

Financial Results

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Condensed Consolidated Statements of Earnings

(unaudited) (millions of Canadian dollars except where otherwise indicated)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Revenue	\$ 16,209	\$ 15,226	\$ 40,899	\$ 38,002
Operating Expenses				
Cost of inventories sold (note 10)	11,213	10,446	28,090	25,937
Selling, general and administrative expenses	4,013	3,896	10,827	9,825
	15,226	14,342	38,917	35,762
Operating Income	983	884	1,982	2,240
Net Interest Expense and Other Financing Charges (note 5)	323	517	586	1,697
Earnings Before Income Taxes	660	367	1,396	543
Income Taxes (note 6)	162	103	327	298
Net Earnings	498	264	1,069	245
Attributable to:				
Shareholders of the Company (note 7)	317	83	664	(201)
Non-Controlling Interests	181	181	405	446
Net Earnings	\$ 498	\$ 264	\$ 1,069	\$ 245
Net Earnings (Loss) per Common Share (\$) (note 7)				
Basic	\$ 1.98	\$ 0.45	\$ 4.10	\$ (1.53)
Diluted	\$ 1.96	\$ 0.44	\$ 4.08	\$ (1.55)

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019 ⁽ⁱ⁾	Oct. 3, 2020	Oct. 5, 2019 ⁽ⁱ⁾
Net earnings	\$ 498	\$ 264	\$ 1,069	\$ 245
Other comprehensive (loss) income, net of taxes				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustment (note 20)	(24)	(6)	23	(28)
Gains (losses) on cash flow hedges (note 20)	13	1	(35)	(10)
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial losses (note 18)	(27)	(10)	(38)	(66)
Adjustment to fair value of investment properties	1	–	8	–
Other comprehensive loss	(37)	(15)	(42)	(104)
Comprehensive Income	461	249	1,027	141
Attributable to:				
Shareholders of the Company	287	69	653	(272)
Non-Controlling Interests	174	180	374	413
Comprehensive Income	\$ 461	\$ 249	\$ 1,027	\$ 141

(i) Certain comparative figures have been restated to conform with current year presentation.
See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)	As at		
	Oct. 3, 2020	Oct. 5, 2019 ⁽ⁱ⁾	Dec. 31, 2019 ⁽ⁱ⁾
ASSETS			
Current Assets			
Cash and cash equivalents (note 8)	\$ 2,436	\$ 1,495	\$ 1,834
Short-term investments (note 8)	397	222	229
Accounts receivable	1,193	1,298	1,295
Credit card receivables (note 9)	3,008	3,263	3,518
Inventories (note 10)	5,554	5,057	5,270
Prepaid expenses and other assets	397	382	336
Assets held for sale (note 11)	170	123	203
Total Current Assets	13,155	11,840	12,685
Fixed Assets	11,813	11,591	11,773
Right-of-Use Assets	4,060	3,972	4,074
Investment Properties	4,835	4,763	4,888
Equity Accounted Joint Ventures	562	793	605
Intangible Assets	7,145	7,584	7,488
Goodwill	4,780	4,776	4,775
Deferred Income Taxes	186	282	250
Security Deposits (note 8)	77	59	76
Franchise Loans Receivable	–	33	19
Other Assets (note 12)	1,221	1,042	1,180
Total Assets	\$ 47,834	\$ 46,735	\$ 47,813
LIABILITIES			
Current Liabilities			
Bank indebtedness	\$ 193	\$ 152	\$ 18
Trade payables and other liabilities	5,751	5,205	5,906
Loyalty liability	232	238	191
Provisions	151	136	147
Income taxes payable	124	23	53
Short-term debt (note 13)	1,250	1,252	1,489
Long-term debt due within one year (note 14)	984	1,693	1,842
Lease liabilities due within one year	802	791	857
Associate interest	315	257	280
Total Current Liabilities	9,802	9,747	10,783
Provisions	92	91	90
Long-Term Debt (note 14)	13,653	12,853	12,712
Lease Liabilities	4,217	4,150	4,250
Trust Unit Liability (note 20)	3,556	3,785	3,601
Deferred Income Taxes	2,069	2,261	2,245
Other Liabilities (note 15)	953	936	957
Total Liabilities	34,342	33,823	34,638
EQUITY			
Share Capital (note 16)	3,622	3,629	3,626
Retained Earnings	5,124	4,399	4,766
Contributed Surplus (notes 17 & 19)	(1,098)	(923)	(979)
Accumulated Other Comprehensive Income	205	203	196
Total Equity Attributable to Shareholders of the Company	7,853	7,308	7,609
Non-Controlling Interests	5,639	5,604	5,566
Total Equity	13,492	12,912	13,175
Total Liabilities and Equity	\$ 47,834	\$ 46,735	\$ 47,813

(i) Certain comparative figures have been restated to conform with current year presentation. Contingent liabilities (note 21). Subsequent events (note 24). See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

(unaudited) (millions of Canadian dollars except where otherwise indicated)	Common Shares	Preferred Shares	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Total Accumulated Other Comprehensive Income	Non- Controlling Interests	Total Equity
Balance as at Dec. 31, 2019	\$ 2,809	\$ 817	\$ 3,626	\$ 4,766	\$ (979)	\$ 182	\$ (4)	\$ 18	\$ 196	\$ 5,566	\$ 13,175
Net earnings	-	-	-	664	-	-	-	-	-	405	1,069
Other comprehensive (loss) income ⁽ⁱ⁾	-	-	-	(20)	-	22	(21)	8	9	(31)	(42)
Comprehensive income (loss)	\$ -	\$ -	\$ -	\$ 644	\$ -	\$ 22	\$ (21)	\$ 8	\$ 9	\$ 374	\$ 1,027
Effect of equity-based compensation (notes 16 & 19)	-	-	-	(1)	5	-	-	-	-	-	4
Net effect of shares held in trusts (notes 16 & 19)	(4)	-	(4)	(11)	-	-	-	-	-	-	(15)
Loblaw capital transactions and dividends (notes 17 & 19)	-	-	-	-	(124)	-	-	-	-	(301)	(425)
Dividends declared											
Per common share (\$)											
- \$1.575	-	-	-	(242)	-	-	-	-	-	-	(242)
Per preferred share (\$)											
- Series I - \$1.0875	-	-	-	(10)	-	-	-	-	-	-	(10)
- Series III - \$0.9750	-	-	-	(8)	-	-	-	-	-	-	(8)
- Series IV - \$0.9750	-	-	-	(7)	-	-	-	-	-	-	(7)
- Series V - \$0.890625	-	-	-	(7)	-	-	-	-	-	-	(7)
	\$ (4)	\$ -	\$ (4)	\$ (286)	\$ (119)	\$ -	\$ -	\$ -	\$ -	\$ (301)	\$ (710)
Balance as at Oct. 3, 2020	\$ 2,805	\$ 817	\$ 3,622	\$ 5,124	\$ (1,098)	\$ 204	\$ (25)	\$ 26	\$ 205	\$ 5,639	\$ 13,492

