency in cleaning and disinfecting as well as physical distancing practices. Choice Properties continues to prepare for future waves of the pandemic as well as the implications of economic recovery and opening activities.

Weston Foods continues to take action to mitigate the effects of COVID-19 on its day-to-day business operations. Weston Foods remains committed to delivering quality products to its foodservice and retail customers. The COVID-19 pandemic has created volatility in consumer demand for certain categories of products in both the retail and foodservice channels, which requires Weston Foods to carefully manage production planning and will, if required, result in temporary facility closures as a result.

Changes in operations in response to COVID-19 could materially impact financial results and may include temporary closures of facilities, tenants' ability to pay rent in full or at all, consumer demand for tenants' product or services, temporary or long-term stoppage of development projects, temporary or long-term labour shortages or disruptions, temporary or long-term impacts on supply chains and distribution channels, temporary or long-term restrictions on cross-border commerce and travel, greater currency volatility, and increased risks to IT systems, networks and digital services. Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long term, adversely impact operations and the financial performance of the Company and each of its operating segments.

The spread of COVID-19 has caused an economic slowdown and increased volatility in financial markets. Governments and central banks have responded with monetary and fiscal interventions intended to stabilize economic conditions. However, it is not currently known how these interventions will impact debt and equity markets or the economy over the long-term. Although the ultimate impact of COVID-19 on the global economy and its duration remains uncertain, disruptions caused by COVID-19 may adversely affect the performance of the Company.

Uncertain economic conditions resulting from the COVID-19 pandemic may, in the short or long-term, adversely impact demand for the Company's products and services and/or the debt and equity markets, both of which could adversely affect the Company's financial performance. Governmental interventions aimed at containing COVID-19 could also impact the Company's available workforce, its supply chain and distribution channels and/or its ability to engage in cross-border commerce, which could in turn adversely affect the operations or financial performance of the Company.

A detailed full set of risks inherent in the Company's business are included in the Company's Annual Information Form ("AIF") for the year ended December 31, 2019 and the MD&A included in the Company's 2019 Annual Report, which are hereby incorporated by reference. The Company's 2019 Annual Report and AIF are available at www.sedar.com.

7. COVID-19 Update⁽³⁾

General The COVID-19 pandemic had a significant impact on the Company's operating segments, colleagues, customers, tenants and other stakeholders in the third quarter of 2020.

As disclosed previously, starting in March, Loblaw reacted quickly to changing circumstances by ramping up investments in various areas. In the third quarter of 2020, these costs were approximately \$85 million to ensure the safety and security of customers and colleagues. In the four weeks following the end of the third quarter, Loblaw observed continued sales volatility and changes in sales mix as the pandemic impacted consumer behaviour. Food retail same-store sales trends and COVID-19 related costs were in line with third quarter results, however, drug retail same-store sales have decelerated when compared to the third quarter.

As one of Canada's largest landlords, Choice Properties continued to support tenants who have been negatively impacted by the pandemic by providing rent relief through rent deferrals and other arrangements, including participating in the CECRA program. During the three-month period ended September 30, 2020, Choice Properties collected 98% of the contractual rents which is at the higher end of collections within the industry and is primarily due to the stability of its necessity-based portfolio. In the third quarter of 2020, Choice Properties recorded a \$4 million provision for certain past due amounts reflecting the collectability risk and abatements to be granted under the CECRA program.

Weston Foods' third quarter financial results were stronger compared to the second quarter in 2020. At the onset of the crisis, many food retailers temporarily closed in-store bakeries and bakery display cases which negatively impacted retail sales. Similarly, government mandated closures of non-essential businesses including restaurants and social distancing protocols negatively impacted foodservice sales. During the third quarter of 2020, Weston Foods sales improved as food retailers began to reopen bakery display cases and government mandated restrictions for dine-in restaurants eased in several regions. In addition, Weston Foods incurred approximately \$4 million in COVID-19 related costs. In the four weeks following the end of the third quarter, the sales trend continued to improve and the run rate for incremental COVID-19 related costs was approximately \$0.4 million. The volatility associated with the pandemic makes it difficult to reliably estimate future sales trends, the run rate for incremental costs or the overall financial performance of Weston Foods.

