

Management's Discussion and Analysis

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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 2021 unaudited interim period condensed consolidated financial statements and the accompanying notes of this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2020 and the related annual MD&A included in the Company's 2020 Annual Report.

The Company's third quarter 2021 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 two reportable operating segments, Loblaw Companies Limited ("Loblaw") and Choice Properties Real Estate Investment Trust ("Choice Properties"). 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.

On March 23, 2021, the Company announced its intention to launch a process to sell the Weston Foods business, comprised of the fresh, frozen and ambient bakery businesses. As at October 9, 2021, Weston Foods was classified as assets held for sale and discontinued operations. As such, the assets and liabilities of Weston Foods have been classified as held for sale and the Weston Foods results, net of intersegment eliminations, have been presented separately as Discontinued Operations in the Company's current and comparative results. Subsequent to the end of the third quarter of 2021, the Company announced on October 26, 2021, an agreement to sell the fresh and frozen bakery businesses, for aggregate cash consideration of \$1.2 billion and on November 15, 2021, an agreement to sell the ambient business for aggregate cash consideration of \$370 million. The transactions are subject to compliance with applicable competition law and regulatory reviews and other closing conditions customary for transactions of this nature. Subject to the receipt of all regulatory approvals and satisfaction of customary closing conditions, the Company expects to close each of the transactions before the end of the first quarter of 2022. Upon closing of each respective transaction, the respective purchaser will enter into a supply agreement with Loblaw.

As at the end of the third quarter of 2021, the Company's ownership interest in Loblaw was 52.6%, 61.7% in Choice Properties and 100% in Weston Foods.

Unless otherwise indicated, all financial information in this MD&A represents the results from Continuing Operations.

In this MD&A, "Consolidated" refers to the consolidated results of GWL including its subsidiaries under Continuing Operations, 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 170 of the Company's 2020 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 8, "Outlook" and Section 10, "Forward-Looking Statements" of this MD&A.

The information in this MD&A is current to November 22, 2021, unless otherwise noted.

At a Glance

Key Financial Highlights

As at or for the 16 weeks ended October 9, 2021 and October 3, 2020
(\$ millions except where otherwise indicated)

The Company's interest in Weston Foods is presented separately as Discontinued Operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from Continuing Operations.

Consolidated

\$ 16,192	+2.4%	\$ 1,125	+16.7%	\$ 1,780	+8.3%	11.0%	+60bps
	vs. Q3 2020 ⁽⁴⁾		vs. Q3 2020 ⁽⁴⁾		vs. Q3 2020 ^(3,4)		vs. Q3 2020 ^(3,4)
REVENUE		OPERATING INCOME		ADJUSTED EBITDA⁽¹⁾		ADJUSTED EBITDA MARGIN⁽¹⁾ (%)	
<hr/>		<hr/>		<hr/>		<hr/>	
\$ 238	-17.6%	\$ 365	+6.4%	\$ 1.58	-15.5%	\$ 2.43	+9.5%
	vs. Q3 2020 ⁽⁴⁾		vs. Q3 2020 ^(3,4)		vs. Q3 2020 ⁽⁴⁾		vs. Q3 2020 ^(3,4)
NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS FROM CONTINUING OPERATIONS		ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS FROM CONTINUING OPERATIONS⁽¹⁾		DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS (\$)		ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS⁽¹⁾ (\$)	

GWL Corporate⁽²⁾

\$ 207	-8.4%	\$ 286	-12.8%	\$ 0.60	+14.3%	12.0%	+240bps
	vs. Q3 2020 ⁽⁴⁾		vs. Q3 2020 ⁽⁴⁾		vs. Q3 2020		vs. Q3 2020 ^(3,4)
CASH FLOW FROM OPERATING BUSINESSES FROM CONTINUING OPERATIONS⁽¹⁾		GWL CORPORATE FREE CASH FLOW FROM CONTINUING OPERATIONS⁽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.

(3) Certain figures have been restated due to the non-GAAP financial measures policy change. See section 9.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's Third Quarter 2021 MD&A.

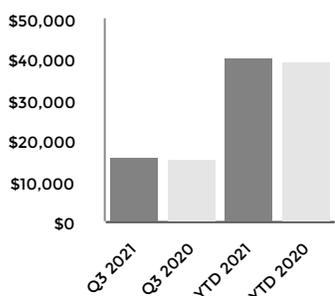
(4) Comparative figures have been restated to conform with current year presentation.

Key Performance Indicators

For the 16 weeks and 40 weeks ended October 9, 2021 and October 3, 2020
(\$ millions except where otherwise indicated)

The Company's interest in Weston Foods is presented separately as Discontinued Operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from Continuing Operations.

REVENUE

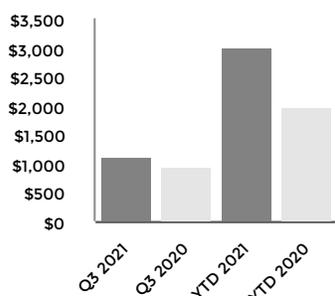


Q3 2021	\$	16,192	
Q3 2020 ⁽⁴⁾	\$	15,806	+2.4%
YTD 2021	\$	40,846	
YTD 2020 ⁽⁴⁾	\$	39,840	+2.5%

How we performed

Revenue increased in the third quarter of 2021 and year-to-date primarily due to growth in Loblaw.

OPERATING INCOME



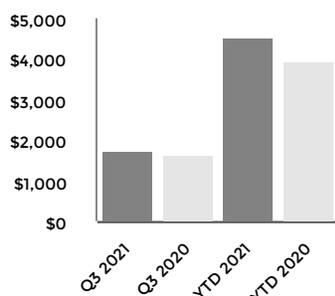
Q3 2021	\$	1,125	
Q3 2020 ⁽⁴⁾	\$	964	+16.7%
YTD 2021	\$	3,018	
YTD 2020 ⁽⁴⁾	\$	2,006	+50.4%

How we performed

Operating income increased in the third quarter of 2021 mainly due to the favourable year-over-year net impact of adjusting items and the improvement in the underlying operating performance of Loblaw, partially offset by the unfavourable year-over-year impact of certain one-time gains in the prior year recorded in Other and Intersegment.

Year-to-date, the increase was due to the favourable year-over-year net impact of adjusting items and the improvements in the underlying operating performance of Loblaw and Choice Properties, partially offset by the unfavourable year-over-year impact of certain one-time gains in the prior year recorded in Other and Intersegment.

ADJUSTED EBITDA⁽¹⁾



Q3 2021	\$	1,780	
Q3 2020 ^(3,4)	\$	1,644	+8.3%
YTD 2021	\$	4,542	
YTD 2020 ^(3,4)	\$	3,960	+14.7%

How we performed

Adjusted EBITDA⁽¹⁾ increased in the third quarter of 2021 mainly due to an increase in Loblaw, partially offset by the unfavourable year-over-year impact of certain one-time gains in the prior year recorded in Other and Intersegment.

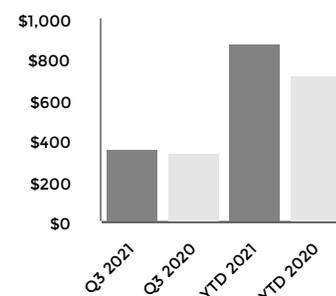
Year-to-date, the increase was primarily due to an increase in Loblaw and Choice Properties, partially offset by the unfavourable year-over-year impact of certain one-time gains in the prior year recorded in Other and Intersegment.

Adjusted EBITDA margin⁽¹⁾ in the third quarter of 2021 and year-to-date increased primarily driven by an improvement in Loblaw retail adjusted gross profit percentage⁽¹⁾ partially offset by an unfavourable increase in selling, general and administrative expenses primarily due to normalization of post-lockdown conditions.

ADJUSTED EBITDA MARGIN⁽¹⁾ (%)

Q3 2021		+60bps
Q3 2021	vs. Q3 2020 ^(3,4)	
YTD 2021		+120bps
YTD 2021	vs. 2020 ^(3,4)	

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS FROM CONTINUING OPERATIONS⁽¹⁾



Q3 2021	\$	365	
Q3 2020 ^(3,4)	\$	343	+6.4%
YTD 2021	\$	885	
YTD 2020 ^(3,4)	\$	725	+22.1%

How we performed

Adjusted net earnings available to common shareholders⁽¹⁾ from continuing operations increased in the third quarter of 2021 due to the improvement in the underlying operating performance at Loblaw.

Year-to-date, the increase was due to the improvement in the underlying operating performance at Loblaw and Choice Properties.

Adjusted diluted net earnings per common share⁽¹⁾ from continuing operations increased in the third quarter and year-to-date due to the performance in adjusted net earnings available to common shareholders⁽¹⁾ from continuing operations and lower weighted average common shares due to share repurchases.

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

Q3 2021		+9.5%
Q3 2021	vs. Q3 2020 ^(3,4)	
YTD 2021		+24.0%
YTD 2021	vs. 2020 ^(3,4)	

(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.

(3) Certain figures have been restated due to the non-GAAP financial measures policy change. See section 9.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's Third Quarter 2021 MD&A.

(4) Comparative figures have been restated to conform with current year presentation.

GWL Corporate Free Cash Flow⁽¹⁾

The Company's interest in Weston Foods is presented separately as Discontinued Operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from Continuing Operations. GWL Corporate free cash flow⁽¹⁾ is generated from the dividends received from Loblaw, distributions received from Choice Properties, and proceeds from participation in Loblaw's Normal Course Issuer Bid, less corporate expenses, interest and income taxes paid.

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾
Dividends from Loblaw	\$ 124	\$ 117	\$ 185	\$ 235
Distributions from Choice Properties	83	109	248	245
GWL Corporate cash flow from operating businesses⁽¹⁾ from Continuing Operations	\$ 207	\$ 226	\$ 433	\$ 480
Proceeds from participation in Loblaw's Normal Course Issuer Bid	136	169	474	261
GWL Corporate, financing, and other costs ⁽ⁱ⁾	(44)	(65)	(110)	(127)
Income taxes paid	(13)	(2)	(27)	(9)
GWL Corporate free cash flow⁽¹⁾ from Continuing Operations	\$ 286	\$ 328	\$ 770	\$ 605

(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 9, 2021 and October 3, 2020
(\$ millions except where otherwise indicated)

GWL CORPORATE ⁽²⁾ CASH FLOW FROM OPERATING BUSINESSES ⁽¹⁾ FROM CONTINUING OPERATIONS	
\$ 207	-8.4 %
Q3 2021	vs. Q3 2020
\$ 433	-9.8 %
YTD 2021	vs. 2020

GWL CORPORATE ⁽²⁾ FREE CASH FLOW ⁽¹⁾ FROM CONTINUING OPERATIONS	
\$ 286	-12.8 %
Q3 2021	vs. Q3 2020
\$ 770	+27.3 %
YTD 2021	vs. 2020

GWL CORPORATE ⁽²⁾ NET DEBT	
\$ 461	+138.9 %
Q3 2021	vs. Q3 2020
\$ 193	
Q3 2020	

How we performed

Decrease in the third quarter of 2021 was primarily due to lower distributions received from Choice Properties due to timing, partially offset by higher dividends received from Loblaw.

Decrease year-to-date was primarily due to lower dividends received from Loblaw due to timing.

How we performed

Decrease in the third quarter of 2021 was primarily due to lower proceeds from participation in Loblaw's Normal Course Issuer Bid, decreases in cash flows from operating businesses from continuing operations⁽¹⁾ and higher income taxes paid.

Increase year-to-date was primarily due to higher proceeds from participation in Loblaw's Normal Course Issuer Bid, partially offset by decreases in dividends received from Loblaw due to timing and higher income taxes paid.

How we performed

Increase is primarily driven by lower cash and cash equivalents.

The settlement of the net debt associated with the equity forward sale agreement was offset by reduction in cash and had no impact on GWL Corporate⁽²⁾ net debt. See Section 3.3, "Components of Total Debt" of this MD&A for details.

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

Management's Discussion and Analysis

1. Overall Financial Performance

BUSINESS DEVELOPMENTS

Sale of Weston Foods On March 23, 2021, the Company announced its intention to launch a process to sell the Weston Foods business, comprised of the fresh, frozen and ambient bakery businesses.

As at October 9, 2021, Weston Foods was classified as assets held for sale and discontinued operations. As such, the assets and liabilities of Weston Foods have been classified as held for sale and the Weston Foods results, net of intersegment eliminations, have been presented separately as Discontinued Operations in the Company's current and comparative results.

Subsequent to the end of the third quarter of 2021, the Company announced on October 26, 2021, an agreement to sell the fresh and frozen bakery businesses, for aggregate cash consideration of \$1.2 billion and on November 15, 2021, an agreement to sell the ambient business for aggregate cash consideration of \$370 million. The transactions are subject to compliance with applicable competition law and regulatory reviews and other closing conditions customary for transactions of this nature. Subject to the receipt of all regulatory approvals and satisfaction of customary closing conditions, the Company expects to close each of the transactions before the end of the first quarter of 2022. Upon closing of each respective transaction, the respective purchaser will enter into a supply agreement with Loblaw.

1.1 Consolidated Results of Operations

Loblaw delivered another quarter of positive financial results. Loblaw experienced strong demand in stores and online, as economies re-opened and eat-at-home trends remained elevated. Seasonal shopping for back-to-school and Thanksgiving was robust. In Loblaw's pharmacy business, beauty sales climbed with gradual return to social and work activities while drug sales grew, supported by demand for pharmacy services. Loblaw maintained its focus on delivering service and value where consumers and their families need it most.