(unaudited) (millions of Canadian dollars except where otherwise indicated)	Common Shares	Preferred Shares	Total Share Capital ⁽ⁱ⁾	Retained Earnings ⁽ⁱⁱ⁾	Contributed Surplus	Foreign Currency Translation Adjustment ⁽ⁱ⁾	Cash Flow Hedges ⁽ⁱ⁾	Adjustment to Fair Value on Transfer of Investment Properties	Total Accumulated Other Comprehensive Income	Non- Controlling Interests	Total Equity
Balance as at Dec. 31, 2018	\$ 2,766	\$ 817	\$ 3,583	\$ 5,017	\$ (799)	\$ 231	\$ -	\$ 8	\$ 239	\$ 6,164	\$ 14,204
Impact of adopting IFRS 16	-	-	-	(115)	-	-	-	-	-	(394)	(509)
Restated balance as at Jan. 1, 2019	\$ 2,766	\$ 817	\$ 3,583	\$ 4,902	\$ (799)	\$ 231	\$ -	\$ 8	\$ 239	\$ 5,770	\$ 13,695
Net (loss) earnings	-	-	-	(201)	-	-	-	-	-	446	245
Other comprehensive loss ⁽ⁱⁱ⁾	-	-	-	(35)	-	(29)	(7)	-	(36)	(33)	(104)
Comprehensive (loss) income	\$ -	\$ -	\$ -	\$ (236)	\$ -	\$ (29)	\$ (7)	\$ -	\$ (36)	\$ 413	\$ 141
Effect of equity-based compensation (notes 16 & 19)	46	-	46	(1)	(16)	-	-	-	-	(6)	23
Net effect of shares held in trusts (notes 16 & 19)	-	-	-	5	-	-	-	-	-	-	5
Loblaw capital transactions and dividends (notes 17 & 19)	-	-	-	-	(108)	-	-	-	-	(573)	(681)
Dividends declared											
Per common share (\$)											
- \$1.565	-	-	-	(239)	-	-	-	-	-	-	(239)
Per preferred share (\$)											
- Series I - \$1.0875	-	-	-	(10)	-	-	-	-	-	-	(10)
- Series III - \$0.9750	-	-	-	(8)	-	-	-	-	-	-	(8)
- Series IV - \$0.9750	-	-	-	(7)	-	-	-	-	-	-	(7)
- Series V - \$0.890625	-	-	-	(7)	-	-	-	-	-	-	(7)
	\$ 46	\$ -	\$ 46	\$ (267)	\$ (124)	\$ -	\$ -	\$ -	\$ -	\$ (579)	\$ (924)
Balance as at Oct. 5, 2019	\$ 2,812	\$ 817	\$ 3,629	\$ 4,399	\$ (923)	\$ 202	\$ (7)	\$ 8	\$ 203	\$ 5,604	\$ 12,912

(i) Certain comparative figures have been restated to conform with current year presentation.

(ii) Other comprehensive (loss) income includes actuarial losses of \$38 million (2019 - \$66 million), \$20 million (2019 - \$35 million) of which is presented above in retained earnings and \$18 million (2019 - \$31 million) in non-controlling interests. Also included in non-controlling interests is foreign currency translation gains of \$1 million (2019 - \$1 million) and unrealized losses on cash flow hedges of \$14 million (2019 - \$3 million).

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(unaudited) (millions of Canadian dollars)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019 ⁽ⁱ⁾	Oct. 3, 2020	Oct. 5, 2019
Operating Activities				
Net earnings	\$ 498	\$ 264	\$ 1,069	\$ 245
Add (deduct):				
Net interest expense and other financing charges (note 5)	323	517	586	1,697
Income taxes (note 6)	162	103	327	298
Depreciation and amortization	729	701	1,855	1,770
Asset impairments, net of recoveries	1	1	15	4
Adjustment to fair value of investment properties	(7)	42	188	58
Foreign currency translation loss (note 20)	–	–	–	1
Change in provisions	(3)	(34)	10	(69)
	1,703	1,594	4,050	4,004
Change in credit card receivables (note 9)	(174)	(20)	510	46
Change in non-cash working capital	(208)	(269)	(343)	(246)
Income taxes paid	(145)	(230)	(342)	(546)
Interest received	6	12	19	28
Interest received from finance leases	–	2	1	4
Other	(11)	2	52	(7)
Cash Flows from Operating Activities	1,171	1,091	3,947	3,283
Investing Activities				
Fixed asset and investment properties purchases	(358)	(357)	(673)	(714)
Intangible asset additions	(111)	(125)	(284)	(301)
Cash assumed on initial consolidation of franchises (note 4)	–	6	14	15
Proceeds from disposal of assets	30	11	176	50
Lease payments received from finance leases	3	2	5	6
Change in short-term investments (note 8)	149	6	(168)	61
Change in security deposits (note 8)	71	18	–	25
Other	(60)	(21)	(159)	(129)
Cash Flows used in Investing Activities	(276)	(460)	(1,089)	(987)
Financing Activities				
Change in bank indebtedness	60	63	175	96
Change in short-term debt	(15)	(227)	(239)	(327)
Change in other financing (note 15)	(1)	426	(4)	426
Interest paid	(284)	(292)	(703)	(710)
Long-term debt – Issued (note 14)	407	443	2,328	1,315
– Repayments (note 14)	(781)	(722)	(2,229)	(1,564)
Cash rent paid on lease liabilities – Interest	(61)	(66)	(160)	(165)
Cash rent paid on lease liabilities – Principal	(204)	(138)	(505)	(436)
Share capital – Issued (notes 16 & 19)	–	25	–	39
– Purchased and held in trusts (note 16)	–	(1)	(21)	(6)
Loblaw common share capital – Issued (notes 17 & 19)	5	25	29	80
– Purchased and held in trusts (note 17)	–	–	(10)	(20)
– Purchased and cancelled (note 17)	(181)	(309)	(277)	(774)
Choice Properties units – Issued	–	–	–	345
– Issuance Costs	–	–	–	(14)
Dividends – To common shareholders	(162)	(161)	(323)	(319)
– To preferred shareholders	(19)	(19)	(41)	(41)
– To non-controlling interests	(111)	(117)	(225)	(228)
Other	28	20	(51)	(20)
Cash Flows used in Financing Activities	(1,319)	(1,050)	(2,256)	(2,323)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(1)	1	–	1
Change in Cash and Cash Equivalents	(425)	(418)	602	(26)
Cash and Cash Equivalents, Beginning of Period	2,861	1,913	1,834	1,521
Cash and Cash Equivalents, End of Period	\$ 2,436	\$ 1,495	\$ 2,436	\$ 1,495

(i) Certain comparative figures have been restated to conform with current year presentation. See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 1. Nature and Description of the Reporting Entity

George Weston Limited ("GWL" or the "Company") is a Canadian public company incorporated in 1928, with its registered office located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S5. The Company's parent is Wittington Investments, Limited ("Wittington").

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 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.

Quarterly net earnings are affected by 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 selling, general and administrative expenses ("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.

Note 2. Significant Accounting Policies and Critical Accounting Estimates and Judgments

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company's 2019 audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements, with the exception of the new accounting policy described below.

These unaudited interim period condensed consolidated financial statements are presented in Canadian dollars.

STATEMENT OF COMPLIANCE These 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. These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2019 audited annual consolidated financial statements and accompanying notes.

These unaudited interim period condensed consolidated financial statements were approved for issuance by the Company's Board of Directors on November 16, 2020.

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.

Note 3. Subsidiaries

The table below summarizes the Company's principal subsidiaries. The proportion of ownership interests held equals the voting rights held by the Company. GWL's ownership in Loblaw and Choice Properties is impacted by changes in Loblaw's common share equity and Choice Properties' trust units, respectively.

		As at					
		Oct. 3, 2020		Oct. 5, 2019		Dec. 31, 2019	
		Number of shares / units held	Ownership interest	Number of shares / units held	Ownership interest	Number of shares / units held	Ownership interest
Loblaw	Common shares ⁽ⁱ⁾	184,020,849	52.2%	187,815,136	51.8%	187,815,136	52.2%
	Class B LP Units ⁽ⁱⁱ⁾	389,961,783	n/a	389,961,783	n/a	389,961,783	n/a
	Trust Units	50,661,415	n/a	50,661,415	n/a	50,661,415	n/a
Choice Properties⁽ⁱⁱⁱ⁾		440,623,198	61.5%	440,623,198	62.9%	440,623,198	62.9%

- (i) Includes 9.6 million Loblaw common shares pledged under the equity forward sale agreement (see note 20). Additionally, commencing in the first quarter of 2020, GWL participated in Loblaw's Normal Course Issuer Bid ("NCIB") program, in order to maintain its proportionate percentage ownership (see note 17).
- (ii) Class B LP Units ("Exchangeable Units") are economically equivalent to Trust Units, receive distributions equal to the distributions paid on Trust Units and are exchangeable, at the holder's option, into Trust Units.
- (iii) During the third quarter of 2020, Choice Properties acquired two properties from Wittington Properties Limited through the issuance of 16.5 million Trust Units (see note 22).