In light of the uncertainty surrounding the duration and severity of the pandemic, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. As announced on April 9, 2020, the Company has withdrawn its 2020 Outlook that is contained in its MD&A for the year ended December 31, 2019.

Management's Discussion and Analysis

Liquidity The Company and its operating segments maintain strong balance sheets and liquidity. As at the end of the third quarter of 2020, the liquidity position of the operating segments was as follows: Loblaw's consolidated cash and short-term investments balance was \$1.8 billion. In the third quarter, Loblaw extended the maturity of its existing \$1 billion credit facility to October 7, 2023. The aggregate available liquidity at Loblaw was approximately \$3.8 billion including undrawn amounts under committed credit facilities. Choice Properties had \$1.5 billion of available liquidity under its committed credit facility with no significant debt maturities for the remainder of the year. The Company (excluding Loblaw and Choice Properties) had cash and short-term investments of \$0.9 billion with no debt maturities in 2020.

Risk Factor For more information on the risks presented to the Company by the COVID-19 pandemic, see Section 6, "Enterprise Risks and Risk Management", of this MD&A.

8. Accounting Standard Implemented

NEW SIGNIFICANT ACCOUNTING POLICY

Investments Accounted for Under the Equity Method The Company owns investments in entities ("investees") in which the Company has significant influence, but not control, over the financial and operating policies. Interests in the investees are accounted for using the equity method. The investment is initially recognized in the consolidated balance sheets at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the investee. The Company's share of the investees' profit or loss is recognized in operating income. An investment is considered to be impaired if there is objective evidences of impairments, as a result of one or more events that occurred after initial recognition, and those events have negative impacts on the future cash flows of the investee that can be reliably estimated. The investments are reviewed at each balance sheet date to determine whether there are any indicators of impairment.

9. Non-GAAP Financial Measures

The Company uses non-GAAP financial measures in this document, such as: adjusted EBITDA and adjusted EBITDA margin, adjusted net earnings attributable to shareholders of the Company, adjusted net earnings available to common shareholders of the Company, adjusted diluted net earnings per common share, free cash flow and Choice Properties funds from operations, among others. In addition to these items, the following measures are used by management in calculating adjusted diluted net earnings per common share: adjusted operating income, adjusted net interest expense and other financing charges, adjusted income taxes and adjusted effective tax rate. The Company believes these non-GAAP financial measures provide useful information to both management and investors with regard to accurately assessing the Company's financial performance and financial condition for the reasons outlined below.

Further, certain non-GAAP measures of Loblaw and Choice Properties are included in this document. For more information on these measures, refer to the materials filed by Loblaw and Choice Properties, which are available on sedar.com or at loblaw.ca or choicereit.ca, respectively.