Choice Properties delivered strong financial and operational results in the third quarter of 2021. Contractual rent collections remained high at 99%, reflecting Choice Properties' necessity-based portfolio. During the quarter, Choice Properties continued to advance its long-term pipeline of mixed-use development, submitting zoning applications for two additional projects. To date, Choice Properties has approximately 10 million square feet of potential density submitted for zoning approval. Choice Properties' balance sheet is strong, and the business is well positioned to execute on its pipeline of compelling development opportunities.

The Company's interest in Weston Foods is presented separately as Discontinued Operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from Continuing Operations.

The Company's results reflect:

- the impact of COVID-19. Also refer to Section 2, "Results of Reportable Operating Segments" and Section 8, "Outlook" 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. 9, 2021	Oct. 3, 2020 ^(3,4)	\$ Change	% Change	Oct. 9, 2021	Oct. 3, 2020 ^(3,4)	\$ Change	% Change
Revenue	\$ 16,192	\$ 15,806	\$ 386	2.4%	\$ 40,846	\$ 39,840	\$ 1,006	2.5%
Operating income	\$ 1,125	\$ 964	\$ 161	16.7%	\$ 3,018	\$ 2,006	\$ 1,012	50.4%
Adjusted EBITDA ⁽¹⁾	\$ 1,780	\$ 1,644	\$ 136	8.3%	\$ 4,542	\$ 3,960	\$ 582	14.7%
Adjusted EBITDA margin ⁽¹⁾	11.0%	10.4%			11.1%	9.9%		
Depreciation and amortization⁽ⁱ⁾	\$ 704	\$ 682	\$ 22	3.2%	\$ 1,770	\$ 1,722	\$ 48	2.8%
Net interest expense and other financing charges	\$ 412	\$ 323	\$ 89	27.6%	\$ 1,460	\$ 585	\$ 875	149.6%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 287	\$ 308	\$ (21)	(6.8)%	\$ 797	\$ 830	\$ (33)	(4.0)%
Income taxes	\$ 200	\$ 157	\$ 43	27.4%	\$ 566	\$ 333	\$ 233	70.0%
Adjusted income taxes ⁽¹⁾	\$ 252	\$ 215	\$ 37	17.2%	\$ 647	\$ 484	\$ 163	33.7%
Adjusted effective tax rate ⁽¹⁾	26.7%	26.6%			27.4%	26.9%		
Net earnings attributable to shareholders of the Company from Continuing Operations	\$ 252	\$ 303	\$ (51)	(16.8)%	\$ 325	\$ 683	\$ (358)	(52.4)%
Net earnings available to common shareholders of the Company	\$ 124	\$ 303	\$ (179)	(59.1)%	\$ 170	\$ 630	\$ (460)	(73.0)%
Continuing Operations	\$ 238	\$ 289	\$ (51)	(17.6)%	\$ 291	\$ 649	\$ (358)	(55.2)%
Discontinued Operations	\$ (114)	\$ 14	\$ (128)	(914.3)%	\$ (121)	\$ (19)	\$ (102)	(536.8)%
Adjusted net earnings available to common shareholders of the Company ⁽¹⁾	\$ 359	\$ 358	\$ 1	0.3%	\$ 874	\$ 736	\$ 138	18.8%
Continuing Operations	\$ 365	\$ 343	\$ 22	6.4%	\$ 885	\$ 725	\$ 160	22.1%
Discontinued Operations	\$ (6)	\$ 15	\$ (21)	(140.0)%	\$ (11)	\$ 11	\$ (22)	(200.0)%
Diluted net earnings per common share (\$)	\$ 0.82	\$ 1.96	\$ (1.14)	(58.2)%	\$ 1.10	\$ 4.08	\$ (2.98)	(73.0)%
Continuing Operations	\$ 1.58	\$ 1.87	\$ (0.29)	(15.5)%	\$ 1.90	\$ 4.21	\$ (2.31)	(54.9)%
Discontinued Operations	\$ (0.76)	\$ 0.09	\$ (0.85)	(944.4)%	\$ (0.80)	\$ (0.13)	\$ (0.67)	(515.4)%
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 2.39	\$ 2.32	\$ 0.07	3.0%	\$ 5.76	\$ 4.77	\$ 0.99	20.8%
Continuing Operations	\$ 2.43	\$ 2.22	\$ 0.21	9.5%	\$ 5.83	\$ 4.70	\$ 1.13	24.0%
Discontinued Operations	\$ (0.04)	\$ 0.10	\$ (0.14)	(140.0)%	\$ (0.07)	\$ 0.07	\$ (0.14)	(200.0)%

(i) Depreciation and amortization includes \$155 million (2020 - \$155 million) in the third quarter of 2021 and \$389 million (2020 - \$392 million) year-to-date of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation, recorded by Loblaw.

Management's Discussion and Analysis

NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY FROM CONTINUING OPERATIONS

In the third quarter of 2021, the Company recorded net earnings available to common shareholders of the Company from continuing operations of \$238 million (\$1.58 per common share), a decrease of \$51 million (\$0.29 per common share) compared to the same period in 2020. The decrease was due to the unfavourable year-over-year net impact of adjusting items totaling \$73 million (\$0.50 per common share), partially offset by an improvement of \$22 million (\$0.21 per common share) in the consolidated underlying operating performance of the Company described below.

- The unfavourable year-over-year net impact of adjusting items totaling \$73 million (\$0.50 per common share) was primarily due to:
 - the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$64 million (\$0.43 per common share) as a result of the increase in Choice Properties' unit price in the third quarter of 2021; and
 - the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement of Loblaw common shares of \$41 million (\$0.28 per common share);partially offset by,
 - the favourable year-over-year impact of the fair value adjustment on investment properties of \$30 million (\$0.21 per common share) primarily driven by Choice Properties, net of consolidation adjustments in Other and Intersegment.
- The improvement in the Company's consolidated underlying operating performance of \$22 million (\$0.21 per common share) was due to:
 - the favourable underlying operating performance of Loblaw; and
 - a decrease in adjusted net interest expense and other financing charges⁽¹⁾;partially offset by,
 - the unfavourable year-over-year impact of certain one-time gains in the prior year recorded on consolidation in Other and Intersegment related to Choice Properties' transactions.
- Diluted net earnings per common share from continuing operations also included the favourable impact of shares purchased for cancellation over the last 12 months (\$0.06 per common share).

Adjusted net earnings available to common shareholders of the Company from continuing operations⁽¹⁾ were \$365 million, an increase of \$22 million, or 6.4%, compared to the same period in 2020 due to the improvement in the Company's consolidated underlying operating performance described above. Adjusted diluted net earnings per common share⁽¹⁾ from continuing operations were \$2.43 per common share in the third quarter of 2021, an increase of \$0.21 per common share, or 9.5%, compared to the same period in 2020. The increase was due to the favourable performance in adjusted net earnings available to common shareholders⁽¹⁾ from continuing operations and the favourable impact of share repurchases.

Year-to-date net earnings available to common shareholders of the Company from continuing operations were \$291 million (\$1.90 per common share), a decrease of \$358 million (\$2.31 per common share) compared to the same period in 2020. The decrease was due to the unfavourable year-over-year net impact of adjusting items totaling \$518 million (\$3.44 per common share), partially offset by an improvement in the Company's consolidated underlying operating performance of \$160 million (\$1.13 per common share) described below.

- The unfavourable year-over-year net impact of adjusting items totaling \$518 million (\$3.44 per common share) was primarily due to:
 - the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$738 million (\$4.86 per common share) as a result of the significant increase in Choice Properties' unit price during 2021; and
 - the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement of Loblaw common shares of \$148 million (\$0.98 per common share);
 partially offset by,
 - the favourable year-over-year impact of the fair value adjustment on investment properties of \$356 million (\$2.34 per common share) primarily driven by Choice Properties, net of consolidation adjustments in Other and Intersegment.
- The improvement in the Company's consolidated underlying operating performance of \$160 million (\$1.13 per common share) was due to:
 - the favourable underlying operating performance of Loblaw;
 - the favourable underlying operating performance of Choice Properties; and
 - a decrease in adjusted net interest expense and other financing charges⁽¹⁾;
 partially offset by,
 - an increase in depreciation and amortization;
 - an increase in the adjusted effective tax rate⁽¹⁾ primarily attributable to an increase in tax expense as a result of GWL's participation in Loblaw's Normal Course Issuer Bid ("NCIB") program"; and
 - the unfavourable year-over-year impact of certain one-time gains in the prior year recorded on consolidation in Other and Intersegment related to Choice Properties' transactions.
- Diluted net earnings per common share from continuing operations also included the favourable impact of shares purchased for cancellation over the last 12 months (\$0.10 per common share).

Year-to-date adjusted net earnings available to common shareholders of the Company⁽¹⁾ from continuing operations were \$885 million (\$5.83 per common share), an increase of \$160 million, or 22.1%, compared to the same period of 2020 due to the improvement in the Company's consolidated underlying operating performance described above. Adjusted diluted net earnings per common share⁽¹⁾ from continuing operations were \$5.83 per common share in the third quarter of 2021, an increase of \$1.13 per common share, or 24.0%, compared to the same period in 2020. The increase was due to the favourable performance in adjusted net earnings available to common shareholders⁽¹⁾ from continuing operations and the favourable impact of share repurchases.

REVENUE

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change	% Change	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change	% Change
Loblaw	\$ 16,050	\$ 15,671	\$ 379	2.4%	\$ 40,413	\$ 39,428	\$ 985	2.5%
Choice Properties	\$ 316	\$ 309	\$ 7	2.3%	\$ 967	\$ 949	\$ 18	1.9%
Other and Intersegment	\$ (174)	\$ (174)			\$ (534)	\$ (537)		
Consolidated	\$ 16,192	\$ 15,806	\$ 386	2.4%	\$ 40,846	\$ 39,840	\$ 1,006	2.5%

Revenue in the third quarter of 2021 was \$16,192 million, an increase of \$386 million, or 2.4%, compared to the same period in 2020. The increase in revenue in the third quarter of 2021 was impacted by each of its reportable operating segments as follows:

- Positively by 2.4% due to revenue growth of 2.4% at Loblaw, primarily driven by an increase in retail sales and an improvement in financial services revenue. Retail sales increased by \$367 million, or 2.4%, compared to the same period in 2020. The increase was primarily due to positive same-store sales growth and a net increase in retail square footage. Food retail same-store sales grew by 0.2% for the quarter. Sales were impacted by lower eat-at-home trends after strong growth last year, offset by higher industry inflation levels. Food retail basket size decreased and traffic increased in the quarter, as compared to the third quarter of 2020. Loblaw's internal measures of inflation were slightly higher than the average quarterly national food price inflation of 2.6% (2020 – 1.8%), as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI"). Drug retail same-store sales grew by 4.4%. Pharmacy same-store sales growth benefited from strong sales in fee related services. Front store same-store sales growth benefited from the economic re-opening in the third quarter of 2021.

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- Positively by a nominal amount due to growth in revenue of 2.3% at Choice Properties. The increase of \$7 million was mainly due to the contribution from acquisitions and development transfers completed in 2020 and 2021, partially offset by foregone revenue from dispositions in 2020 and vacancies in select retail and office assets.

Year-to-date revenue was \$40,846 million, an increase of \$1,006 million, or 2.5%, compared to the same period in 2020. The increase in revenue was impacted by each of the Company's reportable operating segments as follows:

- Positively by 2.5% due to revenue growth of 2.5% at Loblaw, primarily driven by an increase in retail sales and an improvement in financial services revenue. Retail sales increased by \$967 million, or 2.5%, compared to the same period in 2020. The increase was primarily due to positive same-store sales growth and a net increase in retail square footage. Food retail same-store sales increased by 0.1% compared to the same period of 2020. Drug retail same-store sales growth was 4.1%.
- Positively by a nominal amount due to an increase in revenue of 1.9% at Choice Properties. The increase of \$18 million was mainly due to the contribution from acquisitions and development transfers completed in 2020 and 2021, partially offset by foregone revenue from dispositions in 2020 and vacancies in select retail and office assets.

OPERATING INCOME

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change	% Change	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change	% Change
Loblaw	\$ 861	\$ 716	\$ 145	20.3%	\$ 2,226	\$ 1,657	\$ 569	34.3%
Choice Properties	\$ 276	\$ 242	\$ 34	14.0%	\$ 1,064	\$ 290	\$ 774	266.9%
Other and Intersegment	\$ (12)	\$ 6			\$ (272)	\$ 59		
Consolidated	\$ 1,125	\$ 964	\$ 161	16.7%	\$ 3,018	\$ 2,006	\$ 1,012	50.4%

Operating income in the third quarter of 2021 was \$1,125 million compared to \$964 million in the same period in 2020, an increase of \$161 million, or 16.7%. The increase was mainly attributable to the improvement in underlying operating performance of \$114 million and the favourable year-over-year net impact of adjusting items totaling \$47 million described below:

- the improvement in underlying operating performance of \$114 million was due to:
 - the favourable underlying operating performance of Loblaw due to the improvements in retail and financial services; partially offset by,
 - an increase in depreciation and amortization mainly at Loblaw; and
 - the unfavourable year-over-year impact of certain one-time gains in the prior year recorded on consolidation in Other and Intersegment related to Choice Properties' transactions.
- the favourable year-over-year net impact of adjusting items totaling \$47 million was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of investment properties of \$34 million;
 - the favourable year-over-year impact of the fair value adjustment of derivatives of \$8 million; and
 - the favourable year-over-year change in net gain on the sale of non-operating properties of \$8 million.

Year-to-date operating income was \$3,018 million compared to \$2,006 million in the same period in 2020, an increase of \$1,012 million, or 50.4%. The increase was mainly attributable to the improvement in underlying operating performance of \$531 million and the favourable year-over-year net impact of adjusting items totaling \$481 million described below:

- the improvement in underlying operating performance of \$531 million was due to:
 - the favourable underlying operating performance of Loblaw due to the improvements in retail and financial services; and
 - the favourable underlying operating performance of Choice Properties; partially offset by,
 - an increase in depreciation and amortization mainly at Loblaw; and
 - the unfavourable year-over-year impact of certain one-time gains in the prior year recorded on consolidation in Other and Intersegment related to Choice Properties' transactions.