Note 4. Business Acquisitions

CONSOLIDATION OF FRANCHISES Loblaw accounts for the consolidation of existing franchises as business acquisitions and consolidates its franchises as of the date the franchisee enters into a simplified franchise agreement with Loblaw. The assets acquired and liabilities assumed through the consolidation are valued at the acquisition date using fair values, which approximate the franchise carrying values at the date of acquisition. The results of operations of the acquired franchises were included in Loblaw's results of operations from the date of acquisition.

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 summarizes the amounts recognized for the assets acquired, liabilities assumed and non-controlling interests recognized at the acquisition dates:

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Net assets acquired:				
Cash and cash equivalents	\$ -	\$ 6	\$ 14	\$ 15
Inventories	-	14	42	38
Fixed assets	-	22	44	49
Trade payables and other liabilities ⁽ⁱ⁾	-	(14)	(54)	(38)
Other liabilities ⁽ⁱ⁾	-	(22)	(30)	(52)
Non-controlling interests	-	(6)	(16)	(12)
Total net assets acquired	\$ -	\$ -	\$ -	\$ -

- (i) On consolidation, trade payables and other liabilities and other liabilities eliminate against existing accounts receivable, franchise loans receivable and franchise investments held by Loblaw.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 5. Net Interest Expense and Other Financing Charges

The components of net interest expense and other financing charges were as follows:

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Interest expense:				
Long-term debt	\$ 179	\$ 183	\$ 492	\$ 494
Lease liabilities	61	66	160	165
Borrowings related to credit card receivables	17	16	37	33
Trust Unit distributions	51	48	147	137
Choice Properties issuance costs	–	–	–	14
Independent funding trusts	3	6	11	15
Post-employment and other long-term employee benefits (note 18)	3	3	7	7
Bank indebtedness	2	2	3	6
Financial liabilities (note 15)	7	–	20	–
Capitalized interest	(2)	(1)	(3)	(4)
	\$ 321	\$ 323	\$ 874	\$ 867
Interest income:				
Accretion income	\$ (1)	\$ (6)	\$ (4)	\$ (8)
Short-term interest income	(6)	(12)	(20)	(29)
	\$ (7)	\$ (18)	\$ (24)	\$ (37)
Forward sale agreement ⁽ⁱ⁾	\$ 21	\$ 43	\$ (5)	\$ 114
Fair value adjustment of the Trust Unit liability (note 20)	(12)	169	(259)	753
Net interest expense and other financing charges	\$ 323	\$ 517	\$ 586	\$ 1,697

(i) Included in the third quarter of 2020 and year-to-date is a charge of \$27 million (2019 – \$52 million) and \$14 million (2019 – \$136 million), respectively, related to the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares (see note 20). The fair value adjustment of the forward sale agreement is non-cash and results from changes in the value of the underlying Loblaw common shares. At maturity, any cash paid under the forward sale agreement could be offset by the sale of the underlying Loblaw common shares. Also included in the third quarter of 2020 and year-to-date is forward accretion income of \$12 million (2019 – \$16 million) and \$35 million (2019 – \$39 million), respectively, and the forward fee of \$6 million (2019 – \$7 million) and \$16 million (2019 – \$17 million), respectively, associated with the forward sale agreement.

Note 6. Income Taxes

For the third quarter of 2020, income tax expense was \$162 million (2019 – \$103 million) and the effective tax rate was 24.5% (2019 – 28.1%). The decrease in the effective tax rate 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 and the impact of certain other non-deductible items.

On a year-to-date basis, income tax expense was \$327 million (2019 – \$298 million) and the effective tax rate was 23.4% (2019 – 54.9%). The decrease in the effective tax rate 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.

During the second quarter, on April 23, 2020, the Federal Court of Appeal released its decision in the Glenhuron Bank Limited ("Glenhuron") case in favour of Loblaw, reversing the decision of the Tax Court of Canada ("Tax Court"). In the third quarter, on June 19, 2020, 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 (see note 21).

Note 7. Basic and Diluted Net Earnings (Loss) per Common Share

(\$ 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)
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)
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)
Weighted average common shares outstanding (in millions) (note 16)	153.4	153.6	153.5	153.5
Dilutive effect of equity-based compensation ⁽ⁱ⁾ (in millions)	0.1	0.2	0.1	0.2
Diluted weighted average common shares outstanding (in millions)	153.5	153.8	153.6	153.7
Basic net earnings (loss) per common share (\$)	\$ 1.98	\$ 0.45	\$ 4.10	\$ (1.53)
Diluted net earnings (loss) per common share (\$)	\$ 1.96	\$ 0.44	\$ 4.08	\$ (1.55)

(i) In the third quarter of 2020 and year-to-date, 1.3 million (2019 – 0.5 million) and 1.2 million (2019 – 1.3 million) potentially dilutive instruments, respectively, were excluded from the computation of diluted net earnings (loss) per common share as they were anti-dilutive.

Note 8. Cash and Cash Equivalents, Short-Term Investments and Security Deposits

The components of cash and cash equivalents, short-term investments and security deposits were as follows:

CASH AND CASH EQUIVALENTS

(\$ millions)	Oct. 3, 2020	As at	
		Oct. 5, 2019	Dec. 31, 2019
Cash	\$ 939	\$ 700	\$ 775
Cash equivalents:			
Bankers' acceptances	833	345	557
Government treasury bills	643	394	262
Corporate commercial paper	–	56	240
Guaranteed investment certificates	21	–	–
Cash and cash equivalents	\$ 2,436	\$ 1,495	\$ 1,834

SHORT-TERM INVESTMENTS

(\$ millions)	Oct. 3, 2020	As at	
		Oct. 5, 2019	Dec. 31, 2019
Bankers' acceptances	\$ 51	\$ 23	\$ 32
Government treasury bills	337	150	61
Corporate commercial paper	3	49	136
Other	6	–	–
Short-term investments	\$ 397	\$ 222	\$ 229

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

SECURITY DEPOSITS

(\$ millions)	Oct. 3, 2020	As at	
		Oct. 5, 2019	Dec. 31, 2019
Cash	\$ 55	\$ 46	\$ 46
Government treasury bills	22	13	30
Total security deposits	\$ 77	\$ 59	\$ 76

Note 9. Credit Card Receivables

The components of credit card receivables were as follows:

(\$ millions)	Oct. 3, 2020	As at	
		Oct. 5, 2019	Dec. 31, 2019
Gross credit card receivables	\$ 3,255	\$ 3,451	\$ 3,714
Allowance for credit card receivables	(247)	(188)	(196)
Credit card receivables	\$ 3,008	\$ 3,263	\$ 3,518
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> [®] (note 14)	\$ 1,050	\$ 1,000	\$ 1,000
Securitized to Other Independent Securitization Trusts (note 13)	500	550	775
Total securitized to independent securitization trusts	\$ 1,550	\$ 1,550	\$ 1,775

Loblaw, through President's Choice Bank ("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.

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.

On a year-to-date basis in 2020, PC Bank recorded a \$275 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts as a result of a decline in the volume of credit card receivables.

As at the end of the third quarter of 2020, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was \$45 million (October 5, 2019 – \$50 million; December 31, 2019 – \$70 million), which represented 9% (October 5, 2019 – 9%; December 31, 2019 – 10%) of the securitized credit card receivables amount.

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.

Note 10. Inventories

The components of inventories were as follows:

(\$ millions)	Oct. 3, 2020	As at	
		Oct. 5, 2019	Dec. 31, 2019
Raw materials and supplies	\$ 73	\$ 68	\$ 70
Finished goods	5,481	4,989	5,200
Inventories	\$ 5,554	\$ 5,057	\$ 5,270

As at the end of the third quarter of 2020, Loblaw recorded an inventory provision of \$34 million (October 5, 2019 – \$31 million; December 31, 2019 – \$33 million), for the write-down of inventories below cost to net realizable value. The write-down was included in cost of inventories sold. There were no reversals of previously recorded write-downs of inventories during the quarter and year-to-date ended October 3, 2020 and October 5, 2019.