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

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

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

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

(unaudited) (\$ millions)	16 Weeks Ended									
	Oct. 3, 2020					Oct. 5, 2019				
	Loblaw	Choice Properties	Weston Foods	Other & Intersegment	Consolidated	Loblaw	Choice Properties	Weston Foods	Other & Intersegment	Consolidated
Net earnings attributable to shareholders of the Company					\$ 317					\$ 83
Add impact of the following:										
Non-controlling interests					181					181
Income taxes					162					103
Net interest expense and other financing charges					323					517
Operating income (loss)	\$ 716	\$ 242	\$ 16	\$ 9	\$ 983	\$ 688	\$ 221	\$ 23	\$ (48)	\$ 884
Add impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 155	\$ -	\$ -	\$ -	\$ 155	\$ 157	\$ -	\$ -	\$ -	\$ 157
Fair value adjustment on investment properties	-	(18)	-	11	(7)	-	3	-	39	42
Restructuring and other related costs	12	-	2	-	14	22	-	9	-	31
Fair value adjustment of derivatives	-	-	-	-	-	3	-	2	-	5
Acquisition transaction costs and other related costs	-	-	-	-	-	-	2	-	-	2
(Gain) loss on sale of non-operating properties	(1)	-	-	-	(1)	2	-	-	-	2
Inventory loss, net of recoveries	-	-	-	-	-	-	-	(2)	-	(2)
Adjusting items	\$ 166	\$ (18)	\$ 2	\$ 11	\$ 161	\$ 184	\$ 5	\$ 9	\$ 39	\$ 237
Adjusted operating income (loss)	\$ 882	\$ 224	\$ 18	\$ 20	\$ 1,144	\$ 872	\$ 226	\$ 32	\$ (9)	\$ 1,121
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱ⁾	640	1	44	(114)	571	618	-	40	(118)	540
Adjusted EBITDA	\$1,522	\$ 225	\$ 62	\$ (94)	\$ 1,715	\$1,490	\$ 226	\$ 72	\$ (127)	\$ 1,661

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes \$155 million (2019 - \$157 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and \$3 million (2019 - \$4 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

Management's Discussion and Analysis

40 Weeks Ended

(unaudited) (\$ millions)	Oct. 3, 2020					Oct. 5, 2019				
	Loblaw	Choice Properties	Weston Foods	Other & Intersegment	Consolidated	Loblaw	Choice Properties	Weston Foods	Other & Intersegment	Consolidated
Net earnings (loss) attributable to shareholders of the Company					\$ 664					\$ (201)
Add impact of the following:										
Non-controlling interests					405					446
Income taxes					327					298
Net interest expense and other financing charges					586					1,697
Operating income (loss)	\$ 1,657	\$ 290	\$ (32)	\$ 67	\$ 1,982	\$ 1,723	\$ 670	\$ 45	\$ (198)	\$ 2,240
Add impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 392	\$ –	\$ –	\$ –	\$ 392	\$ 392	\$ –	\$ –	\$ –	\$ 392
Fair value adjustment on investment properties	–	360	–	(172)	188	(3)	10	–	51	58
Restructuring and other related costs	48	–	37	–	85	50	–	15	–	65
Fair value adjustment of derivatives	12	–	4	–	16	5	–	4	–	9
Acquisition transaction costs and other related costs	–	2	–	–	2	–	8	–	–	8
Pension annuities and buy-outs	–	–	–	–	–	10	–	–	–	10
Loblaw's spin-out of Choice Properties	–	–	–	–	–	–	–	–	1	1
Certain prior period items	–	–	–	–	–	(15)	–	–	–	(15)
Gain on sale of non-operating properties	(1)	–	–	–	(1)	(4)	–	–	–	(4)
Inventory loss, net of recoveries	–	–	–	–	–	–	–	(2)	–	(2)
Foreign currency translation and other company level activities	–	(1)	–	2	1	–	–	–	(2)	(2)
Adjusting items	\$ 451	\$ 361	\$ 41	\$ (170)	\$ 683	\$ 435	\$ 18	\$ 17	\$ 50	\$ 520
Adjusted operating income (loss)	\$ 2,108	\$ 651	\$ 9	\$ (103)	\$ 2,665	\$ 2,158	\$ 688	\$ 62	\$ (148)	\$ 2,760
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱ⁾	1,595	2	112	(268)	1,441	1,543	1	105	(277)	1,372
Adjusted EBITDA	\$ 3,703	\$ 653	\$ 121	\$ (371)	\$ 4,106	\$ 3,701	\$ 689	\$ 167	\$ (425)	\$ 4,132

- (i) Depreciation and amortization for the calculation of adjusted EBITDA excludes \$392 million (2019 – \$392 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and \$22 million (2019 – \$6 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

The following items impacted adjusted EBITDA⁽¹⁾ in the third quarters of 2020 and 2019:

Amortization of intangible assets acquired with Shoppers Drug Mart The acquisition of Shoppers Drug Mart in 2014 included approximately \$6 billion of definite life intangible assets, which are being amortized over their estimated useful lives. Annual amortization associated with the acquired intangible assets will be approximately \$500 million until 2024 and will decrease thereafter.