- the favourable year-over-year net impact of adjusting items totaling \$481 million was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of investment properties of \$424 million;
 - the favourable year-over-year impact of the fair value adjustment of derivatives of \$31 million;
 - the favourable year-over-year change in net gain on the sale of non-operating properties of \$11 million; and
 - the favourable year-over-year impact of restructuring and other related costs of \$9 million.

ADJUSTED EBITDA⁽¹⁾

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 9, 2021	Oct. 3, 2020 ^(3,4)	\$ Change	% Change	Oct. 9, 2021	Oct. 3, 2020 ^(3,4)	\$ Change	% Change
Loblaw	\$ 1,672	\$ 1,516	\$ 156	10.3%	\$ 4,257	\$ 3,685	\$ 572	15.5%
Choice Properties	\$ 226	\$ 225	\$ 1	0.4%	\$ 674	\$ 653	\$ 21	3.2%
Other and Intersegment	\$ (118)	\$ (97)			\$ (389)	\$ (378)		
Consolidated	\$ 1,780	\$ 1,644	\$ 136	8.3%	\$ 4,542	\$ 3,960	\$ 582	14.7%

Adjusted EBITDA⁽¹⁾ in the third quarter of 2021 was \$1,780 million compared to \$1,644 million in the same period in 2020, an increase of \$136 million, or 8.3%. The increase in adjusted EBITDA⁽¹⁾, excluding the impact of certain one-time gains recorded on consolidation in Other and Intersegment, was impacted by each of the Company's reportable operating segments as follows:

- Positively by 9.5% due to an increase of 10.3% in adjusted EBITDA⁽¹⁾ at Loblaw, driven by improvements in Loblaw retail and Loblaw financial services. The improvements in Loblaw retail were driven by higher retail gross profit, partially offset by an unfavourable increase in selling, general and administrative expenses ("SG&A").
- Positively by 0.1% due to an increase of 0.4% in adjusted EBITDA⁽¹⁾ at Choice Properties, primarily driven by a decline in expected credit loss provisions and the increase in revenue described above.

Year-to-date adjusted EBITDA⁽¹⁾ was \$4,542 million compared to \$3,960 million in the same period in 2020, an increase of \$582 million, or 14.7%. The increase in adjusted EBITDA⁽¹⁾, excluding the impact of certain one-time gains recorded on consolidation in Other and Intersegment, was impacted by each of the Company's reportable operating segments as follows:

- Positively by 14.4% due to an increase of 15.5% in adjusted EBITDA⁽¹⁾ at Loblaw driven by an increase in Loblaw retail, and Loblaw 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.
- Positively by 0.5% due to an increase of 3.2% in adjusted EBITDA⁽¹⁾ at Choice Properties, primarily driven by a decline in expected credit loss provisions and the increase in revenue described above.

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DEPRECIATION AND AMORTIZATION

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change	% Change	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change	% Change
Loblaw	\$ 817	\$ 795	\$ 22	2.8%	\$ 2,041	\$ 1,987	\$ 54	2.7%
Choice Properties	\$ 1	\$ 1	\$ –	–%	\$ 3	\$ 2	\$ 1	50.0%
Other and Intersegment	\$ (114)	\$ (114)			\$ (274)	\$ (267)		
Consolidated	\$ 704	\$ 682	\$ 22	3.2%	\$ 1,770	\$ 1,722	\$ 48	2.8%

Depreciation and amortization in the third quarter of 2021 was \$704 million, an increase of \$22 million compared to the same period in 2020. Year-to-date depreciation and amortization was \$1,770 million, an increase of \$48 million compared to the same period in 2020.

Depreciation and amortization in the third quarter and year-to-date included \$155 million (2020 – \$155 million) and \$389 million (2020 – \$392 million), respectively, of amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation (“Shoppers Drug Mart”) recorded by Loblaw. Excluding this amount, depreciation and amortization increased in the third quarter and year-to-date by \$22 million and \$51 million, respectively, primarily driven by an increase in depreciation of information technology (“IT”) and leased assets at Loblaw and an increase in depreciation in Loblaw financial services due to the launch of the *PC Money* Account.

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. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change	% Change	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change	% Change
Net interest expense and other financing charges	\$ 412	\$ 323	\$ 89	27.6%	\$ 1,460	\$ 585	\$ 875	149.6%
Add: Fair value adjustment of the Trust Unit liability	(52)	12	(64)	(533.3)%	(479)	259	(738)	(284.9)%
Fair value adjustment of the forward sale agreement for Loblaw common shares	(73)	(27)	(46)	(170.4)%	(184)	(14)	(170)	(1,214.3)%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 287	\$ 308	\$ (21)	(6.8)%	\$ 797	\$ 830	\$ (33)	(4.0)%

Net interest expense and other financing charges in the third quarter of 2021 were \$412 million, an increase of \$89 million compared to the same period in 2020. The increase was primarily due to the year-over-year impact of adjusting items totaling \$110 million itemized in the table above, and a decrease in adjusted net interest expense and other financing charges⁽¹⁾ of \$21 million. Included in the adjusting items was the unfavourable year-over-year fair value adjustment of the Trust Unit liability of \$64 million, as a result of the increase in Choice Properties’ unit price in the quarter. The Company is exposed to market price fluctuations as a result of units held by unitholders other than the Company which are redeemable for cash at the option of the holder and are presented as a liability on the Company’s consolidated balance sheet.

Adjusted net interest expense and other financing charges⁽¹⁾ decreased by \$21 million. The decrease was primarily driven by:

- a reduction in interest expense from lease liabilities at Loblaw;
- lower interest expense at Loblaw financial services; and
- a decrease in interest expense in Choice Properties primarily due to the completion of refinancing activity over the last year at lower interest rates including the early redemption for two senior unsecured debentures in the second quarter of 2020; partially offset by,
 - higher interest expense in Other and Intersegment adjustments, primarily related to interest expense on the financial liabilities recognized on Choice Properties’ transactions in 2020.

Year-to-date net interest expense and other financing charges were \$1,460 million, an increase of \$875 million compared to the same period in 2020. The increase was primarily due to the unfavourable year-over-year net impact of adjusting items totaling \$908 million, itemized in the table above, partially offset by a decrease in adjusted net interest expense and other financing charges⁽¹⁾ of \$33 million. Included in the adjusting items was the unfavourable year-over-year fair value adjustment of the Trust Unit liability of \$738 million, as a result of the significant increase in Choice Properties’ unit price during 2021.

Year-to-date adjusted net interest expense and other financing charges⁽¹⁾ decreased by \$33 million. The decrease was primarily driven by:

- a reduction in interest expense from lease liabilities at Loblaw;
- lower interest expense at Loblaw financial services; and
- a decrease in interest expense in Choice Properties primarily due to early redemption premiums for two senior unsecured debentures that were repaid in the second quarter of 2020, 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,

- higher interest expense in Other and Intersegment adjustments, primarily related to interest expense on the financial liabilities recognized on Choice Properties' transactions in 2020;
- higher interest expense in Choice Properties, including Other and Intersegment adjustments, primarily related to higher distributions from newly issued Trust Units in the third quarter of 2020 and newly issued Exchangeable Units in the fourth quarter of 2020; and
- lower short-term interest income in Other and Intersegment adjustments.

INCOME TAXES

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 9, 2021	Oct. 3, 2020 ^(3,4)	\$ Change	% Change	Oct. 9, 2021	Oct. 3, 2020 ^(3,4)	\$ Change	% Change
Income taxes	\$ 200	\$ 157	\$ 43	27.4%	\$ 566	\$ 333	\$ 233	70.0%
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽¹⁾⁽ⁱ⁾	43	45	(2)	(4.4)%	88	148	(60)	(40.5)%
Remeasurement of deferred tax balances	–	9	(9)	(100.0)%	–	9	(9)	(100.0)%
Outside basis difference in certain Loblaw shares	9	4	5	125.0%	(7)	(6)	(1)	(16.7)%
Adjusted income taxes ⁽¹⁾	\$ 252	\$ 215	\$ 37	17.2%	\$ 647	\$ 484	\$ 163	33.7%
Effective tax rate applicable to earnings before taxes	28.1%	24.5%			36.3%	23.4%		
Adjusted effective tax rate applicable to adjusted earnings before taxes ⁽¹⁾	26.7%	26.6%			27.4%	26.9%		

- (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⁾.

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The effective tax rate in the third quarter of 2021 was 28.1%, compared to 24.5% in the same period in 2020. The increase was primarily attributable to the quarter-over-quarter impact of the non-taxable fair value adjustment of the Trust Unit liability and the impact of certain other non-deductible items, partially offset by higher earnings of lower tax rate entities.

The adjusted effective tax rate⁽¹⁾ for the third quarter of 2021 was 26.7%, compared to 26.6% in the same period in 2020. The increase was primarily attributable to 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 impact of certain other non-deductible items, partially offset by higher earnings of lower tax rate entities.

The year-to-date effective tax rate was 36.3%, compared to 23.4% in the same period in 2020. The increase was primarily attributable to the year-over-year impact of the non-taxable fair value adjustment of the Trust Unit liability, 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 impact of certain other non-deductible items, partially offset by higher earnings of lower tax rate entities.

The year-to-date adjusted effective tax rate⁽¹⁾ was 27.4%, compared to 26.9% in the same period in 2020. The increase was primarily attributable to 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 impact of certain other non-deductible items, partially offset by higher earnings of lower tax rate entities.

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 Federal Court of Appeal. On October 15, 2019, the matter was heard by the Federal Court of Appeal, and on April 23, 2020, the Federal Court of Appeal released its decision in the Glenhuron case in favour of Loblaw and reversed the decision of the Tax Court. On October 29, 2020, the Supreme Court of Canada ("Supreme Court") granted the Crown leave to appeal and on May 13, 2021, the Supreme Court heard the Crown's appeal, reserving judgment until a later date. Loblaw has not reversed any portion of the \$367 million of charges recorded during the third quarter of 2018, of which \$176 million was recorded in interest and \$191 million was recorded in income taxes.

DISCONTINUED OPERATIONS Discontinued operations represents results of Weston Foods, net of intersegment eliminations.

Weston Foods sales were \$584 million in the third quarter of 2021, a decrease of 1.4% compared to the same period of 2020, and included the unfavourable impact of foreign currency translation of approximately 3.1%. Excluding the unfavourable impact of foreign currency translation, Weston Foods sales increased by 1.7% compared to the same period of 2020.

Net loss available to common shareholders of the Company from discontinued operations in the third quarter of 2021 was \$114 million (\$0.76 per common share) compared to net earnings available to common shareholders of the Company from discontinued operations of \$14 million (\$0.09 per common share) in the same period of 2020, a decrease of \$128 million (\$0.85 per common share). The decrease was due to the unfavourable year-over-year net impact of adjusting items totaling \$107 million (\$0.71 per common share) and the unfavourable underlying operating performance of Weston Foods of \$21 million (\$0.14 per common share). The unfavourable year-over-year net impact of adjusting items were primarily due to:

- a non-cash goodwill impairment net of deferred tax recovery of \$79 million (\$0.53 per common share);
- deferred tax expense on outside basis difference of Weston Foods of \$17 million (\$0.11 per common share); and
- transaction and other related costs in connection with the sale of the Weston Foods business of \$13 million (\$0.09 per common share).

Adjusted net loss available to common shareholders of the Company⁽¹⁾ from discontinued operations in the third quarter of 2021 was \$6 million (\$0.04 per common share), a decrease of \$21 million (\$0.14 per common share) compared to the same period in 2020, driven by a decline in the underlying operating performance of Weston Foods.

Year-to-date, Weston Foods sales were \$1,487 million, a decrease of 3.4% compared to the same period of 2020 and included the unfavourable impact of foreign currency translation of approximately 4.2%. Excluding the unfavourable impact of foreign currency translation, Weston Foods sales increased by 0.8% compared to the same period of 2020.

Year-to-date, net loss available to common shareholders of the Company from discontinued operations was \$121 million (\$0.80 per common share), a decrease of \$102 million (\$0.67 per common share) compared to the same period in 2020. The decrease was mainly due to the unfavourable year-over-year net impact of adjusting items totaling \$80 million (\$0.53 per common share) described below, and the unfavourable underlying operating performance of Weston Foods of \$22 million (\$0.14 per common share). The unfavourable year-over-year net impact of adjusting items were primarily due to:

- a non-cash goodwill impairment net of deferred tax recovery of \$79 million (\$0.53 per common share);
 - transaction and other related costs in connection with the sale of the Weston Foods business of \$17 million (\$0.11 per common share); and
 - deferred tax expense on outside basis difference of Weston Foods of \$17 million (\$0.11 per common share);
- partially offset by,
- the favourable year-over-year impact of restructuring and other related costs of \$27 million (\$0.18 per common share); and
 - the favourable year-over-year impact of the fair value adjustment of derivatives of \$6 million (\$0.04 per common share)

Year-to-date adjusted net loss available to common shareholders of the Company⁽¹⁾ from discontinued operations was \$11 million (\$0.07 per common share), a decrease of \$22 million (\$0.14 per common share) compared to the same period in 2020 driven by the decline in the underlying operating performance of Weston Foods.