Note 11. Assets Held for Sale

Loblaw classifies certain assets, primarily land and buildings, that it intends to dispose of in the next 12 months, as assets held for sale. These assets were previously used in Loblaw's retail business segment. In the third quarter of 2020, Loblaw recorded a gain of \$1 million (2019 – loss of \$2 million) from the sale of these assets. On a year-to-date basis, Loblaw recorded a net gain of \$1 million (2019 – net gain of \$4 million) from the sale of these assets. No impairment charges were recognized on these properties year-to-date in 2020 (2019 – nil).

Note 12. Other Assets

The components of other assets were as follows:

(\$ millions)	Oct. 3, 2020	As at	
		Oct. 5, 2019	Dec. 31, 2019
Fair value of equity forward (note 20)	\$ 558	\$ 459	\$ 537
Sundry investments and other receivables ⁽ⁱ⁾	119	88	43
Net accrued benefit plan asset (note 18)	193	178	249
Finance lease receivable	78	62	73
Mortgages, loans and notes receivable	178	278	188
Other	171	183	177
Total Other Assets	\$ 1,297	\$ 1,248	\$ 1,267
Current portion of mortgages, loans and notes receivable ⁽ⁱⁱ⁾	(76)	(206)	(87)
Other Assets	\$ 1,221	\$ 1,042	\$ 1,180

(i) In the third quarter of 2020, Loblaw announced that its wholly owned subsidiary Shoppers Drug Mart will invest a total of \$75 million in Maple Corporation ("Maple"), the leading virtual care provider in Canada, in exchange for a material minority stake. The investments will be made in two tranches. As at October 3, 2020, the first tranche was executed and Loblaw invested \$61 million, in exchange for approximately 24% of the ownership interest in Maple. The second tranche is expected to be executed in the third quarter of 2021.

(ii) Current portion of mortgages, loans and note receivable are included in prepaid expenses and other assets in the condensed consolidated balance sheets.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 13. Short-Term Debt

The components of short-term debt were as follows:

(\$ millions)	Oct. 3, 2020	As at	
		Oct. 5, 2019	Dec. 31, 2019
Other Independent Securitization Trusts (note 9)	\$ 500	\$ 550	\$ 775
Series B Debentures ⁽ⁱ⁾	750	702	714
Short-term debt	\$ 1,250	\$ 1,252	\$ 1,489

(i) Series B Debentures issued by CWL are due on demand and are secured by a pledge of 9.6 million Loblaw common shares.

OTHER INDEPENDENT SECURITIZATION TRUSTS The outstanding short-term debt balances relate to credit card receivables securitized to the Other Independent Securitization Trusts with recourse (see note 9).

Note 14. Long-Term Debt

The components of long-term debt were as follows:

(\$ millions)	Oct. 3, 2020	As at	
		Oct. 5, 2019	Dec. 31, 2019
Debentures	\$ 10,494	\$ 10,377	\$ 10,387
Long-term debt secured by mortgage	1,209	1,236	1,231
Construction loans	25	25	25
Guaranteed Investment Certificates	1,380	1,327	1,311
Independent Securitization Trusts (note 9)	1,050	1,000	1,000
Independent funding trusts	494	501	505
Committed credit facilities	25	117	132
Transaction costs and other	(40)	(37)	(37)
Total long-term debt	\$ 14,637	\$ 14,546	\$ 14,554
Long-term debt due within one year	(984)	(1,693)	(1,842)
Long-term debt	\$ 13,653	\$ 12,853	\$ 12,712

The Company, Loblaw and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at the end of and throughout the first three quarters of 2020, the Company, Loblaw and Choice Properties were in compliance with the financial covenants.

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.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

GUARANTEED INVESTMENT CERTIFICATES (“GICs”) The following table summarizes PC Bank’s GIC activity, before commissions, for the periods ended as follows:

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Balance, beginning of period	\$ 1,452	\$ 1,225	\$ 1,311	\$ 1,141
GICs issued	58	154	344	338
GICs matured	(130)	(52)	(275)	(152)
Balance, end of period	\$ 1,380	\$ 1,327	\$ 1,380	\$ 1,327

INDEPENDENT FUNDING TRUSTS Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts in the amount of \$64 million (October 5, 2019 and December 31, 2019 – \$64 million), 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.

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

(\$ millions)	Maturity Date	Oct. 3, 2020		As at			
		Available Credit	Drawn	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.

LONG-TERM DEBT DUE WITHIN ONE YEAR The components of long-term debt due within one year were as follows:

(\$ millions)	As at		
	Oct. 3, 2020	Oct. 5, 2019	Dec. 31, 2019
Debentures	\$ 197	\$ 899	\$ 897
GICs	683	394	527
Independent Securitization Trusts	–	250	250
Long-term debt secured by mortgage	79	125	156
Construction Loans	25	25	12
Long-term debt due within one year	\$ 984	\$ 1,693	\$ 1,842

RECONCILIATION OF LONG-TERM DEBT The following table reconciles the changes in cash flows from financing activities for long-term debt for the periods ended as indicated:

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Total long-term debt, beginning of period	\$ 15,010	\$ 14,816	\$ 14,554	\$ 15,318
Reclassification of finance lease obligations due to IFRS 16	–	–	–	(535)
Restated balance, beginning of period	15,010	14,816	14,554	14,783
Long-term debt issuances ⁽ⁱ⁾	407	443	2,328	1,315
Long-term debt repayments	(781)	(722)	(2,229)	(1,564)
Total cash flow from long-term debt financing activities	(374)	(279)	99	(249)
Other non-cash changes	1	9	(16)	12
Total long-term debt, end of period	\$ 14,637	\$ 14,546	\$ 14,637	\$ 14,546

(i) Includes net movements from the independent funding trusts, which are revolving debt instruments.

Note 15. Other Liabilities

The components of other liabilities were as follows:

(\$ millions)	As at		
	Oct. 3, 2020	Oct. 5, 2019	Dec. 31, 2019
Financial liabilities ⁽ⁱ⁾	\$ 426	\$ 397	\$ 431
Net defined benefit plan obligation (note 18)	380	387	375
Other long-term employee benefit obligation	123	115	128
Equity-based compensation liability (note 19)	6	14	7
Other	18	23	16
Other liabilities	\$ 953	\$ 936	\$ 957

(i) In 2019, Choice Properties sold 31 properties to third-parties consisting of Loblaw stand-alone retail properties and Loblaw distribution centres. On consolidation, the proceeds from the transactions were recognized as financial liabilities and as at October 3, 2020, \$4 million (October 5, 2019 – \$29 million; December 31, 2019 – \$4 million) was recorded in trade payables and other liabilities and \$426 million (October 5, 2019 – \$397 million; December 31, 2019 – \$431 million) was recorded in other liabilities.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 16. 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 ⁽ⁱ⁾	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital ⁽ⁱ⁾
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 (note 19)	–	–	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 (note 19)	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 (note 7)	153,412,133		153,616,739		153,458,583		153,469,027	

(i) Certain comparative figures have been restated to conform with current year presentation.

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.

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⁾		\$ 0.550
	- Common share	
	- 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.

Note 17. Loblaw Capital Transactions

LOBLAW PREFERRED SHARES As at the end of the third quarter of 2020, the Second Preferred Shares, Series B in the amount of \$221 million net of \$4 million of after-tax issuance costs, and related cash dividends, were presented as a component of non-controlling interests in the Company's condensed consolidated balance sheet. In the third quarter of 2020 and year-to-date, Loblaw declared dividends of \$3 million (2019 - \$3 million) and \$9 million (2019 - \$9 million), respectively, related to the Second Preferred Shares, Series B.