Fair value adjustment on investment properties The Company measures investment properties at fair value. Under the fair value model, investment properties are initially measured at cost and subsequently measured at fair value. Fair value is determined based on available market evidence. If market evidence is not readily available in less active markets, the Company uses alternative valuation methods such as discounted cash flow projections or recent transaction prices. Gains and losses on fair value are recognized in operating income in the period in which they are incurred. Gains and losses from disposal of investment properties are determined by comparing the fair value of disposal proceeds and the carrying amount and are recognized in operating income.

Restructuring and other related costs The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Restructuring activities related to these initiatives are ongoing. For details on the restructuring and other related costs incurred by each of the Company's operating segments see Section 2.1, "Loblaw Operating Results" and Section 2.3, "Weston Foods Operating Results", of this MD&A.

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

Acquisition transaction costs and other related costs Choice Properties recorded transaction and other related costs in connection with the acquisition of Canadian Real Estate Investment Trust.

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

Loblaw's spin-out of Choice Properties In the second quarter of 2019, the Company recorded transaction and other related costs in connection with the spin-out of Loblaw's interest in Choice Properties.

Certain prior period items In the second quarter of 2019, Loblaw revised its estimate of the amount owed associated with a prior period regulatory matter.

Gain/loss on sale of non-operating properties In the third quarter of 2020, Loblaw disposed of a non-operating property to a third party and recorded a gain of \$1 million. In the third quarter of 2019, Loblaw disposed of vacant land to a third party and recorded a loss of \$2 million related to the sale.

Inventory loss, net of recoveries In 2016, Weston Foods' damaged inventory of \$11 million (U.S. \$9 million) was written-off and was recorded in SG&A in the Company's consolidated statement of earnings. The Company received partial proceeds from the insurance claim in the subsequent years. Final proceeds were received and recorded in the third quarter of 2019.

Foreign currency translation and other company level activities The Company's consolidated financial statements are expressed in Canadian dollars. A portion of the Company's (excluding Loblaw's) net assets are denominated in U.S. dollars and as a result, the Company is exposed to foreign currency translation gains and losses. The impact of foreign currency translation on a portion of the U.S. dollar denominated net assets, primarily cash and cash equivalents and short-term investments held by foreign operations, is recorded in SG&A and the associated tax, if any, is recorded in income taxes. Other company level activities include fair value adjustments related to investments held by the Company.

Management's Discussion and Analysis

ADJUSTED NET INTEREST EXPENSE AND OTHER FINANCING CHARGES The Company believes adjusted net interest expense and other financing charges is useful in assessing the ongoing net financing costs of the Company.

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

(unaudited) (\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Net interest expense and other financing charges	\$ 323	\$ 517	\$ 586	\$ 1,697
Add: Fair value adjustment of the Trust Unit liability	12	(169)	259	(753)
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	(27)	(52)	(14)	(136)
Choice Properties issuance costs	–	–	–	(14)
Adjusted net interest expense and other financing charges	\$ 308	\$ 296	\$ 831	\$ 794

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 third quarters and year-to-date of 2020 and 2019:

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

Fair value adjustment of the forward sale agreement for 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.

Choice Properties issuance costs Choice Properties incurred issuance costs of \$14 million related to the offering of Trust Units in the second quarter of 2019.

ADJUSTED INCOME TAXES AND ADJUSTED EFFECTIVE TAX RATE The Company believes the adjusted effective tax rate applicable to adjusted earnings before taxes is useful in assessing the underlying operating performance of its business.