1.2 Consolidated Other Business Matters

COVID-19 RELATED COSTS The Company incurred COVID-19 related costs of approximately \$20 million and \$141 million in the third quarter of 2021 and year-to-date, respectively (2020 - \$89 million and \$418 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)	16 Weeks Ended		40 Weeks Ended	
	Oct. 9, 2021	Oct. 3, 2020	Oct. 9, 2021	Oct. 3, 2020
Loblaws ⁽ⁱ⁾	\$ 19	\$ 85	\$ 137	\$ 399
Choice Properties ⁽ⁱⁱ⁾	1	4	4	19
Consolidated	\$ 20	\$ 89	\$ 141	\$ 418

- (i) Loblaws' COVID-19 related costs included \$25 million and \$180 million related to one-time bonuses and benefits for store and distribution centre colleagues in the second quarters of 2021 and 2020, respectively.
- (ii) Choice Properties recorded a provision of \$1 million (2020 - \$4 million) and \$4 million (2020 - \$19 million) in the third quarter of 2021 and year-to-date, respectively, for certain past due amounts, reflecting increased collectability risk and negotiated rent abatements.

Refer to Section 8. "Outlook" of this MD&A for more information.

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GWL CORPORATE⁽²⁾ FINANCING ACTIVITIES The Company completed the following financing activities during the third quarters of 2021 and 2020. The cash impacts of these activities are set out below:

(unaudited) (\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 9, 2021	Oct. 3, 2020	Oct. 9, 2021	Oct. 3, 2020
Net Debt Associated with Equity Forward Sale Agreement	\$ (462)	\$ –	\$ (515)	\$ –
GWL's NCIB - Purchased and cancelled ⁽ⁱ⁾⁽ⁱⁱ⁾	(411)	–	(577)	–
GWL's Participation in Loblaw's NCIB	136	169	474	261
Net Cash Flow (Used in) From Above Activities	\$ (737)	\$ 169	\$ (618)	\$ 261

- (i) \$26 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the second quarter of 2021 was paid in the third quarter of 2021.
- (ii) \$31 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the third quarter of 2021 was paid in the fourth quarter of 2021.

Net Debt Associated with Equity Forward Sale Agreement In the second quarter of 2021, the Company began to settle the net debt associated with the equity forward sale agreement. In the third quarter of 2021, the Company paid \$462 million, net of the \$298 million gain on the settlement of 5.83 million of the 9.6 million shares under the agreement, to redeem \$283 million of the Series A Debentures and \$475 million of the Series B Debentures, plus accrued interest.

Subsequent to the end of the third quarter of 2021, the Company paid \$275 million to settle the remaining balance, resulting in the extinguishment of the Series A Debentures, Series B Debentures and the settlement of the equity forward sale agreement. In aggregate, \$790 million was paid to extinguish the net debt associated with the equity forward sale agreement.

The 9.6 million Loblaw shares securing the net debt have been released and the Company's economic interest in Loblaw is now equal to its voting interest in Loblaw.

Refer to Section 3.3, "Components of Total Debt" of this MD&A for more information.

GWL Credit Facility In the third quarter of 2021, GWL entered into a \$350 million revolving committed credit facility provided by a syndicate of lenders with a maturity date of September 13, 2024. The credit facility contains certain financial covenants. Subsequent to the end of the third quarter of 2021, the Company drew \$275 million on its credit facility to fund the settlement of the net debt associated with the equity forward sale agreement.

Refer to Section 3.3, "Components of Total Debt" of this MD&A for more information.

GWL's NCIB - Purchased and Cancelled Shares In the third quarter of 2021, the Company purchased and cancelled 3.2 million shares under its NCIB program. At the end of the quarter, the Company had 147.5 million shares outstanding.

In the second quarter of 2021, the Company entered into an automatic share purchase plan ("ASPP") with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. Subsequent to the end of the third quarter of 2021, the Company purchased and cancelled approximately \$70 million of its common shares under its ASPP.

Refer to Section 3.6, "Share Capital" of this MD&A for more information.

GWL's Participation in Loblaw's NCIB Commencing in the first quarter of 2020, the Company began participating in Loblaw's NCIB program in order to maintain its proportionate percentage ownership. During the third quarter of 2021, GWL received proceeds of \$136 million from the sale of Loblaw shares.

2. Results of Reportable Operating Segments

The following discussion provides details of the third quarter of 2021 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. 9, 2021	Oct. 3, 2020 ⁽³⁾	\$ Change	% Change	Oct. 9, 2021	Oct. 3, 2020 ⁽³⁾	\$ Change	% Change
Revenue	\$ 16,050	\$ 15,671	\$ 379	2.4%	\$ 40,413	\$ 39,428	\$ 985	2.5%
Operating income	\$ 861	\$ 716	\$ 145	20.3%	\$ 2,226	\$ 1,657	\$ 569	34.3%
Adjusted EBITDA ⁽¹⁾	\$ 1,672	\$ 1,516	\$ 156	10.3%	\$ 4,257	\$ 3,685	\$ 572	15.5%
Adjusted EBITDA margin ⁽¹⁾	10.4%	9.7%			10.5%	9.3%		
Depreciation and amortization ⁽ⁱ⁾	\$ 817	\$ 795	\$ 22	2.8%	\$ 2,041	\$ 1,987	\$ 54	2.7%

(i) Depreciation and amortization in the third quarter of 2021 includes \$155 million (2020 - \$155 million) and \$389 million (2020 - \$392 million) year-to-date of amortization of intangible assets acquired with Shoppers Drug Mart.

REVENUE Loblaw revenue in the third quarter of 2021 was \$16,050 million, an increase of \$379 million, or 2.4%, compared to the same period in 2020, driven by an increase in retail sales and an improvement in financial services revenue.

Retail sales increased by \$367 million, or 2.4%, compared to the same period in 2020 and included food retail sales of \$11,382 million (2020 - \$11,215 million) and drug retail sales of \$4,449 million (2020 - \$4,249 million). The increase was primarily driven by the following factors:

- food retail same-store sales grew by 0.2% for the quarter. Sales were impacted by lower eat-at-home trends after strong growth last year, offset by higher industry inflation levels. The two year food retail sales Compound Annual Growth Rate ("CAGR")⁽⁶⁾ was 4.5%. Food retail basket size decreased and traffic increased in the quarter, as compared to the third quarter of 2020;
- Loblaw's internal measures of inflation were slightly higher than the average quarterly national food price inflation of 2.6% (2020 - 1.8%), as measured by CPI; and
- drug retail same-store sales grew by 4.4% (2020 - 6.1%). Pharmacy same-store sales growth benefited from strong sales in fee related services. Front store same-store sales growth benefited from the economic re-opening in the third quarter of 2021. Pharmacy same-store sales growth was 4.8% and front store same-store sales increased by 4.1%. The two year drug retail sales CAGR⁽⁶⁾ was 5.5%.

In the last 12 months, 15 food and drug stores were opened and fourteen 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 2021 increased by \$19 million compared to the same period in 2020. The increase was primarily driven by higher interchange income from an increase in customer spending.

On a year-to-date basis, Loblaw revenue was \$40,413 million, an increase of \$985 million, or 2.5%, compared to the same period in 2020, primarily driven by an increase in retail sales and an improvement in financial services revenue.

Retail sales were \$39,783 million, an increase of \$967 million, or 2.5%, compared to the same period in 2020 and included food retail sales of \$28,739 million (2020 - \$28,294 million) and drug retail sales of \$11,044 million (2020 - \$10,522 million). Food retail same-store sales increased by 0.1% compared to the same period of 2020. The two year food retail sales CAGR⁽⁶⁾ was 5.6%. Year-to-date drug retail same-store sales growth was 4.1%, with pharmacy same-store sales growth of 7.8% and front store sale growth of 0.7%. The two year drug retail sales CAGR⁽⁶⁾ was 5.2%.

Year-to-date financial services revenue increased by \$45 million compared to the same period in 2020 primarily driven by higher sales attributable to *The Mobile Shop* due to the temporary partial shutdown of *The Mobile Shop* kiosks in the second and third quarter of 2020 and higher interchange income from an increase in customer spending. This was partially offset by lower interest income and credit card related fees attributable to lower average credit card receivables.

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OPERATING INCOME Loblaw operating income in the third quarter of 2021 was \$861 million, an increase of \$145 million, or 20.3%, compared to the same period in 2020. The increase included the improvement in underlying operating performance of \$134 million and the favourable year-over-year net impact of adjusting items totaling \$11 million, as described below:

- the improvement in underlying operating performance of \$134 million was primarily due to the following:
 - an improvement in the underlying operating performance of retail due to an increase in retail gross profit, partially offset by an increase in SG&A and depreciation and amortization; and
 - the improvement in the underlying operating performance of financial services.
- the favourable year-over-year net impact of adjusting items totaling \$11 million was primarily due to:
 - the favourable year-over-year impact of fair value adjustments on fuel and foreign currency contracts of \$8 million; and
 - the favourable year-over-year impact of net gain on sale of non-operating properties of \$6 million; partially offset by,
 - the unfavourable year-over-year impact of restructuring and other related costs of \$3 million.

Year-to-date Loblaw operating income was \$2,226 million, an increase of \$569 million, or 34.3%, compared to the same period in 2020. The increase included the improvement in underlying operating performance of \$515 million and the favourable year-over-year net impact of adjusting items totaling \$54 million, as described below:

- the improvement in underlying operating performance of \$515 million was primarily due to:
 - the improvement in the underlying operating performance of retail due to an increase in retail gross profit, partially offset by an increase in SG&A and depreciation and amortization; and
 - the improvement in the underlying operating performance of financial services.
- the favourable year-over-year net impact of adjusting items totaling \$54 million was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of derivatives of \$31 million;
 - the favourable year-over-year impact of a net gain on sale of non-operating properties of \$11 million; and
 - the favourable year-over-year impact of restructuring and other related costs of \$9 million.

ADJUSTED EBITDA⁽¹⁾ Loblaw adjusted EBITDA⁽¹⁾ in the third quarter of 2021 was \$1,672 million, an increase of \$156 million, or 10.3%, compared to the same period in 2020. The increase was primarily due to an increase in retail of \$149 million and an increase in financial services of \$7 million.

Retail adjusted EBITDA⁽¹⁾ in the third quarter of 2021 increased by \$149 million driven by an increase in retail gross profit partially offset by an increase in SG&A of \$173 million.

- Retail gross profit percentage of 30.7% increased by 140 basis points compared to the same period in 2020, from a favourable change in sales mix in both food retail and drug retail and underlying improvements in business initiatives.
- Retail SG&A as a percentage of sales was 20.5%, an increase of 70 basis points compared to the same period of 2020. The increase was primarily due to the normalization of post-lockdown operating conditions and higher costs incurred in drug retail from providing fee related services, partially offset by a reduction in COVID-19 costs.

Financial services adjusted EBITDA⁽¹⁾ increased by \$7 million compared to the same period in 2020, primarily driven by higher revenue as described above, lower contractual charge-off and lower funding costs. This was partially offset by higher loyalty program costs and operating costs.

Year-to-date Loblaw adjusted EBITDA⁽¹⁾ was \$4,257 million, an increase of \$572 million, or 15.5%, compared to the same period in 2020. The increase was primarily due to an increase in retail of \$484 million and financial services of \$88 million.

Year-to-date retail adjusted EBITDA⁽¹⁾ increased by \$484 million, which was driven by an increase in retail gross profit, partially offset by an increase in retail SG&A of \$230 million.

- Retail gross profit percentage of 30.6% increased by 110 basis points compared to the same period in 2020 from favourable changes in sales mix in both food retail and drug retail and underlying improvements in business initiatives.
- Retail SG&A as a percentage of sales was 20.4%, an increase of 10 basis points compared to the same period in 2020. The increase was primarily due to the normalization of post-lockdown operating conditions and higher costs incurred in drug retail from providing fee related services, partially offset by a reduction in COVID-19 related costs.

Year-to-date financial services adjusted EBITDA⁽¹⁾ increased by \$88 million compared to the same period in 2020 primarily driven by higher revenue described above, the reduction in the expected credit loss provision in the current year and the lapping of an increase in expected credit loss provision from the previous year, lower contractual charge-off, lower funding costs and reversal of certain commodity taxes remitted. This increase was partially offset by higher loyalty program costs and operating costs, and higher customer acquisition costs.

DEPRECIATION AND AMORTIZATION Loblaw depreciation and amortization in the third quarter of 2021 was \$817 million, an increase of \$22 million compared to the same period in 2020. Year-to-date depreciation and amortization was \$2,041 million, an increase of \$54 million compared to the same period in 2020. The increase in depreciation and amortization in the third quarter of 2021 and year-to-date was primarily driven by an increase in depreciation of IT and leased assets and an increase in depreciation in the financial services due to the launch of the *PC Money* Account.

Depreciation and amortization included \$155 million (2020 – \$155 million) in the third quarter of 2021 and \$389 million (2020 – \$392 million) year-to-date of amortization of intangible assets related to the acquisition of Shoppers Drug Mart.

CONSOLIDATION OF FRANCHISES Loblaw has more than 500 franchise food retail stores in its network. Non-controlling interests at Loblaw represent the franchise's earnings in food. Loblaw's net earnings attributable to non-controlling interests were \$54 million in the third quarter of 2021. When compared to the third quarter of 2020, this represented an increase of \$39 million or 260%. Year-to-date, Loblaw's net earnings attributable to non-controlling interests was \$129 million in 2021 which represents an increase of \$91 million, or 239.5% compared to the same period in 2020. The increases in non-controlling interests at Loblaw were primarily driven by higher franchise earnings in comparison to the same period in 2020.

NETWORK OPTIMIZATION Subsequent to the end of the third quarter of 2021, Loblaw finalized network optimization plans that will result in banner conversions, closures and right-sizing of approximately 20 unprofitable retail locations across a range of banners and formats, the majority of which will be banner conversions and 3 will be closures within food retail. Loblaw expects to record charges of approximately \$25 million to \$35 million resulting from this network optimization. These charges will be recorded as incurred and are expected to include equipment, severance, lease related and other costs. Loblaw expects to realize approximately \$25 million in annualized EBITDA run-rate savings related to these plans. This store optimization project will be substantially complete by the end of 2022. As Loblaw places emphasis on optimizing its store and office network, there may be additional charges of this nature in the fourth quarter of 2021 and into 2022.