LOBLAW COMMON SHARES The following table summarizes Loblaw's common share activity under its equity-based compensation arrangements and NCIB program, and includes the impact on the Company's unaudited interim period condensed consolidated financial statements 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
Issued (number of shares)	214,119	543,782	1,107,959	2,339,451
Purchased and held in trusts (number of shares)	-	-	(145,000)	(300,000)
Purchased and cancelled (number of shares)	(5,045,210)	(4,313,300)	(7,802,787)	(11,320,227)
	(4,831,091)	(3,769,518)	(6,839,828)	(9,280,776)
Cash consideration received (paid)				
Equity-based compensation	\$ 5	\$ 25	\$ 29	\$ 80
Purchased and held in trusts	-	-	(10)	(20)
Purchased and cancelled	(350)	(309)	(538)	(774)
	\$ (345)	\$ (284)	\$ (519)	\$ (714)
Increase (decrease) in contributed surplus				
Equity-based compensation	\$ 3	\$ 6	\$ 15	\$ 25
Purchased and held in trusts	-	-	(3)	(5)
Purchased and cancelled	(87)	(92)	(136)	(128)
	\$ (84)	\$ (86)	\$ (124)	\$ (108)

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NORMAL COURSE ISSUER BID In the first quarter of 2020, the TSX accepted an amendment to Loblaw's NCIB. The amendment permitted Loblaw to purchase its common shares from GWL under Loblaw's NCIB, pursuant to an automatic disposition plan agreement among Loblaw's Broker, Loblaw and GWL, in order for GWL to maintain its proportionate ownership interest in Loblaw.

In the second quarter of 2020, Loblaw renewed its NCIB to purchase on the TSX or through alternative trading systems up to 17,888,888 of Loblaw's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, Loblaw may purchase its common shares from time to time at the then market price of such shares. As of October 3, 2020, Loblaw had purchased 5,045,210 common shares for cancellation under its current NCIB.

In the third quarter of 2020 and year-to-date, 2,439,210 and 3,794,287 Loblaw common shares were purchased from GWL under the Loblaw NCIB for cancellation, for aggregate cash consideration of \$169 million and \$261 million respectively.

Note 18. Post-Employment and Other Long-Term Employee Benefits

The costs and actuarial losses related to the Company's post-employment and other long-term employee benefits were as follows:

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Post-employment benefit costs recognized in operating income ⁽ⁱ⁾	\$ 57	\$ 52	\$ 140	\$ 141
Other long-term employee benefit costs recognized in operating income ⁽ⁱⁱ⁾	7	14	23	28
Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 5)	3	3	7	7
Actuarial losses before income taxes recognized in other comprehensive income	(35)	(12)	(51)	(88)

(i) Includes costs related to the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates. Also includes settlement charges in the year-to-date of 2019 of \$10 million.

(ii) Includes costs related to the Company's long-term disability plans.

The actuarial losses recognized in the third quarter and year-to-date of 2020 and 2019 were primarily driven by a decrease in discount rates, partially offset by higher than expected returns on assets.

On a year-to-date basis in 2019, Loblaw completed several annuity purchases and paid \$187 million from the impacted plans' assets to settle \$177 million of pension obligations and recorded settlement charges of \$10 million in SG&A. There were no annuity purchases during the third quarter and on a year-to-date basis in 2020.

Note 19. Equity-Based Compensation

The Company's equity-based compensation arrangements include stock option plans, RSU plans, PSU plans, DSU plans, EDSU plans and Choice Properties' unit-based compensation plans. The Company's costs recognized in SG&A related to its equity-based compensation arrangements for the third quarter of 2020 and year-to-date were \$21 million (2019 - \$22 million) and \$51 million (2019 - \$57 million), respectively.

The following is the carrying amount of the Company's equity-based compensation arrangements:

(\$ millions)	Oct. 3, 2020	As at	
		Oct. 5, 2019	Dec. 31, 2019
Trade payables and other liabilities	\$ 7	\$ 3	\$ 8
Other liabilities (note 15)	\$ 6	\$ 14	\$ 7
Contributed surplus	\$ 118	\$ 107	\$ 113

Details related to certain equity-based compensation plans of GWL and Loblaw are as follows:

STOCK OPTION PLANS The following is a summary of GWL's stock option plan activity:

	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Outstanding options, beginning of period	1,776,571	1,657,626	1,246,718	1,548,044
Granted	–	–	548,868	427,523
Exercised	–	(322,709)	(2,813)	(523,114)
Forfeited/cancelled	(18,836)	(13,204)	(35,038)	(50,483)
Expired	–	–	–	(80,257)
Outstanding options, end of period	1,757,735	1,321,713	1,757,735	1,321,713

There were no stock options exercised in the third quarter of 2020. In the third quarter of 2019, GWL issued common shares on the exercise of stock options with a weighted average market share price of \$107.19 per common share and received \$25 million of cash consideration. In the year-to-date of 2020, GWL issued common shares on the exercise of stock options with a weighted average market share price of \$89.60 (2019 – \$102.56), and received nominal cash consideration (2019 – \$39 million).

There were no stock options granted during the third quarter of 2020 and 2019.

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at the end of the third quarter of 2020 was 0.8% (2019 – 0.8 %).

The following is a summary of Loblaw's stock option plan activity:

	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Outstanding options, beginning of period	7,558,254	7,424,410	6,317,922	7,509,631
Granted	27,268	8,229	1,842,845	1,548,550
Exercised	(107,427)	(745,304)	(586,434)	(2,061,701)
Forfeited/cancelled	(158,667)	(61,437)	(254,905)	(370,582)
Outstanding options, end of period	7,319,428	6,625,898	7,319,428	6,625,898

During the third quarter of 2020, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of \$69.18 (2019 – \$72.61) per common share and received cash consideration of \$5 million (2019 – \$25 million). In the year-to-date of 2020, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of \$68.25 (2019 – \$69.12) per common share and received cash consideration of \$29 million (2019 – \$80 million).

During the third quarter of 2020, Loblaw granted stock options with a weighted average exercise price of \$69.86 (2019 – \$68.42) per common share and a nominal fair value (2019 – nominal). In the year-to-date of 2020, Loblaw granted stock options with a weighted average exercise price of \$70.05 (2019 – \$65.65) per common share and a \$13 million fair value (2019 – \$12 million). The assumptions used to measure the grant date fair value of the Loblaw options granted during the periods ended as indicated under the Black-Scholes stock option valuation model were as follows:

	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Expected dividend yield	1.8%	1.8%	1.8%	1.8%
Expected share price volatility	18.6% - 19.9%	14.1% - 15.3%	13.5% - 19.9%	14.1% - 15.7%
Risk-free interest rate	0.3%	1.5%	0.3% - 1.2%	1.5% - 1.8%
Expected life of options	3.7 - 6.2 years	3.7 - 6.2 years	3.7 - 6.2 years	3.7 - 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at the end of the third quarter of 2020 was 8.0% (2019 – 9.0 %).

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RESTRICTED SHARE UNIT PLANS The following is a summary of GWL's RSU plan activity:

(Number of awards)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Outstanding RSUs, beginning of period	128,286	142,914	136,788	166,034
Granted	2,701	2,360	40,429	36,653
Reinvested	1,367	1,363	2,741	2,749
Settled	(2,643)	(5,075)	(47,239)	(54,452)
Forfeited	(1,048)	(2,422)	(4,056)	(11,844)
Outstanding RSUs, end of period	128,663	139,140	128,663	139,140

During the third quarter of 2020, the fair value of GWL's RSUs granted was nominal (2019 - nominal). In the year-to-date of 2020, the fair value of GWL's RSUs was \$4 million (2019 - \$3 million).

The following is a summary of Loblaw's RSU plan activity:

(Number of awards)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Outstanding RSUs, beginning of period	1,024,518	1,024,386	1,032,832	1,024,275
Granted	8,857	26,671	241,641	332,043
Reinvested	9,136	8,904	18,804	17,125
Settled	(88,136)	(17,596)	(321,642)	(257,747)
Forfeited	(12,972)	(9,966)	(30,232)	(83,297)
Outstanding RSUs, end of period	941,403	1,032,399	941,403	1,032,399

During the third quarter of 2020, the fair value of Loblaw's RSUs granted was \$1 million (2019 - \$2 million). In the year-to-date of 2020, the fair value of Loblaw's RSUs was \$17 million (2019 - \$22 million).