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

(unaudited) (\$ millions except where otherwise indicated)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Adjusted operating income ⁽ⁱ⁾	\$ 1,144	\$ 1,121	\$ 2,665	\$ 2,760
Adjusted net interest expense and other financing charges ⁽ⁱⁱ⁾	308	296	831	794
Adjusted earnings before taxes	\$ 836	\$ 825	\$ 1,834	\$ 1,966
Income taxes	\$ 162	\$ 103	\$ 327	\$ 298
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽ⁱⁱⁱ⁾				
Remeasurement of deferred tax balances	46	66	162	151
Outside basis difference in certain Loblaw shares	9	–	9	15
Statutory corporate income tax rate change	4	–	(6)	–
Reserve release related to 2014 tax audit	–	–	2	10
	–	8	–	8
Adjusted income taxes	\$ 221	\$ 177	\$ 494	\$ 482
Effective tax rate applicable to earnings before taxes	24.5%	28.1%	23.4%	54.9%
Adjusted effective tax rate applicable to adjusted earnings before taxes	26.4%	21.5%	26.9%	24.5%

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

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

In addition to certain items described in the “Adjusted EBITDA” and “Adjusted Net Interest Expense and Other Financing Charges” sections above, the following items impacted income taxes and the effective tax rate in the third quarters and year-to-date of 2020 and 2019:

Remeasurement of deferred tax balances As a result of Choice Properties issuing Trust Units to a related party in the third quarter of 2020, the Company recorded a tax recovery of \$9 million related to certain deferred tax liabilities resulting from the dilution of its interest in Choice Properties.

As a result of the completion of Choice Properties’ offering of Trust Units in the second quarter of 2019, the Company recorded a tax recovery of \$15 million related to certain deferred tax liabilities resulting from the dilution of its interest in Choice Properties.

Outside basis difference in certain Loblaw shares The Company recorded a deferred tax recovery of \$4 million in the third quarter of 2020 and deferred tax expense of \$6 million year-to-date on temporary differences in respect of GWL’s investment in certain Loblaw shares that are expected to reverse in the foreseeable future as a result of GWL’s participation in Loblaw’s NCIB program.

Statutory corporate income tax rate change The Company’s deferred income tax assets and liabilities are impacted by changes to provincial statutory corporate income tax rates resulting in a charge or benefit to earnings. The Company implements changes in the statutory corporate income tax rate in the same period the change is substantively enacted by the legislative body.

In the first quarter of 2020, the Government of Nova Scotia substantively enacted a decrease in the provincial statutory corporate income tax rate from 16% to 14% effective April 1, 2020. The Company recorded a tax recovery of \$2 million in the first quarter of 2020 related to the remeasurement of its deferred income tax balance.

In the second quarter of 2019, the Government of Alberta announced and substantively enacted a gradual decrease in the provincial statutory corporate income tax rate from 12% to 8% by 2022. The Company recorded a tax recovery of \$10 million in the second quarter of 2019 related to the remeasurement of its deferred income tax balances.

Reserve release related to 2014 tax audit In the third quarter of 2019, Loblaw reversed certain tax reserves following the completion of a tax audit that included a review of the Shoppers Drug Mart acquisition costs incurred in 2014.

Management's Discussion and Analysis

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS AND ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE The Company believes that adjusted net earnings available to common shareholders and adjusted diluted net earnings per common share are useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

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

(unaudited) (\$ millions except where otherwise indicated)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Net earnings (loss) attributable to shareholders of the Company	\$ 317	\$ 83	\$ 664	\$ (201)
Less: Prescribed dividends on preferred shares in share capital	(14)	(14)	(34)	(34)
Net earnings (loss) available to common shareholders of the Company	\$ 303	\$ 69	\$ 630	\$ (235)
Less: Reduction in net earnings due to dilution at Loblaw	(2)	(1)	(3)	(3)
Net earnings (loss) available to common shareholders for diluted earnings per share	\$ 301	\$ 68	\$ 627	\$ (238)
Net earnings (loss) attributable to shareholders of the Company	\$ 317	\$ 83	\$ 664	\$ (201)
Adjusting items (refer to the following table)	59	322	113	1,090
Adjusted net earnings attributable to shareholders of the Company	\$ 376	\$ 405	\$ 777	\$ 889
Less: Prescribed dividends on preferred shares in share capital	(14)	(14)	(34)	(34)
Adjusted net earnings available to common shareholders of the Company	\$ 362	\$ 391	\$ 743	\$ 855
Less: Reduction in net earnings due to dilution at Loblaw	(2)	(1)	(3)	(3)
Adjusted net earnings available to common shareholders for diluted earnings per share	\$ 360	\$ 390	\$ 740	\$ 852
Diluted weighted average common shares outstanding (in millions)	153.5	153.8	153.6	153.7