Management's Discussion and Analysis

2.2 Choice Properties Operating Results

(\$ millions except where otherwise indicated)

For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 9, 2021	Oct. 3, 2020	\$ Change	% Change	Oct. 9, 2021	Oct. 3, 2020	\$ Change	% Change
Revenue	\$ 316	\$ 309	\$ 7	2.3%	\$ 967	\$ 949	\$ 18	1.9%
Net interest expense (income) and other financing charges ⁽ⁱ⁾	\$ 113	\$ 145	\$ (32)	(22.1)%	\$ 878	\$ (44)	\$ 922	2,095.5 %
Net income	\$ 163	\$ 97	\$ 66	68.0%	\$ 186	\$ 334	\$ (148)	(44.3)%
Funds from Operations ⁽¹⁾	\$ 173	\$ 169	\$ 4	2.4%	\$ 515	\$ 480	\$ 35	7.3%

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

REVENUE Revenue in the third quarter of 2021 was \$316 million, an increase of \$7 million, or 2.3%, compared to the same period in 2020, and included \$176 million (2020 – \$176 million) generated from tenants within Loblaw.

On a year-to-date basis, revenue was \$967 million, an increase of \$18 million, or 1.9%, compared to the same period in 2020 and included \$539 million (2020 – \$544 million) generated from tenants within Loblaw.

The increase in revenue in the third quarter of 2021 and year-to-date were primarily driven by:

- the contribution from acquisitions and development transfers completed in 2020 and 2021; partially offset by,
- declines due to foregone revenue from dispositions in 2020; and
- vacancies in select retail and office assets.

NET INTEREST EXPENSE (INCOME) AND OTHER FINANCING CHARGES Net interest expense and other financing charges in the third quarter of 2021 were \$113 million compared to \$145 million in the same period in 2020. The decrease of \$32 million was primarily driven by the favourable year-over-year impact of the fair value adjustment of Exchangeable Units of \$31 million.

Year-to-date, net interest expense and other financing charges were \$878 million compared to net interest income and other financing charges of \$44 million in the same period in 2020. The change of \$922 million was primarily driven by the unfavourable year-over-year impact of the fair value adjustment on the Exchangeable Units of \$932 million as a result of the significant increase in the unit price of Choice Properties in 2021, partially offset by the impact of early redemption premiums for two senior unsecured debentures paid in June 2020, the general reduction in indebtedness from a lower balance on the credit facility and a decline in interest costs due to refinancing over the past year at lower interest rates.

NET INCOME Net income in the third quarter of 2021 was \$163 million, compared to \$97 million in the same period in 2020.

The increase of \$66 million was primarily driven by:

- lower net interest expense and other financing charges as described above;
- the favourable change in the adjustment to fair value of investment properties, including those held within equity accounted joint ventures;
- a decline in expected credit loss provisions; and
- an increase in rental revenue as described above.

Year-to-date, net income was \$186 million, compared to \$334 million in the same period in 2020. The decrease of \$148 million was primarily driven by:

- an increase in net interest expense and other financing charges as described above; partially offset by,
- the favourable year-over-year impact of the fair value adjustment on investment properties, including those held within equity accounted joint ventures;
- a decline in expected credit loss provisions; and
- an increase in rental revenue as described above.

FUNDS FROM OPERATIONS⁽¹⁾ Funds from Operations⁽¹⁾ in the third quarter of 2021 was \$173 million, an increase of \$4 million compared to the same period in 2020, primarily due to a decline in expected credit loss provisions, and the contribution from acquisitions and development transfers completed in 2020 and 2021.

Year-to-date Funds from Operations⁽¹⁾ was \$515 million, an increase of \$35 million compared to the same period in 2020 primarily due to a decline in expected credit loss provisions and savings from lower borrowing costs. In 2020, funds from operations⁽¹⁾ were impacted by a non-recurring allowance for expected credit losses on a specific mortgage receivable and the early redemption premiums described above.

OTHER MATTERS Subsequent to the end of the third quarter of 2021, Choice Properties announced that on December 10, 2021, it will redeem in full, at par, plus accrued and unpaid interest thereon, the \$300 million aggregate principal amount of series I senior unsecured debentures outstanding bearing interest at 3.01% with an original maturity date of March 21, 2022.

Subsequent to the end of the third quarter of 2021, Choice Properties agreed to issue, on a private placement basis, \$350 million aggregate principal amount of series Q senior unsecured debentures, bearing interest at a rate of 2.456% per annum and maturing on November 30, 2026.

Subsequent to the end of the third quarter of 2021, Choice Properties announced that the Toronto Stock Exchange ("TSX") accepted its intention to make a NCIB to purchase on the TSX or through alternative trading systems up to 27,558,665 of its Trust Units during a 12-month period commencing November 19, 2021 and terminating November 18, 2022.

Management's Discussion and Analysis

3. Liquidity and Capital Resources

The Company's ownership in Weston Foods has been presented separately as Discontinued Operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from Continuing Operations.

3.1 Cash Flows

The following Major Cash Flow Components are inclusive of Continuing and Discontinued Operations.

MAJOR CASH FLOW COMPONENTS

(\$ millions) For the periods ended as indicated	16 Weeks Ended			40 Weeks Ended		
	Oct. 9, 2021	Oct. 3, 2020	\$ Change	Oct. 9, 2021	Oct. 3, 2020	\$ Change
Cash and cash equivalents, beginning of period	\$ 2,795	\$ 2,861	\$ (66)	\$ 2,581	\$ 1,834	\$ 747
Cash flows from operating activities	\$ 1,339	\$ 1,171	\$ 168	\$ 3,957	\$ 3,947	\$ 10
Cash flows used in investing activities	\$ (376)	\$ (276)	\$ (100)	\$ (971)	\$ (1,089)	\$ 118
Cash flows used in financing activities	\$ (1,746)	\$ (1,319)	\$ (427)	\$ (3,554)	\$ (2,256)	\$ (1,298)
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ 1	\$ (1)	\$ 2	\$ –	\$ –	\$ –
Cash and cash equivalents, end of period	\$ 2,013	\$ 2,436	\$ (423)	\$ 2,013	\$ 2,436	\$ (423)

CASH FLOWS FROM OPERATING ACTIVITIES Cash flows from operating activities were \$1,339 million in the third quarter of 2021, an increase of \$168 million compared to the same period in 2020. The increase in cash flows from operating activities was primarily driven by higher cash earnings, a favourable change in working capital and a comparably lower increase in customer spending under credit card receivables during the current quarter, partially offset by an increase in income taxes paid.

Year-to-date cash flows from operating activities were \$3,957 million in 2021, an increase of \$10 million compared to the same period in 2020. The increase in cash flows from operating activities was primarily driven by higher cash earnings and a favourable change in non-cash working capital, partially offset by a decrease in credit card receivables due to a reduction of customer spending in the prior year as a result of COVID-19 and higher income taxes paid in the current year.

CASH FLOWS USED IN INVESTING ACTIVITIES Cash flows used in investing activities were \$376 million in the third quarter of 2021, an increase of \$100 million compared to the same period in 2020. The increase in cash flows used in investing activities was primarily driven by a decrease in the change in short-term investments in the current quarter, partially offset by Loblaw's higher initial investment in Maple Corporation ("Maple") in third quarter of 2020.

Year-to-date cash flows used in investing activities were \$971 million in 2021, a decrease of \$118 million compared to the same period in 2020. The decrease in year-to-date cash flows used in investing activities was primarily driven by an increase in the change in short-term investments in the current year and Loblaw's higher initial investment in Maple in the prior year, partially offset by lower proceeds from the sale of assets in the current year.

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. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change
Loblaw ⁽ⁱ⁾	\$ 330	\$ 396	\$ (66)	\$ 791	\$ 806	\$ (15)
Choice Properties	63	33	30	101	102	(1)
Other	–	6	(6)	2	7	(5)
Capital investments from Continuing Operations	393	435	(42)	894	915	(21)
Discontinued Operations	37	50	(13)	76	108	(32)
Total capital investments	\$ 430	\$ 485	\$ (55)	\$ 970	\$ 1,023	\$ (53)

(i) During the year-to-date 2021, additions to fixed assets in Loblaw included \$1 million of prepayments that were made in 2020 and transferred from other assets. There were no transfers in the third quarter of 2021. During 2020, additions to fixed assets in Loblaw included prepayments that were made in 2019 and transferred from other assets of \$16 million in the third quarter of 2020 and \$66 million year-to-date of 2020.

CASH FLOWS USED IN FINANCING ACTIVITIES Cash flows used in financing activities were \$1,746 million in the third quarter of 2021, an increase of \$427 million compared to the same period in 2020. The increase in cash flows used in financing activities was primarily due to the settlement of net debt associated with the equity forward sale agreement and the Company not repurchasing any common shares under its NCIB program during the third quarter of 2020, partially offset by the Loblaw repayments of \$350 million of Medium Term Notes and \$250 million of *Eagle Credit Card Trust*[®] (“*Eagle*”) notes during the third quarter of 2020.

Year-to-date cash flows used in financing activities were \$3,554 million in 2021, an increase of \$1,298 million compared to the same period in 2020. The increase in cash flows used in financing activities was primarily driven by Loblaw repurchasing fewer and GWL not repurchasing any common shares under their NCIB programs in the prior year, the settlement of net debt associated with the equity forward sale agreement and a higher net issuance of long-term debt in the prior year, partially offset by the timing of the Loblaw dividend payment in the fourth quarter of 2020.

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

FREE CASH FLOW⁽¹⁾

The following Free Cash Flow is presented on a Continuing Operations basis.

(\$ millions) For the periods ended as indicated	16 Weeks Ended			40 Weeks Ended		
	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change
Cash flows from operating activities	\$ 1,339	\$ 1,171	\$ 168	\$ 3,957	\$ 3,947	\$ 10
Less: Cash flows from operating activities from Discontinued Operations	(28)	32	(60)	(12)	101	(113)
Cash flows from operating activities from Continuing Operations	\$ 1,367	\$ 1,139	\$ 228	\$ 3,969	\$ 3,846	\$ 123
Less: Interest paid	241	284	(43)	680	703	(23)
Capital Investments	393	435	(42)	894	915	(21)
Lease payments, net	255	259	(4)	593	653	(60)
Free cash flow ⁽¹⁾ from Continuing Operations	\$ 478	\$ 161	\$ 317	\$ 1,802	\$ 1,575	\$ 227

Free cash flow⁽¹⁾ from Continuing Operations in the third quarter 2021 was \$478 million, an increase of \$317 million compared to the same period in 2020. The increase in free cash flow⁽¹⁾ was primarily driven by higher cash earnings, a favourable change in non-cash working capital and a comparably lower increase in customers spending under credit card receivables during the current quarter, partially offset by an increase in income taxes paid.

On a year-to-date basis, free cash flow⁽¹⁾ from Continuing Operations was \$1,802 million, an increase of \$227 million compared to the same period in 2020. The increase in free cash flow⁽¹⁾ was primarily driven by higher cash earnings and a favourable change in non-cash working capital, partially offset by a decrease in credit card receivables due to a reduction of customer spending in the prior year as a result of COVID-19 and higher income taxes paid in the current year.

Management's Discussion and Analysis

3.2 Liquidity

The Company (excluding Loblaw and Choice Properties) expects that cash and cash equivalents, short-term investments, future operating cash flows and the amounts available to be drawn against its committed credit facility 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* 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 from Continuing Operations, as monitored by management, by reportable segment:

(\$ millions)	Oct. 9, 2021				As at							
	Oct. 9, 2021				Oct. 3, 2020				Dec. 31, 2020			
	Loblaw	Choice Properties	Other/Intersegment	Total	Loblaw	Choice Properties	Other/Intersegment	Total	Loblaw	Choice Properties	Other/Intersegment	Total
Bank indebtedness	\$ 166	\$ –	\$ –	\$ 166	\$ 193	\$ –	\$ –	\$ 193	\$ 86	\$ –	\$ –	\$ 86
Demand deposits from customers	59	–	–	59	–	–	–	–	24	–	–	24
Short-term debt	300	–	249	549	500	–	750	1,250	575	–	760	1,335
Long-term debt due within one year	881	846	147	1,874	683	301	–	984	597	327	–	924
Long-term debt	6,290	5,489	449	12,228	6,531	6,207	915	13,653	6,449	6,155	915	13,519
Certain other liabilities ⁽ⁱ⁾	70	664	–	734	71	430	–	501	71	666	–	737
Fair value of financial derivatives related to the above debt	–	–	(126)	(126)	–	–	(558)	(558)	–	–	(630)	(630)
Total debt excluding lease liabilities	\$ 7,766	\$ 6,999	\$ 719	\$ 15,484	\$ 7,978	\$ 6,938	\$ 1,107	\$ 16,023	\$ 7,802	\$ 7,148	\$ 1,045	\$ 15,995
Lease liabilities due within one year ⁽ⁱⁱ⁾	\$ 1,366	\$ 1	\$ (554)	\$ 813	\$ 1,331	\$ 1	\$ (530)	\$ 802	\$ 1,379	\$ 1	\$ (581)	\$ 799
Lease liabilities ⁽ⁱⁱⁱ⁾	\$ 7,490	\$ 3	\$ (3,331)	\$ 4,162	\$ 7,542	\$ 3	\$ (3,328)	\$ 4,217	\$ 7,522	\$ 3	\$ (3,319)	\$ 4,206
Total debt including lease liabilities	\$ 16,622	\$ 7,003	\$ (3,166)	\$ 20,459	\$ 16,851	\$ 6,942	\$ (2,751)	\$ 21,042	\$ 16,703	\$ 7,152	\$ (2,855)	\$ 21,000

- (i) Includes financial liabilities of \$664 million (October 3, 2020 – \$430 million; December 31, 2020 – \$666 million) recorded primarily as a result of Choice Properties' transactions.
- (ii) Lease liabilities due within one year of \$3 million (October 3, 2020 – \$3 million; December 31, 2020 – \$3 million) and lease liabilities of \$6 million (October 3, 2020 – \$10 million; December 31, 2020 – \$8 million) relating to GWL Corporate are included in 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 \$728 million (October 3, 2020 – \$1,120 million; December 31, 2020 – \$1,056 million) and cash and cash equivalents and short-term investments of \$267 million (October 3, 2020 – \$927 million; December 31, 2020 – \$1,013 million), resulting in a net debt position of \$461 million (October 3, 2020 – \$193 million; December 31, 2020 – \$43 million). The settlement of the net debt associated with the equity forward sale agreement was offset by a reduction in cash and had no impact on GWL Corporate⁽²⁾ net debt. See Section 3.3, “Components of Total Debt” of this MD&A for details.