PERFORMANCE SHARE UNIT PLANS The following is a summary of GWL's PSU plan activity:

(Number of awards)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Outstanding PSUs, beginning of period	152,369	114,203	114,473	89,656
Granted	–	–	58,555	69,951
Reinvested	1,622	1,134	3,026	2,074
Settled	(471)	(433)	(19,155)	(40,259)
Forfeited	(1,160)	(79)	(4,539)	(6,597)
Outstanding PSUs, end of period	152,360	114,825	152,360	114,825

There were no PSUs granted in the third quarter of 2020 and 2019. In the year-to-date of 2020, the fair value of GWL's PSUs granted were \$6 million (2019 - \$6 million).

The following is a summary of Loblaw's PSU plan activity:

(Number of awards)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Outstanding PSUs, beginning of period	704,645	665,627	662,695	674,945
Granted	3,847	1,923	235,473	253,114
Reinvested	6,450	5,887	12,768	11,264
Settled	(19,013)	(6,202)	(200,340)	(234,121)
Forfeited	(10,711)	(5,098)	(25,378)	(43,065)
Outstanding PSUs, end of period	685,218	662,137	685,218	662,137

During the third quarter of 2020, the fair value of Loblaw's PSUs granted were \$1 million (2019 – nominal). In the year-to-date of 2020, the fair value of Loblaw's PSUs granted were \$17 million (2019 – \$15 million).

SETTLEMENT OF AWARDS FROM SHARES HELD IN TRUSTS The following table summarizes GWL's settlement of RSUs and PSUs from shares held in trusts for the periods ended as indicated:

(Number of awards)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020	Oct. 5, 2019	Oct. 3, 2020	Oct. 5, 2019
Settled	3,114	5,508	66,394	94,711
Released from trusts (note 16)	2,749	2,339	60,985	91,068

The settlement of awards from shares held in trusts in the third quarter of 2020 and year-to-date resulted in a nominal increase (2019 – nominal) and \$6 million increase (2019 – \$10 million) in retained earnings, respectively. There were nominal increases in share capital in the third quarter and year-to-date 2020 (third quarter 2019 - nominal, year-to-date 2019 – \$1 million) related to these settlements.

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Note 20. Financial Instruments

The following table presents the fair values and fair value hierarchy of the Company's financial instruments and excludes financial instruments measured at amortized cost that are short term in nature. The carrying values of the Company's financial instruments approximate their fair values except for long-term debt.

(\$ millions)	Oct. 3, 2020				As at Oct. 5, 2019				Dec. 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Amortized cost:												
Franchise loans receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33	\$ 33	\$ -	\$ -	\$ 19	\$ 19
Certain other assets ⁽ⁱ⁾	-	-	96	96	-	-	101	101	-	-	116	116
Fair value through other comprehensive income:												
Certain long-term investments and other assets ⁽ⁱ⁾	117	20	-	137	50	21	-	71	50	21	-	71
Fair value through profit and loss:												
Security deposits	77	-	-	77	59	-	-	59	76	-	-	76
Certain other assets ⁽ⁱ⁾	-	-	82	82	-	-	115	115	-	-	86	86
Derivatives included in accounts receivable	-	(1)	-	(1)	-	1	-	1	1	2	-	3
Derivatives included in prepaid expenses and other assets	-	2	1	3	-	2	-	2	5	-	1	6
Derivatives included in other assets	-	558	-	558	-	459	-	459	-	537	-	537
Financial liabilities												
Amortized cost:												
Long-term debt	-	16,563	-	16,563	-	15,972	-	15,972	-	15,839	-	15,839
Certain other liabilities ⁽ⁱ⁾	-	-	435	435	-	-	435	435	-	-	444	444
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	-	9	-	9	-	8	-	8	-	5	-	5
Fair value through profit and loss:												
Trust Unit liability	3,556	-	-	3,556	3,785	-	-	3,785	3,601	-	-	3,601
Derivatives included in trade payables and other liabilities	15	1	-	16	-	4	-	4	-	5	-	5

(i) Certain other assets, certain other long-term investments and other assets, and certain other liabilities are included in the unaudited interim period condensed consolidated balance sheets in Other Assets and Other Liabilities, respectively.

There were no transfers between the levels of the fair value hierarchy during the periods presented.

During the third quarter of 2020 and year-to-date, a loss of \$1 million (2019 – loss of \$4 million) and a gain of \$2 million (2019 – loss of \$2 million), respectively, was recognized in operating income on financial instruments designated as amortized cost. In addition, during the third quarter of 2020 and year-to-date, a net gain of \$6 million (2019 – net loss of \$225 million) and a net gain of \$253 million (2019 – net loss of \$889 million) was recognized in earnings before income taxes on financial instruments required to be classified as fair value through profit or loss.

Cash and Cash Equivalents, Short-Term Investments and Security Deposits As at the end of the third quarter of 2020, the Company had cash and cash equivalents, short-term investments and security deposits of \$2,910 million (October 5, 2019 – \$1,776 million; December 31, 2019 – \$2,139 million), including U.S. dollars of \$172 million (October 5, 2019 – \$42 million; December 31, 2019 – \$68 million).

During the third quarter of 2020 and year-to-date, a loss of \$24 million (2019 – loss of \$6 million) and a gain of \$23 million (2019 – loss of \$28 million), respectively, was recognized in other comprehensive income related to the effect of foreign currency translation on the Company's U.S. net investment in foreign operations.

In addition, during the third quarter of 2020 and year-to-date, a nominal loss (2019 – nominal loss) and a nominal gain (2019 – loss of \$1 million), respectively, was recorded in operating income related to the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and cash equivalents and short-term investments held by foreign operations that have the same functional currency as that of the Company.

Franchise Loans Receivable As at the end of the third quarter of 2020, the value of Loblaw franchise loans receivable of nil (October 5, 2019 – \$33 million; December 31, 2019 – \$19 million) was recorded in the unaudited interim period condensed consolidated balance sheets. During the third quarter of 2020 and year-to-date, Loblaw recorded nil (2019 – nominal gain) and nil (2019 – gain of \$1 million) in operating income related to these loans receivable.

Embedded Derivatives The Level 3 financial instruments classified as fair value through profit or loss consist of Loblaw embedded derivatives on purchase orders placed in neither Canadian dollars nor the functional currency of the vendor. These derivatives are valued using a market approach based on the differential in exchange rates and timing of settlement. The significant unobservable input used in the fair value measurement is the cost of purchase orders. Significant increases (decreases) in any one of the inputs would result in a significantly higher (lower) fair value measurement.

In the third quarter of 2020 and year-to-date, a gain of \$2 million (2019 – nominal loss) and a nominal gain (2019 – gain of \$3 million), respectively, was recognized in operating income related to these derivatives. In addition, a corresponding \$1 million asset was included in prepaid expense and other assets as at October 3, 2020 (October 5, 2019 – nominal liability; December 31, 2019 – \$1 million asset). As at October 3, 2020, a 1% increase (decrease) in foreign currency exchange rates would result in a gain (loss) in fair value of \$1 million.

Equity Derivative Contracts As at the end of the third quarter of 2020, Weston Holdings Limited ("WHL"), a subsidiary of GWL, held an outstanding equity forward sale agreement based on 9.6 million Loblaw common shares at an initial forward sale price of \$48.50 per Loblaw common share. 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) per Loblaw common share. In the third quarter of 2020 and year-to-date, a fair value loss of \$27 million (2019 – loss of \$52 million) and a fair value loss of \$14 million (2019 – loss of \$136 million) was recorded in net interest expense and other financing charges related to this agreement (see note 5).

Trust Unit Liability In the third quarter of 2020 and year-to-date, a fair value gain of \$12 million (2019 – loss of \$169 million) and a fair value gain of \$259 million (2019 – loss of \$753 million) was recorded in net interest expense and other financing charges (see note 5).