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.

	16 Weeks Ended			
	Oct. 3, 2020		Oct. 5, 2019	
(unaudited) (\$ except where otherwise indicated)	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share
As reported	\$ 303	\$ 1.96	\$ 69	\$ 0.44
Add (deduct) impact of the following ⁽ⁱ⁾ :				
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 59	\$ 0.39	\$ 60	\$ 0.39
Fair value adjustment on investment properties	(5)	(0.03)	34	0.22
Restructuring and other related costs	7	0.05	13	0.09
Fair value adjustment of derivatives	–	–	3	0.02
Acquisition transaction costs and other related costs	–	–	2	0.01
(Gain) loss on sale of non-operating properties	(1)	(0.01)	1	0.01
Inventory loss, net of recoveries	–	–	(1)	(0.01)
Fair value adjustment of the Trust Unit liability	(12)	(0.08)	169	1.11
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	23	0.15	45	0.29
Remeasurement of deferred tax balances	(9)	(0.06)	–	–
Outside basis difference in certain Loblaw shares	(4)	(0.03)	–	–
Statutory corporate income tax rate change	1	0.01	–	–
Reserve release related to 2014 tax audit	–	–	(4)	(0.03)
Adjusting items	\$ 59	\$ 0.39	\$ 322	\$ 2.10
Adjusted	\$ 362	\$ 2.35	\$ 391	\$ 2.54

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

Management's Discussion and Analysis

	40 Weeks Ended					
	Oct. 3, 2020			Oct. 5, 2019		
(unaudited) (\$ except where otherwise indicated)	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net (Loss) Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net (Loss) Earnings Per Common Share		
As reported	\$ 630	\$ 4.08	\$ (235)	\$ (1.55)		
Add (deduct) impact of the following ⁽ⁱ⁾ :						
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 150	\$ 0.99	\$ 148	\$ 0.95		
Fair value adjustment on investment properties	158	1.03	50	0.33		
Restructuring and other related costs	46	0.31	28	0.19		
Fair value adjustment of derivatives	8	0.05	5	0.03		
Acquisition transaction costs and other related costs	2	0.01	7	0.04		
Pension annuities and buy-outs	–	–	4	0.03		
Loblaw's spin-out of Choice Properties	–	–	1	0.01		
Certain prior period items	–	–	(6)	(0.04)		
Gain on sale of non-operating properties	(1)	(0.01)	(2)	(0.01)		
Inventory loss, net of recoveries	–	–	(1)	(0.01)		
Fair value adjustment of the Trust Unit liability	(259)	(1.69)	753	4.90		
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	12	0.08	118	0.77		
Choice Properties issuance costs	–	–	14	0.09		
Remeasurement of deferred tax balances	(9)	(0.06)	(15)	(0.10)		
Outside basis difference in certain Loblaw shares	6	0.04	–	–		
Statutory corporate income tax rate change	(1)	(0.01)	(8)	(0.05)		
Reserve release related to 2014 tax audit	–	–	(4)	(0.03)		
Foreign currency translation and other company level activities	1	–	(2)	(0.01)		
Adjusting items	\$ 113	\$ 0.74	\$ 1,090	\$ 7.09		
Adjusted	\$ 743	\$ 4.82	\$ 855	\$ 5.54		