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 2021 decreased compared to the third quarter of 2020 and year end 2020 primarily due to an improvement in adjusted EBITDA⁽²⁾.
- 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 2021, the Company, Loblaw and Choice Properties were in compliance with their respective covenants.

As at the end of and throughout the third quarter of 2021, PC Bank and Choice Properties met all applicable regulatory requirements.

3.3 Components of Total Debt

DEBENTURES There were no debentures issued on a year-to-date basis in 2021. The following table summarizes the debentures issued in the periods ended as indicated:

(\$ millions)	Interest Rate	Maturity Date	16 Weeks Ended		40 Weeks Ended	
			Oct. 9, 2021	Oct. 3, 2020	Oct. 9, 2021	Oct. 3, 2020
			Principal Amount	Principal Amount	Principal Amount	Principal Amount
Loblaw Companies Limited debenture	2.28%	May 7, 2030 ⁽ⁱ⁾	\$ –	\$ –	\$ –	\$ 350
Choice Properties senior unsecured debentures						
– 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

(i) In 2020, 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.

Management's Discussion and Analysis

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. 9, 2021	Oct. 3, 2020	Oct. 9, 2021	Oct. 3, 2020
			Principal Amount	Principal Amount	Principal Amount	Principal Amount
George Weston debenture - Series A ⁽ⁱ⁾	7.00%	November 10, 2031	\$ 283	\$ -	\$ 319	\$ -
Loblaw Companies Limited debenture	5.22%	June 18, 2020	-	350	-	350
Choice Properties senior unsecured debentures						
- Series 8	3.60%	April 20, 2020	-	-	-	300
- Series 9	3.60%	September 20, 2021 ⁽ⁱⁱ⁾	200	-	200	-
- Series B-C	4.32%	January 15, 2021	-	-	-	100
- Series C	3.50%	February 8, 2021	-	-	-	250
- Series E	2.30%	September 14, 2020	-	-	-	250
Total debentures repaid			\$ 483	\$ 350	\$ 519	\$ 1,250

(i) See Section 3.3, "Components of Total Debt - Net Debt Associated with Equity Forward Sale Agreement" for details on the settlement of the Net debt associated with the equity forward sale agreement.

(ii) Choice Properties seniors unsecured debentures Series 9 was redeemed on June 21, 2021.

Subsequent to the end of the third quarter of 2021, Choice Properties announced that on December 10, 2021, it will redeem in full, at par, plus accrued and unpaid interest thereon, the \$300 million aggregate principal amount of series I senior unsecured debentures outstanding bearing interest at 3.01% with an original maturity date of March 21, 2022.

Subsequent to the end of the third quarter of 2021, Choice Properties agreed to issue, on a private placement basis, \$350 million aggregate principal amount of series Q senior unsecured debentures, bearing interest at a rate of 2.456% per annum and maturing on November 30, 2026.

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

(\$ millions)	Maturity Date	As at					
		Oct. 9, 2021		Oct. 3, 2020		Dec. 31, 2020	
		Available Credit	Drawn	Available Credit	Drawn	Available Credit	Drawn
George Weston	September 13, 2024	\$ 350	\$ -	\$ -	\$ -	\$ -	\$ -
Loblaw	October 7, 2023	1,000	-	1,000	-	1,000	-
Choice Properties ⁽ⁱ⁾	June 24, 2026	1,500	100	1,500	25	1,500	-
Total committed credit facilities		\$ 2,850	\$ 100	\$ 2,500	\$ 25	\$ 2,500	\$ -

(i) Choice Properties repaid \$90 million of its committed credit facility on October 1, 2021.

In the third quarter of 2021, GWL entered into a \$350 million revolving committed credit facility provided by a syndicate of lenders with a maturity date of September 13, 2024. The credit facility contains certain financial covenants. Subsequent to the end of the third quarter of 2021, the Company drew \$275 million on its credit facility to fund the settlement of the net debt associated with the equity forward sale agreement.

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. 9, 2021	As at	
		Oct. 3, 2020	Dec. 31, 2020
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> [®]	\$ 1,350	\$ 1,050	\$ 1,050
Securitized to Other Independent Securitization Trusts	300	500	575
Total securitized to independent securitization trusts	\$ 1,650	\$ 1,550	\$ 1,625

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 2021 and throughout 2021 year-to-date.

During the third quarter of 2021, *Eagle* issued \$300 million of senior and subordinated term notes with a maturity date of June 17, 2026. These notes have a weighted average interest rate of 1.61%. In connection with this issuance, \$175 million of bond forward agreements were settled during the second quarter of 2021. This resulted in a realized fair value loss of \$1 million before income taxes, which was cumulatively recorded in other comprehensive loss as unrealized prior to the settlement of the agreement. The loss will be reclassified to the statements of earnings over the life of the *Eagle* notes. This settlement resulted in a net effective interest rate of 1.65% on the *Eagle* notes issued.

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.

INDEPENDENT FUNDING TRUSTS As at the end of the third quarter of 2021, the independent funding trusts had drawn \$574 million (October 3, 2020 - \$494 million; December 31, 2020 - \$512 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 2021, Loblaw provided a credit enhancement of \$64 million (October 3, 2020 and December 31, 2020 - \$64 million) for the benefit of the independent funding trusts representing not less than 10% (October 3, 2020 and December 31, 2020 - 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.

Management's Discussion and Analysis

NET 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.

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 Loblaw common shares. WHL is permitted to settle the transaction in whole or in part, at any time prior to 2031.

In the second quarter of 2021, the Company began to settle the net debt associated with the equity forward sale agreement by paying \$53 million net of the \$43 million gain on the settlement of 0.75 million of the 9.6 million shares under the equity forward sale agreement to redeem 7.8% of the Series A Debentures and Series B Debentures. As a result of the transaction, the Company redeemed \$36 million of the Series A Debentures and \$60 million of the Series B Debentures.

In the third quarter of 2021, the Company paid \$462 million, net of the \$298 million gain on the settlement of 5.83 million shares, to redeem \$283 million of the Series A Debentures and \$475 million of the Series B Debentures, plus accrued interest.

Subsequent to the end of the third quarter of 2021, the Company paid \$275 million to settle the remaining balance, resulting in the extinguishment of the Series A Debentures, Series B Debentures and the settlement of the equity forward sale agreement. In aggregate, \$790 million was paid to extinguish the net debt associated with the equity forward sale agreement.

The 9.6 million Loblaw shares have been released to the Company such that its economic interest in Loblaw is now equal to its voting interest in Loblaw.

The following table presents details of the settlements, redemptions and the net amount paid to extinguish the net debt associated with the equity forward sale agreement.

	12 Weeks Ended Jun. 19, 2021	16 Weeks Ended Oct. 9, 2021	Subsequent to the third quarter of 2021	Total
(\$ millions except where otherwise indicated)				
Number of shares settled (millions)	0.75	5.83	3.02	9.6
Gain on settlement of shares	\$ (43)	\$ (298)	\$ (123)	\$ (464)
Series A Debentures redeemed	\$ 36	\$ 283	\$ 147	\$ 466
Series B Debentures redeemed	\$ 60	\$ 475	\$ 249	\$ 784
Net payment , including accrued interest	\$ 53	\$ 462	\$ 275	\$ 790
% settled	7.8%	60.7%	31.5%	100%

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

(\$ millions)	Maturity Date	As at		
		Oct. 9, 2021	Oct. 3, 2020	Dec. 31, 2020
Series A	2031	\$ 147	\$ 466	\$ 466
Series B	On demand	249	750	760
Fair value of financial derivatives related to the above debt	n/a	(126)	(558)	(630)
Debt associated with equity forward sale agreement ⁽ⁱ⁾		\$ 270	\$ 658	\$ 596
Debentures	2024 - 2033	450	450	450
Transaction costs and other	n/a	(1)	(1)	(1)
Other and Intersegment debt		\$ 719	\$ 1,107	\$ 1,045

- (i) As at the end of the third quarter of 2021 the forward rate was \$131.49 (October 3, 2020 - \$127.26; December 31, 2020 - \$128.30) and Series B Debentures were \$249 million (October 3, 2020 - \$750 million; December 31, 2020 - \$760 million). Interest charges on Series A Debentures and Series B Debentures are 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 charge or income, representing the fair value adjustment of the forward sale agreement based on the changes in the value of the underlying Loblaw common shares. For the year-to-date, WHL paid a forward fee of \$16 million (October 3, 2020 - \$16 million; December 31, 2020 - \$22 million) to the lender comprised of servicing fees and estimated dividends associated with the underlying Loblaw common shares.

3.4 Financial Condition

	Oct. 9, 2021	As at	
		Oct. 3, 2020 ⁽⁴⁾	Dec. 31, 2020 ⁽⁴⁾
Rolling year return on average equity attributable to common shareholders of the Company ⁽¹⁾	17.5%	14.0%	15.2%
Rolling year return on capital ⁽¹⁾	12.0%	9.6%	10.7%

The rolling year adjusted return on average equity attributable to common shareholders of the Company⁽¹⁾ increased as at the end of the third quarter of 2021 compared to the end of the third quarter of 2020 and year-end 2020, primarily due to an increase in adjusted net earnings⁽¹⁾ as a result of an improvement in Loblaw's underlying performance.

The rolling year adjusted return on capital⁽¹⁾ increased as at the end of the third quarter of 2021 compared to the end of the third quarter of 2020 and year end 2020, primarily due to an increase in adjusted operating income⁽¹⁾, lower debt levels and a decline in equity as a result of share buybacks.

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 2021, Dominion Bond Rating Service confirmed the credit ratings and trend of GWL, and Standard and Poor's confirmed 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 2021, Dominion Bond Rating Service confirmed the credit ratings and trend of Loblaw, and Standard and Poor's confirmed 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 2021, Dominion Bond Rating Service confirmed the credit ratings and trend of Choice Properties, and Standard and Poor's confirmed the credit ratings and outlook of Choice Properties.

Management's Discussion and Analysis

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. 9, 2021		Oct. 3, 2020		Oct. 9, 2021		Oct. 3, 2020	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	150,781,841	\$ 2,742	153,670,563	\$ 2,809	152,374,416	\$ 2,786	153,667,750	\$ 2,809
Issued for settlement of stock options	111,384	13	–	–	215,929	24	2,813	–
Purchased and cancelled ⁽ⁱ⁾⁽ⁱⁱ⁾	(3,203,339)	(45)	–	–	(4,900,459)	(100)	–	–
Issued and outstanding, end of period	147,689,886	\$ 2,710	153,670,563	\$ 2,809	147,689,886	\$ 2,710	153,670,563	\$ 2,809
Shares held in trusts, beginning of period	(181,099)	\$ (3)	(259,596)	\$ (4)	(254,525)	\$ (4)	(88,832)	\$ –
Purchased for future settlement of RSUs and PSUs	–	–	–	–	–	–	(229,000)	(4)
Released for settlement of RSUs and PSUs	158	–	2,749	–	73,584	1	60,985	–
Shares held in trusts, end of period	(180,941)	\$ (3)	(256,847)	\$ (4)	(180,941)	\$ (3)	(256,847)	\$ (4)
Issued and outstanding, net of shares held in trusts, end of period	147,508,945	\$ 2,707	153,413,716	\$ 2,805	147,508,945	\$ 2,707	153,413,716	\$ 2,805
Weighted average outstanding, net of shares held in trusts	149,194,965		153,412,133		150,755,363		153,458,583	

- (i) The number of common shares purchased and cancelled as at October 9, 2021, does not include the outstanding obligation to repurchase shares from the automatic share purchase plan, as described below.
- (ii) Includes 1,930 shares cancelled during the third quarter of 2021 in a private transaction and are excluded from the Company's Normal Course Issuer Bid.

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. 9, 2021	Oct. 3, 2020	Oct. 9, 2021	Oct. 3, 2020
Purchased for future settlement of RSUs and PSUs (number of shares)	–	–	–	229,000
Purchased for current settlement of RSUs and DSUs (number of shares)	–	365	1,588	33,325
Purchased and cancelled (number of shares)	3,201,409	–	4,898,529	–
Cash consideration paid				
Purchased and held in trusts	\$ –	\$ –	\$ –	\$ (21)
Purchased and settled	\$ –	\$ –	\$ –	\$ (3)
Purchased and cancelled ⁽ⁱ⁾⁽ⁱⁱ⁾	\$ (411)	\$ –	\$ (577)	\$ –
Premium charged to retained earnings				
Purchased and held in trusts	\$ –	\$ –	\$ –	\$ 17
Purchased and cancelled ⁽ⁱⁱⁱ⁾	\$ 286	\$ –	\$ 578	\$ –
Reduction in share capital ^(iv)	\$ 45	\$ –	\$ 100	\$ –

- (i) \$26 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the second quarter of 2021 was paid in the third quarter of 2021.
- (ii) \$31 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the third quarter of 2021 was paid in the fourth quarter of 2021.
- (iii) Includes \$60 million related to the automatic share purchase plan, as described below.
- (iv) Includes \$10 million related to the automatic share purchase plan, as described below.