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Other Derivatives The Company uses bond forwards and interest rate swaps, to manage its anticipated exposure to fluctuations in interest rates on future debt issuances. The Company also uses futures, options and forward contracts to manage its anticipated exposure to fluctuations in commodity prices and exchange rates in its underlying operations. The following is a summary of the fair values recognized in the unaudited interim period condensed consolidated balance sheet and the net realized and unrealized gains (losses) before income taxes related to the Company's other derivatives:

(\$ millions)	Oct. 3, 2020				
	16 Weeks Ended			40 Weeks Ended	
	Net asset (liability) fair value	Gain/ (loss) recorded in OCI	Gain/(loss) recorded in operating income	Gain/ (loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges					
Interest Rate Risk - Bond Forwards ⁽ⁱ⁾	\$ -	\$ 1	\$ (2)	\$ (42)	\$ (3)
Interest Rate Risk - Interest Rate Swaps ⁽ⁱⁱ⁾	(9)	3	(1)	(5)	(3)
Total derivatives designated as cash flow hedges	\$ (9)	\$ 4	\$ (3)	\$ (47)	\$ (6)
Derivatives not designated in a formal hedging relationship					
Foreign Exchange and Other Forwards	\$ -	\$ -	\$ (9)	\$ -	\$ 14
Other Non-Financial Derivatives	(15)	-	2	-	(35)
Total derivatives not designated in a formal hedging relationship	\$ (15)	\$ -	\$ (7)	\$ -	\$ (21)
Total derivatives	\$ (24)	\$ 4	\$ (10)	\$ (47)	\$ (27)

- (i) PC Bank settled \$200 million of bond forward in the third quarter of 2020. The purpose of the bond forward was to hedge the interest rate risk for the \$300 million *Eagle* notes issued during the third quarter of 2020. The company has concluded that this hedge was effective as at the settlement date.
- (ii) PC Bank uses interest rate swaps, with a notional value of \$300 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. Choice Properties uses interest rate swaps, with a notional value of \$259 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in other assets or other liabilities.

(\$ millions)	Oct. 5, 2019				
	16 Weeks Ended			40 Weeks Ended	
	Net asset (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges					
Foreign Exchange Currency Risk - Foreign Exchange Forwards ⁽ⁱ⁾	\$ -	\$ -	\$ 1	\$ (1)	\$ 1
Interest Rate Risk - Bond Forwards ⁽ⁱⁱ⁾	(1)	2	-	(6)	-
Interest Rate Risk - Interest Rate Swaps ⁽ⁱⁱⁱ⁾	(6)	1	(1)	(5)	(1)
Total derivatives designated as cash flow hedges	\$ (7)	\$ 3	\$ -	\$ (12)	\$ -
Derivatives not designated in a formal hedging relationship					
Foreign Exchange and Other Forwards	\$ (2)	\$ -	\$ (6)	\$ -	\$ (12)
Other Non-Financial Derivatives	-	-	4	-	11
Total derivatives not designated in a formal hedging relationship	\$ (2)	\$ -	\$ (2)	\$ -	\$ (1)
Total derivatives	\$ (9)	\$ 3	\$ (2)	\$ (12)	\$ (1)

- (i) PC Bank uses foreign exchange forwards, with a notional value of \$3 million USD, to manage its foreign exchange currency risk related to certain U.S. payables. The fair value of the derivatives is included in prepaid expenses and other assets.
- (ii) PC Bank uses bond forwards, with a notional value of \$90 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities.
- (iii) PC Bank uses interest rate swaps, with a notional value of \$300 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. Choice Properties uses interest rate swaps, with a notional value of \$277 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in other assets or other liabilities.

Note 21. Contingent Liabilities

In the ordinary course of business, the Company is involved in and potentially subject to, legal actions and proceedings. In addition, the Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments.

There are a number of uncertainties involved in such matters, individually or in aggregate, and as such, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect on the Company's reputation, operations, financial condition or performance in future periods. It is not currently possible to predict the outcome of the Company's legal actions and proceedings with certainty. Management regularly assesses its position on the adequacy of accruals or provisions related to such matters and will make any necessary adjustments.

The following is a description of the Company's significant legal proceedings:

Shoppers Drug Mart Corporation ("Shoppers Drug Mart") has been served with an Amended Statement of Claim in a class action proceeding that has been filed in the Ontario Superior Court of Justice ("Superior Court") by two licensed Associates, claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement, in the amount of \$500 million. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who are parties to Shoppers Drug Mart's 2002 and 2010 forms of the Associate Agreement. On July 9, 2013, the Superior Court certified as a class proceeding portions of the action. The Superior Court imposed a class closing date based on the date of certification. New Associates after July 9, 2013 are not members of the class. Loblaw believes this claim is without merit and is vigorously defending it. Loblaw does not currently have any significant accruals or provisions for this matter recorded in the unaudited interim period condensed consolidated financial statements.

In 2017, the Company and Loblaw announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits have been commenced against the Company and Loblaw as well as a number of other major grocery retailers and another bread wholesaler. In December 2019, a proposed class action on behalf of independent distributors was commenced against the Company and Weston Foods. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Loblaw believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's cash balances far exceed any realistic damages scenario and therefore it does not anticipate any impacts on its or Loblaw's dividend, dividend policy or share buyback plan. The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2020 or prior on the basis that a reliable estimate of the liability cannot be determined at this time. The Company will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated and will record an amount in the period at the earlier of when a reliable estimate of liability can be determined or the matter is ultimately resolved. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Loblaw will not face criminal charges or penalties.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including Loblaw and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks damages (unquantified) for the expenses incurred by the province in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in British Columbia. In May 2019, two further opioid-related class actions were commenced in each of Ontario and Quebec against a large group of defendants, including Sanis Health Inc. In February 2020, a further opioid-related class action was commenced in British Columbia against a large group of defendants, including Sanis Health Inc., Shoppers Drug Mart Inc. and Loblaw. The allegations in the Ontario, Quebec and the civil British Columbia class actions are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that these May 2019 and February 2020 claims seek recovery of damages on behalf of opioid users directly. Loblaw believes these proceedings are without merit and is vigorously defending them. Loblaw does not currently have any significant accruals or provisions for these matters recorded in the unaudited interim period condensed consolidated financial statements.

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Loblaw has been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by 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 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 Federal Court of Appeal. On October 15, 2019, the appeal was heard by the Federal Court of Appeal and on April 23, 2020, the Federal Court of Appeal released its decision and reversed the decision of the Tax Court. In the third quarter, the Crown filed an application for leave to appeal to the 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 charges.

INDEMNIFICATION PROVISIONS The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements, lease agreements in connection with business or asset acquisitions or dispositions, and other types of commercial agreements. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representations and warranties or in respect of future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. In addition, the terms of these indemnification provisions vary in amount and certain indemnification provisions do not provide for a maximum potential indemnification amount. Indemnity amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. As a result, the Company is unable to reasonably estimate its total maximum potential liability in respect of indemnification provisions. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Note 22. Related Party Transactions

VENTURE FUND During the second quarter of 2020, GWL, Loblaw and a wholly-owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington (the "Venture Fund"). A wholly-owned subsidiary of Wittington is the general partner of the Venture Fund, which hired an external fund manager to oversee the Venture Fund. The purpose of the Venture Fund is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have a 33% interest in the Venture Fund. The Company participates in the Venture Fund's Investment Committee which, among other items, approves the initial investments. The Company uses the equity method of accounting to record its consolidated 66% interest in the Venture Fund. The Company has a consolidated capital commitment of \$66 million over a 10-year period. During the third quarter of 2020, on a consolidated basis, the Company invested \$14 million in the Venture Fund. The investment was recorded within Other Assets.

TRANSACTION BETWEEN CHOICE PROPERTIES AND WITTINGTON On July 31, 2020, Choice Properties acquired two real estate assets from Wittington Properties Limited, a subsidiary of 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.

Note 23. Segment Information

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

The accounting policies of the reportable operating segments are the same as those described herein and in the Company's 2019 audited annual consolidated financial statements. The Company measures each reportable operating segment's performance based on adjusted EBITDA⁽ⁱ⁾ and adjusted operating income⁽ⁱⁱ⁾. No reportable operating segment is reliant on any single external customer.