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

(\$ millions) For the periods ended as indicated	16 Weeks Ended			40 Weeks Ended		
	Oct. 3, 2020	Oct. 5, 2019 ⁽⁴⁾	\$ Change	Oct. 3, 2020	Oct. 5, 2019	\$ Change
Cash flows from operating activities	\$ 1,171	\$ 1,091	\$ 80	\$ 3,947	\$ 3,283	\$ 664
Less: Interest paid	284	292	(8)	703	710	(7)
Capital Investments	485	482	3	1,023	1,015	8
Lease payments, net	262	202	60	660	595	65
Free cash flow ⁽¹⁾	\$ 140	\$ 115	\$ 25	\$ 1,561	\$ 963	\$ 598

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

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

(unaudited) (\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Net income (loss)	\$ 97	\$ (211)	\$ 334	\$ (875)
Add (deduct) impact of the following:				
Fair value adjustment on Exchangeable Units	15	297	(441)	1,139
Unit distributions on Exchangeable Units	72	72	216	216
Fair value adjustment on investment properties	(28)	5	324	12
Fair value adjustment on investment property held in equity accounted joint ventures	11	8	37	(2)
Internal expenses for leasing	1	1	5	5
Capitalized interest on equity accounted joint ventures	1	–	4	3
Acquisition transaction costs and other related costs	–	2	2	8
Amortization of intangible assets	–	–	1	–
Foreign exchange gain	–	–	(1)	–
Fair value adjustment on unit-based compensation	–	2	(1)	9
Income taxes	–	(2)	–	(1)
Funds from Operations	\$ 169	\$ 174	\$ 480	\$ 514

10. Forward-Looking Statements

This Quarterly Report, including this MD&A, contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Quarterly Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of IT systems implementations. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, in Section 3, "Liquidity and Capital Resources", Section 7, "COVID-19 Update", and Section 9, "Non-GAAP Financial Measures", of this MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "maintain", "achieve", "grow", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2020 is based on certain assumptions, including assumptions about the COVID-19 pandemic, healthcare reform impacts, anticipated cost savings and operating efficiencies and anticipated benefits from strategic initiatives. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, including the COVID-19 pandemic and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the "Enterprise Risks and Risk Management" section of the Company's 2019 Annual Report and the Company's AIF for the year ended December 31, 2019. Such risks and uncertainties include:

- the duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the Company, as well as on consumer behaviour and the economy in general;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- 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;

Management's Discussion and Analysis

- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- failure to execute e-commerce initiatives or adapt the business model to the shifts in the retail landscape caused by digital advances;
- 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 and operating efficiencies, or organizational changes that may impact the relationships with franchisees and associates;
- failure to attract and retain talent for key roles that may impact the Company's ability to effectively operate and achieve financial performance goals;
- public health events including those related to food and drug safety;
- errors made through medication dispensing or errors related to patient services or consultation;
- failure to maintain an effective supply chain and consequently an appropriate assortment of available product at store level;
- adverse outcomes of legal and regulatory proceedings and related matters;
- failure by Choice Properties to realize the anticipated benefits associated with its strategic priorities and major initiatives, including failure to develop quality assets and effectively manage development, redevelopment, and renovation initiatives;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- failure to 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;
- reliance on the performance and retention of third party service providers, including those associated with the Company's supply chain and apparel business, including issues with vendors in both advanced and developing markets;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;
- the inability of the Company to effectively develop and execute its strategy; 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, 2019, as well as COVID-19 related risks as described in Section 6, "Enterprise Risks and Risk Management", of this MD&A. 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.

11. Additional Information

Additional information about the Company, has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com.

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

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

Toronto, Canada
November 16, 2020

Footnote Legend

- (1) See Section 9, "Non-GAAP Financial Measures", of the Company's 2020 Third Quarter Management's Discussion and Analysis.
 - (2) GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.
 - (3) To be read in conjunction with Section 10, "Forward-Looking Statements", of the Company's 2020 Third Quarter Management's Discussion and Analysis.
 - (4) Comparative figures have been restated to conform with current year presentation.
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