In the second quarter of 2021, GWL renewed its NCIB program to purchase on the TSX or through alternative trading systems up to 7,596,891 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.

In the second quarter of 2021, the Company entered into an ASPP with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at October 9, 2021, an obligation to repurchase shares of approximately \$70 million was recognized under the ASPP in trade payables and other liabilities.

As of October 9, 2021, 3,934,229 common shares were purchased under the Company's current NCIB.

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. 9, 2021	Oct. 3, 2020	Oct. 9, 2021	Oct. 3, 2020
Dividends declared per share ⁽ⁱ⁾ :				
Common share	\$ 0.600	\$ 0.525	\$ 1.700	\$ 1.575
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	\$ 0.890625	\$ 0.890625

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on October 1, 2021. Dividends declared on Preferred Shares, Series I were paid on September 15, 2021.

The following table summarizes the Company's cash dividends declared subsequent to the end of the third quarter of 2021:

(\$)		
Dividends declared per share ⁽ⁱ⁾	- Common share	\$ 0.600
	- 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, 2022. Dividends declared on Preferred Shares, Series I are payable on December 15, 2021.

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 2021. For a discussion of the Company's significant off-balance sheet arrangements see Section 3.7, "Off-Balance Sheet Arrangements", of the Company's 2020 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. The year ended December 31, 2020 contained 53 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 Company's interest in Weston Foods is presented separately as Discontinued Operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from Continuing Operations.

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	
	2021 (16 weeks)	2020 ^(3,4) (16 weeks)	2021 ⁽⁴⁾ (12 weeks)	2020 ^(3,4) (12 weeks)	2021 ⁽⁴⁾ (12 weeks)	2020 ^(3,4) (12 weeks)	2020 ^(3,4) (13 weeks)	2019 ^(3,4) (12 weeks)
Revenue	\$ 16,192	\$ 15,806	\$ 12,637	\$ 12,092	\$ 12,017	\$ 11,942	\$ 13,430	\$ 11,730
Operating income	1,125	964	1,065	447	828	595	869	688
Adjusted EBITDA ⁽¹⁾	1,780	1,644	1,462	1,070	1,300	1,246	1,396	1,232
Depreciation and amortization ⁽ⁱ⁾	704	682	541	523	525	517	532	513
Net earnings (loss) from continuing operations	513	484	361	(137)	118	741	488	553
Net earnings (loss) attributable to shareholders of the Company from continuing operations	252	303	125	(210)	(52)	590	274	418
Net earnings (loss) available to common shareholders of the Company	124	303	108	(255)	(62)	582	289	433
Continuing Operations	238	289	115	(220)	(62)	580	264	408
Discontinued Operations	(114)	14	(7)	(35)	–	2	25	25
Net earnings (loss) per common share (\$) - basic	\$ 0.83	\$ 1.98	\$ 0.71	\$ (1.66)	\$ (0.41)	\$ 3.79	\$ 1.89	\$ 2.82
Continuing Operations	1.59	1.89	0.75	(1.43)	(0.41)	3.78	1.72	2.66
Discontinued Operations	(0.76)	0.09	(0.04)	(0.23)	–	0.01	0.17	0.16
Net earnings (loss) per common share (\$) - diluted	\$ 0.82	\$ 1.96	\$ 0.70	\$ (1.66)	\$ (0.41)	\$ 3.78	\$ 1.88	\$ 2.81
Continuing Operations	1.58	1.87	0.74	(1.43)	(0.41)	3.77	1.71	2.65
Discontinued Operations	(0.76)	0.09	(0.04)	(0.23)	–	0.01	0.17	0.16
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 2.39	\$ 2.32	\$ 1.78	\$ 0.91	\$ 1.59	\$ 1.55	\$ 1.96	\$ 1.61
Continuing Operations	2.43	2.22	1.80	1.03	1.60	1.46	1.74	1.48
Discontinued Operations	(0.04)	0.10	(0.02)	(0.12)	(0.01)	0.09	0.22	0.13
Loblaw's food retail same-store sales growth (decline)	0.2 %	6.9%	(0.1)%	10.0%	0.1%	9.6%	8.6%	1.9%
Loblaw's drug retail same-store sales growth (decline)	4.4%	6.1%	9.6%	(1.1)%	(1.7)%	10.7%	3.7%	3.9%
Choice Properties' Funds From Operations per unit - diluted	\$ 0.239	\$ 0.238	\$ 0.238	\$ 0.201	\$ 0.236	\$ 0.244	\$ 0.239	\$ 0.237
Choice Properties' Net Operating Income (cash basis)	\$ 236	\$ 230	\$ 233	\$ 216	\$ 230	\$ 232	\$ 230	\$ 235

(i) Depreciation and amortization includes amortization of intangible assets acquired with Shoppers Drug Mart recorded by Loblaw.

Management's Discussion and Analysis

IMPACT OF TRENDS AND SEASONALITY ON QUARTERLY RESULTS Consolidated quarterly results for the last eight quarters were impacted by the following significant items: seasonality, the timing of holidays and the 53rd week in the fourth quarter of fiscal year 2020. The impact of Loblaw seasonality is greatest in the fourth quarter and least in the first quarter.

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

- COVID-19 pandemic related impacts. As a result of COVID-19, Loblaw's revenue was unusually high throughout 2020 and into 2021. In addition, the Company incurred incremental COVID-19 related costs and investments in the second, third and fourth quarters of 2020 and the first, second and third quarters of 2021, see Section 1.2, "Consolidated Other Business Matters" for details on COVID-19 related costs;
- underlying operating performance of each of the Company's reportable operating segments;
- macro-economic conditions impacting food and retail prices in Loblaw;
- the impact of Loblaw's store closure plan;
- the impact of Choice Properties 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 Loblaw common shares;
 - restructuring and other related costs;
 - outside basis difference in certain Loblaw shares;
 - the change in fair value adjustment of derivatives;
 - the remeasurement of deferred tax balances;
 - the gain and loss on sale of non-operating properties;
 - certain prior period adjustments; 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 2021 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

6. Enterprise Risks and Risk Management

A detailed full set of risks inherent in the Company's business are included in the Company's AIF for the year ended December 31, 2020 and the MD&A included in the Company's 2020 Annual Report, which are hereby incorporated by reference. The Company's 2020 Annual Report and AIF are available at www.sedar.com. Those risks and risk management strategies remain unchanged.

On March 23, 2021, the Company announced its intention to launch a process to sell the Weston Foods business, comprised of the fresh, frozen and ambient bakery businesses. On October 26, 2021, the Company announced an agreement to sell the fresh and frozen bakery businesses and on November 15, 2021, the Company announced an agreement to sell the ambient business. The Company is subject to risks and uncertainties presented by the announced transactions and there can be no assurance regarding: (a) the ability of the Company to successfully complete the sale of the Weston Foods fresh, frozen and ambient businesses; (b) the proceeds to be derived from the transactions; and (c) the timing of closing of any such sale. Failure to complete the sale of the Weston Foods fresh, frozen and ambient bakery businesses could negatively impact the value of the Company's common shares or otherwise adversely affect the business, operating and financial results of Weston Foods and the Company.

7. ACCOUNTING STANDARDS

The following accounting policy was applied during the third quarter of 2021:

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company and which: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographic areas of operations; or is a subsidiary acquired exclusively with a view to resale.

Classification as discontinued operations occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale or distribution.

When an operation is classified as a discontinued operation, the comparative statements of earnings and comprehensive income are re-presented as if the operation has been discontinued from the start of the comparative year.

The Company's discontinued operations are excluded from the results of continuing operations and are presented as a single amount, net of tax, as net earnings from discontinued operations in the consolidated statements of earnings. The consolidated statements of cash flows include cash flows of the discontinued operations, and has not been restated to reflect discontinued operations. The details of the cash flows from discontinued operations are presented in the notes to the financial statements. The consolidated balance sheets have not been restated to reflect discontinued operations.

Management's Discussion and Analysis

8. Outlook⁽⁵⁾

For 2021, the Company expects adjusted net earnings⁽¹⁾ from continuing operations to increase due to the results from its operating segments, including the continued improved performance of Loblaw, and to use excess cash to repurchase shares.

Loblaw Loblaw's businesses continues to be impacted by the pandemic in 2021, including the challenge of lapping elevated 2020 sales.

On a full year basis, Loblaw expects:

- its core retail business to grow earnings faster than sales;
- growth in financial services profitability;
- to invest approximately \$1.2 billion in capital expenditures, net of proceeds from property disposals; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

Based on its year to date operating and financial performance and momentum exiting the third quarter, Loblaw expects year-over-year adjusted diluted net earnings per common share⁽¹⁾ growth in the low-to-mid thirty percent range, excluding the impact of the 53rd week in the fourth quarter of fiscal year 2020 and the charges associated with Loblaw's network optimization as described in Section 2.1, Loblaw Operating Results.

In the third quarter, Loblaw's COVID-19 related costs were approximately \$19 million. Loblaw incurred COVID-19 costs in the four weeks after the end of the third quarter of 2021 of approximately \$4 million.

Choice Properties Choice Properties' goal is to provide net asset value appreciation, stable net operating income growth and capital preservation, all with a long-term focus.

Although there remains uncertainty on the longer-term impact of the COVID-19 pandemic, Choice Properties remains confident that its business model, stable tenant base, and disciplined approach to financial management will continue to position it well. At the end of the third quarter of 2021, Choice Properties' diversified portfolio of retail, industrial and office properties was 97% occupied and leased to high-quality tenants across Canada. Choice Properties' retail portfolio is primarily leased to grocery stores, pharmacies or other necessity-based tenants, and logistics providers, who continue to perform well in this environment and provide stability to Choice Properties' overall portfolio. The stability is evident in Choice Properties' financial results and rent collections, which exceeded 99% for the third quarter.

Choice Properties continues to advance its development program, which provides Choice Properties with the best opportunity to add high-quality real estate to its portfolio at a reasonable cost and drive net asset value appreciation over time. Choice Properties has a mix of active development projects ranging in size, scale, and complexity, including retail intensification projects, industrial greenfield development and rental residential projects located in urban markets with a focus on transit accessibility.

Underpinning all aspects of Choice Properties' business model is a strong balance sheet and a disciplined approach to financial management. Choice Properties takes a conservative approach to leverage and financing risk by maintaining strong leverage ratios and a staggered debt maturity profile.

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, rolling year return on average equity attributable to common shareholders of the Company, rolling year return on capital, GWL Corporate free cash flow, 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.

The Company revised the definition for the following non-GAAP financial measures as follows:

- **Rolling Year Return on Average Equity Attributable to Common Shareholders of the Company** Adjusted net earnings available to common shareholders of the Company for the last four quarters divided by average total equity attributable to common shareholders of the Company.
- **Rolling Year Return on Capital** Tax-effected adjusted operating income for the last four quarters divided by average capital where capital is defined as total debt, plus equity attributable to shareholders of the Company, less cash and cash equivalents, and short-term investments.

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. The Company's interest in Weston Foods is presented separately as Discontinued Operations in the Company's current and comparative results. Unless otherwise indicated, all financial information represents the Company's results from Continuing Operations.

Management's Discussion and Analysis

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 from continuing operations reported for the periods ended as indicated.

(unaudited) (\$ millions)	16 Weeks Ended							
	October 9, 2021				October 3, 2020 ^(3,4)			
	Loblaw	Choice Properties	Other & Intersegment	Consolidated	Loblaw	Choice Properties	Other & Intersegment	Consolidated
Net earnings attributable to shareholders of the Company from Continuing Operations				\$ 252				\$ 303
Add impact of the following:								
Non-controlling interests				261				181
Income taxes				200				157
Net interest expense and other financing charges				412				323
Operating income	\$ 861	\$ 276	\$ (12)	\$ 1,125	\$ 716	\$ 242	\$ 6	\$ 964
Add impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 155	\$ -	\$ -	\$ 155	\$ 155	\$ -	\$ -	\$ 155
Restructuring and other related costs	9	-	-	9	6	-	-	6
Fair value adjustment on investment properties	-	(51)	10	(41)	-	(18)	11	(7)
Fair value adjustment of derivatives	(8)	-	-	(8)	-	-	-	-
Gain on sale of non-operating properties	(7)	-	(2)	(9)	(1)	-	-	(1)
Adjusting items	\$ 149	\$ (51)	\$ 8	\$ 106	\$ 160	\$ (18)	\$ 11	\$ 153
Adjusted operating income	\$ 1,010	\$ 225	\$ (4)	\$ 1,231	\$ 876	\$ 224	\$ 17	\$ 1,117
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱ⁾	662	1	(114)	549	640	1	(114)	527
Adjusted EBITDA	\$ 1,672	\$ 226	\$ (118)	\$ 1,780	\$ 1,516	\$ 225	\$ (97)	\$ 1,644

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes \$155 million (2020 - \$155 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw.