(\$ millions)	16 Weeks Ended									
	Oct. 3, 2020					Oct. 5, 2019				
	Loblaw	Choice Properties	Weston Foods	Other and Intersegment	Total	Loblaw	Choice Properties	Weston Foods	Other and Intersegment	Total
Revenue	\$ 15,671	\$ 309	\$ 592	\$ (363)	\$ 16,209	\$ 14,655	\$ 324	\$ 638	\$ (391)	\$ 15,226
Operating income (loss)	\$ 716	\$ 242	\$ 16	\$ 9	\$ 983	\$ 688	\$ 221	\$ 23	\$ (48)	\$ 884
Net interest expense (income) and other financing charges	228	145	1	(51)	323	223	434	1	(141)	517
Earnings (loss) before income taxes	\$ 488	\$ 97	\$ 15	\$ 60	\$ 660	\$ 465	\$ (213)	\$ 22	\$ 93	\$ 367
Operating income (loss)	\$ 716	\$ 242	\$ 16	\$ 9	\$ 983	\$ 688	\$ 221	\$ 23	\$ (48)	\$ 884
Depreciation and amortization	795	1	47	(114)	729	775	–	44	(118)	701
Adjusting items ⁽ⁱ⁾	11	(18)	(1)	11	3	27	5	5	39	76
Adjusted EBITDA ⁽ⁱ⁾	\$ 1,522	\$ 225	\$ 62	\$ (94)	\$ 1,715	\$ 1,490	\$ 226	\$ 72	\$ (127)	\$ 1,661
Depreciation and amortization ⁽ⁱⁱ⁾	640	1	44	(114)	571	618	–	40	(118)	540
Adjusted operating income (loss)⁽ⁱⁱ⁾	\$ 882	\$ 224	\$ 18	\$ 20	\$ 1,144	\$ 872	\$ 226	\$ 32	\$ (9)	\$ 1,121

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

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

(\$ millions)	40 Weeks Ended					Oct. 5, 2019				
	Oct. 3, 2020									
	Loblaw	Choice Properties	Weston Foods	Other and Intersegment	Total	Loblaw	Choice Properties	Weston Foods	Other and Intersegment	Total
Revenue	\$ 39,428	\$ 949	\$ 1,539	\$ (1,017)	\$ 40,899	\$ 36,447	\$ 971	\$ 1,633	\$ (1,049)	\$ 38,002
Operating income (loss)	\$ 1,657	\$ 290	\$ (32)	\$ 67	\$ 1,982	\$ 1,723	\$ 670	\$ 45	\$ (198)	\$ 2,240
Net interest expense (income) and other financing charges	576	(44)	(1)	55	586	571	1,546	1	(421)	1,697
Earnings (loss) before income taxes	\$ 1,081	\$ 334	\$ (31)	\$ 12	\$ 1,396	\$ 1,152	\$ (876)	\$ 44	\$ 223	\$ 543
Operating income (loss)	\$ 1,657	\$ 290	\$ (32)	\$ 67	\$ 1,982	\$ 1,723	\$ 670	\$ 45	\$ (198)	\$ 2,240
Depreciation and amortization	1,987	2	134	(268)	1,855	1,935	1	111	(277)	1,770
Adjusting items ⁽ⁱ⁾	59	361	19	(170)	269	43	18	11	50	122
Adjusted EBITDA ⁽ⁱ⁾	\$ 3,703	\$ 653	\$ 121	\$ (371)	\$ 4,106	\$ 3,701	\$ 689	\$ 167	\$ (425)	\$ 4,132
Depreciation and amortization ⁽ⁱⁱ⁾	1,595	2	112	(268)	1,441	1,543	1	105	(277)	1,372
Adjusted operating income (loss)⁽ⁱ⁾	\$ 2,108	\$ 651	\$ 9	\$ (103)	\$ 2,665	\$ 2,158	\$ 688	\$ 62	\$ (148)	\$ 2,760

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

(ii) 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.

Other and Intersegment includes the following items:

(\$ millions)	16 Weeks Ended			Oct. 5, 2019		
	Oct. 3, 2020					
	Revenue	Operating Income	Net Interest Expense and Other Financing Charges	Revenue	Operating Income	Net Interest Expense and Other Financing Charges
Elimination of internal lease arrangements	\$ (132)	\$ 23	\$ (44)	\$ (134)	\$ 2	\$ (54)
Elimination of cost recovery	(44)	—	—	(50)	—	—
Elimination of lease surrender	—	—	—	(2)	—	—
Loblaw's net gain on sale leaseback of property to Choice Properties	—	—	—	—	(2)	—
Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost	—	(6)	—	—	(1)	—
Fair value adjustment on investment properties	—	(11)	—	—	(39)	—
Fair value adjustment on Choice Properties' Exchangeable Units	—	—	(15)	—	—	(297)
Fair value adjustment on Trust Unit liability	—	—	(12)	—	—	169
Unit distributions on Exchangeable Units paid by Choice Properties to GWL	—	—	(72)	—	—	(72)
Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL	—	—	51	—	—	48
Intercompany sales	(187)	—	—	(205)	—	—
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	—	—	27	—	—	52
Gain on sale of a property	—	15	—	—	—	—
Other	—	(12)	14	—	(8)	13
Total Consolidated	\$ (363)	\$ 9	\$ (51)	\$ (391)	\$ (48)	\$ (141)

40 Weeks Ended

(\$ millions)	Oct. 3, 2020			Oct. 5, 2019		
	Revenue	Operating Income	Net Interest Expense and Other Financing Charges	Revenue	Operating Income	Net Interest Expense and Other Financing Charges
Elimination of internal lease arrangements	\$ (388)	\$ (61)	\$ (108)	\$ (406)	\$ (96)	\$ (137)
Elimination of cost recovery	(153)	–	–	(156)	–	–
Elimination of lease surrender	–	–	–	(2)	–	–
Loblaw's net gain on sale leaseback of property to Choice Properties	–	–	–	–	(7)	–
Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost	–	(32)	–	–	(24)	–
Fair value adjustment on investment properties	–	172	–	–	(51)	–
Fair value adjustment on Choice Properties' Exchangeable Units	–	–	441	–	–	(1,139)
Fair value adjustment on Trust Unit liability	–	–	(259)	–	–	753
Unit distributions on Exchangeable Units paid by Choice Properties to GWL	–	–	(216)	–	–	(216)
Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL	–	–	147	–	–	137
Intercompany sales	(476)	–	–	(485)	–	–
Foreign currency translation ⁽ⁱ⁾	–	–	–	–	(1)	–
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	–	–	14	–	–	136
Choice Properties issuance costs	–	–	–	–	–	14
Gain on sale of a property	–	15	–	–	–	–
Other	–	(27)	36	–	(19)	31
Total Consolidated	\$ (1,017)	\$ 67	\$ 55	\$ (1,049)	\$ (198)	\$ (421)

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

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

(\$ millions)	Oct. 3, 2020	As at	
		Oct. 5, 2019	Dec. 31, 2019
Total Assets			
Loblaw	\$ 36,020	\$ 35,615	\$ 36,451
Choice Properties	15,398	15,482	15,575
Weston Foods	4,483	3,765	4,261
Other ⁽ⁱ⁾	32	358	28
Intersegment	(8,099)	(8,485)	(8,502)
Consolidated	\$ 47,834	\$ 46,735	\$ 47,813

(i) Other includes cash and cash equivalents and short-term investments held by foreign operations.

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 3, 2020 ⁽ⁱ⁾	Oct. 5, 2019 ⁽ⁱ⁾	Oct. 13, 2020 ⁽ⁱ⁾	Oct. 5, 2019 ⁽ⁱ⁾
Additions to Fixed Assets, Investment Properties and Intangible Assets				
Loblaw	\$ 396	\$ 407	\$ 806	\$ 790
Choice Properties	33	27	102	108
Weston Foods	52	55	109	124
Other	4	3	6	3
Consolidated	\$ 485	\$ 492	\$ 1,023	\$ 1,025

(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. Additions to fixed assets in Loblaw included prepayments that were made in 2018 and transferred from other assets in 2019 of \$10 million in the third quarter of 2019 and year-to-date

Note 24. Subsequent Events

CHOICE PROPERTIES' TRANSACTIONS 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.