(unaudited) (\$ millions)	40 Weeks Ended							
	Oct. 9, 2021				Oct. 3, 2020 ^(3,4)			
	Loblaw	Choice Properties	Other & Intersegment	Consolidated	Loblaw	Choice Properties	Other & Intersegment	Consolidated
Net earnings attributable to shareholders of the Company from Continuing Operations				\$ 325				\$ 683
Add impact of the following:								
Non-controlling interests				667				405
Income taxes				566				333
Net interest expense and other financing charges				1,460				585
Operating income	\$ 2,226	\$ 1,064	\$ (272)	\$ 3,018	\$ 1,657	\$ 290	\$ 59	\$ 2,006
Add impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 389	\$ –	\$ –	\$ 389	\$ 392	\$ –	\$ –	\$ 392
Fair value adjustment on investment properties	–	(393)	157	(236)	–	360	(172)	188
Restructuring and other related costs	21	–	–	21	30	–	–	30
Fair value adjustment of derivatives	(19)	–	–	(19)	12	–	–	12
(Gain) loss on sale of non-operating properties	(12)	–	–	(12)	(1)	–	–	(1)
Acquisition transaction costs and other related costs	–	–	–	–	–	2	–	2
Foreign currency translation and other company level activities	–	–	–	–	–	(1)	2	1
Adjusting items	\$ 379	\$ (393)	\$ 157	\$ 143	\$ 433	\$ 361	\$ (170)	\$ 624
Adjusted operating income	\$ 2,605	\$ 671	\$ (115)	\$ 3,161	\$ 2,090	\$ 651	\$ (111)	\$ 2,630
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱ⁾	1,652	3	(274)	1,381	1,595	2	(267)	1,330
Adjusted EBITDA	\$ 4,257	\$ 674	\$ (389)	\$ 4,542	\$ 3,685	\$ 653	\$ (378)	\$ 3,960

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes \$389 million (2020 – \$392 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw.

The following items impacted adjusted EBITDA in 2021 and 2020:

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.

Management's Discussion and Analysis

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. Only restructuring activities that are publicly announced related to these initiatives are considered adjusting items.

In the third quarter of 2021, Loblaw recorded \$9 million of restructuring and other related charges related to the previously announced closure of two distribution centres in Laval and Ottawa. The year-to-date restructuring and other related charges were \$21 million. 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. Volumes from the distribution centres in Laval and Ottawa will be transferred to Cornwall and Loblaw expects to incur additional restructuring costs throughout 2021 and through to 2022 related to these closures.

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.

(Gain) loss on sale of non-operating properties In the third quarter of 2021, Loblaw recorded a gain related to the sale of non-operating properties of \$7 million. Year-to-date, Loblaw disposed of non-operating properties to a third party and recorded a gain of \$12 million related to the sale.

During the first quarter of 2021, Choice Properties disposed of a property and incurred a nominal loss recognized in fair value adjustment of investment properties, and during the third quarter of 2021 disposed of a property and incurred a gain recognized in fair value adjustment of investment properties. On consolidation, the Company recorded these properties as fixed asset and recognized at cost less accumulated depreciation. As a result, in the first and third quarter of 2021, on consolidation an incremental \$2 million loss, and \$2 million gain, respectively, was recognized in Other and Intersegment.

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.

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 and certain financial assets and liabilities held by the Company.

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. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾
Net interest expense and other financing charges	\$ 412	\$ 323	\$ 1,460	\$ 585
Add: Fair value adjustment of the Trust Unit liability	(52)	12	(479)	259
Fair value adjustment of the forward sale agreement for Loblaw common shares	(73)	(27)	(184)	(14)
Adjusted net interest expense and other financing charges	\$ 287	\$ 308	\$ 797	\$ 830

In addition to certain items described in the “Adjusted EBITDA” section above, the following items impacted adjusted net interest expense and other financing charges in the third quarters of 2021 and 2020:

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 Loblaw common shares The fair value adjustment of the forward sale agreement for Loblaw common shares 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. See Section 3.3, “Components of Total Debt”, of this MD&A.

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. 9, 2021	Oct. 3, 2020 ^(3,4)	Oct. 9, 2021	Oct. 3, 2020 ^(3,4)
Adjusted operating income ⁽ⁱ⁾	\$ 1,231	\$ 1,117	\$ 3,161	\$ 2,630
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	287	308	797	830
Adjusted earnings before taxes	\$ 944	\$ 809	\$ 2,364	\$ 1,800
Income taxes	\$ 200	\$ 157	\$ 566	\$ 333
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽ⁱⁱ⁾	43	45	88	148
Remeasurement of deferred tax balances	–	9	–	9
Outside basis difference in certain Loblaw shares	9	4	(7)	(6)
Adjusted income taxes	\$ 252	\$ 215	\$ 647	\$ 484
Effective tax rate applicable to earnings before taxes	28.1%	24.5%	36.3%	23.4%
Adjusted effective tax rate applicable to adjusted earnings before taxes	26.7%	26.6%	27.4%	26.9%

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

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

Management's Discussion and Analysis

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 adjusted income taxes and the adjusted effective tax rate in the third quarters of 2021 and 2020:

Remeasurement of deferred tax balances In the third quarter of 2020, as a result of Choice Properties issuing Trust Units to a related party, the Company recorded a tax recovery of \$9 million related to the remeasurement of certain deferred income tax balances 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 \$9 million in the third quarter of 2021 and deferred tax expense of \$7 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.

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. 9, 2021	Oct. 3, 2020 ^(3,4)	Oct. 9, 2021	Oct. 3, 2020 ^(3,4)
Net earnings attributable to shareholders of the Company	\$ 138	\$ 317	\$ 204	\$ 664
Less: Net (loss) earnings from Discontinued Operations	(114)	14	(121)	(19)
Net earnings attributable to shareholders of the Company from Continuing Operations	\$ 252	\$ 303	\$ 325	\$ 683
Less: Prescribed dividends on preferred shares in share capital	(14)	(14)	(34)	(34)
Net earnings available to common shareholders of the Company from Continuing Operations	\$ 238	\$ 289	\$ 291	\$ 649
Less: Reduction in net earnings due to dilution at Loblaw	(1)	(2)	(4)	(3)
Net earnings available to common shareholders from Continuing Operations for diluted earnings per share	\$ 237	\$ 287	\$ 287	\$ 646
Net earnings attributable to shareholders of the Company from Continuing Operations	\$ 252	\$ 303	\$ 325	\$ 683
Adjusting items (refer to the following table)	127	54	594	76
Adjusted net earnings attributable to shareholders of the Company from Continuing Operations	\$ 379	\$ 357	\$ 919	\$ 759
Less: Prescribed dividends on preferred shares in share capital	(14)	(14)	(34)	(34)
Adjusted net earnings available to common shareholders of the Company from Continuing Operations	\$ 365	\$ 343	\$ 885	\$ 725
Less: Reduction in net earnings due to dilution at Loblaw	(1)	(2)	(4)	(3)
Adjusted net earnings available to common shareholders for diluted earnings per share from Continuing Operations	\$ 364	\$ 341	\$ 881	\$ 722
Diluted weighted average common shares outstanding (in millions)	149.7	153.5	151.0	153.6

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. 9, 2021		Oct. 3, 2020 ^(3,4)	
(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
Continuing Operations	\$ 238	\$ 1.58	\$ 289	\$ 1.87
Discontinued Operations	\$ (114)	\$ (0.76)	\$ 14	\$ 0.09
As reported	\$ 124	\$ 0.82	\$ 303	\$ 1.96
Continuing Operations	\$ 238	\$ 1.58	\$ 289	\$ 1.87
Add (deduct) impact of the following ⁽ⁱ⁾ :				
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 58	\$ 0.39	\$ 59	\$ 0.38
Fair value adjustment on investment properties	(35)	(0.24)	(5)	(0.03)
Restructuring and other related costs	5	0.03	3	0.03
Fair value adjustment of derivatives	(3)	(0.02)	–	–
Gain on sale of non-operating properties	(5)	(0.03)	(1)	(0.01)
Fair value adjustment of the Trust Unit liability	52	0.35	(12)	(0.08)
Fair value adjustment of the forward sale agreement for Loblaw common shares	64	0.43	23	0.15
Outside basis difference in certain Loblaw shares	(9)	(0.06)	(4)	(0.03)
Remeasurement of deferred tax balances	–	–	(9)	(0.06)
Adjusting items Continuing Operations	\$ 127	\$ 0.85	\$ 54	\$ 0.35
Adjusted Continuing Operations	\$ 365	\$ 2.43	\$ 343	\$ 2.22
Discontinued Operations	\$ (114)	\$ (0.76)	\$ 14	\$ 0.09
Add (deduct) impact of the following ⁽ⁱ⁾ :				
Restructuring and other related costs	\$ –	\$ –	\$ 1	\$ 0.01
Fair value adjustment of derivatives	(1)	(0.01)	–	–
Weston Foods transaction costs and other related costs	13	0.09	–	–
Non-cash goodwill impairment	79	0.53	–	–
Deferred tax on outside basis difference	17	0.11	–	–
Adjusting items Discontinued Operations	\$ 108	\$ 0.72	\$ 1	\$ 0.01
Adjusted Discontinued Operations	\$ (6)	\$ (0.04)	\$ 15	\$ 0.10
Adjusted Total Company	\$ 359	\$ 2.39	\$ 358	\$ 2.32

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

Management's Discussion and Analysis

	40 Weeks Ended			
	Oct. 9, 2021		Oct. 3, 2020 ^(3,4)	
(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
Continuing Operations	\$ 291	\$ 1.90	\$ 649	\$ 4.21
Discontinued Operations	(121)	(0.80)	(19)	(0.13)
As reported	\$ 170	\$ 1.10	\$ 630	\$ 4.08
Continuing Operations	\$ 291	\$ 1.90	\$ 649	\$ 4.21
Add (deduct) impact of the following ⁽ⁱ⁾ :				
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 149	\$ 0.98	\$ 150	\$ 0.99
Fair value adjustment on investment properties	(198)	(1.31)	158	1.03
Restructuring and other related costs	9	0.06	11	0.07
Fair value adjustment of derivatives	(7)	(0.05)	5	0.03
Acquisition transaction costs and other related costs	–	–	2	0.01
Gain on sale of non-operating properties	(5)	(0.03)	(1)	(0.01)
Fair value adjustment of the Trust Unit liability	479	3.17	(259)	(1.69)
Fair value adjustment of the forward sale agreement for Loblaw common shares	160	1.06	12	0.08
Outside basis difference in certain Loblaw shares	7	0.05	6	0.04
Remeasurement of deferred tax balances	–	–	(9)	(0.06)
Foreign currency translation and other company level activities	–	–	1	–
Adjusting items Continuing Operations	\$ 594	\$ 3.93	\$ 76	\$ 0.49
Adjusted Continuing Operations	\$ 885	\$ 5.83	\$ 725	\$ 4.70
Discontinued Operations	\$ (121)	\$ (0.80)	\$ (19)	\$ (0.13)
Add (deduct) impact of the following ⁽ⁱ⁾ :				
Restructuring and other related costs	\$ –	\$ –	\$ 27	\$ 0.18
Fair value adjustment of derivatives	(3)	(0.02)	3	0.02
Weston Foods transaction costs and other related costs	17	0.11	–	–
Non-cash goodwill impairment	79	0.53	–	–
Deferred tax on outside basis difference	17	0.11	–	–
Adjusting items Discontinued Operations	\$ 110	\$ 0.73	\$ 30	\$ 0.20
Adjusted Discontinued Operations	\$ (11)	\$ (0.07)	\$ 11	\$ 0.07
Adjusted Total Company	\$ 874	\$ 5.76	\$ 736	\$ 4.77

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

In addition to certain items described in the "Adjusted EBITDA" section above, the following items impacted adjusted net earnings available to shareholders of the Company from discontinued operations in the third quarters of 2021 and 2020:

Weston Foods transaction costs and other related costs Weston Foods recorded transaction and other related costs in connection with the sale of the Weston Foods business.

Non-cash goodwill impairment Upon classifying Weston Foods as held for sale, the net assets of fresh and frozen, and ambient businesses were separately measured at the lower of their carrying value or fair value less costs to sell, which resulted in a non-cash goodwill impairment, net of deferred tax recovery of \$79 million. Fair value less costs to sell represents expected aggregate proceeds from the sale less estimated closing costs and estimated adjustments customary of transactions of this nature.

Deferred tax on outside basis difference The Company recorded a deferred tax expense of \$17 million in the third quarter of 2021 and year-to-date on temporary differences in respect of GWL's investment in Weston Foods that are expected to reverse in the foreseeable future.

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.

(unaudited) (\$ millions)	16 Weeks Ended			40 Weeks Ended		
	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change	Oct. 9, 2021	Oct. 3, 2020 ⁽⁴⁾	\$ Change
Cash flows from operating activities from Continuing Operations	\$ 1,367	\$ 1,139	\$ 228	\$ 3,969	\$ 3,846	\$ 123
Cash flows from operating activities from Discontinued Operations	(28)	32	(60)	(12)	101	(113)
Cash flows from operating activities Total Company	\$ 1,339	\$ 1,171	\$ 168	\$ 3,957	\$ 3,947	\$ 10
Cash flows from operating activities from Continuing Operations	\$ 1,367	\$ 1,139	\$ 228	\$ 3,969	\$ 3,846	\$ 123
Less: Interest paid	241	284	(43)	680	703	(23)
Capital Investments ⁽ⁱ⁾	393	435	(42)	894	915	(21)
Lease payments, net	255	259	(4)	593	653	(60)
Free cash flow⁽¹⁾ from Continuing Operations	\$ 478	\$ 161	\$ 317	\$ 1,802	\$ 1,575	\$ 227
Cash flows from operating activities from Discontinued Operations	\$ (28)	\$ 32	\$ (60)	\$ (12)	\$ 101	\$ (113)
Less: Capital Investments	37	50	(13)	76	108	(32)
Lease payments, net	2	3	(1)	6	7	(1)
Free cash flow⁽¹⁾ from Discontinued Operations	\$ (67)	\$ (21)	\$ (46)	\$ (94)	\$ (14)	\$ (80)
Free cash flow⁽¹⁾ from Total Company	\$ 411	\$ 140	\$ 271	\$ 1,708	\$ 1,561	\$ 147

- (i) During the year-to-date 2021, additions to fixed assets in Loblaw included \$1 million of prepayments that were made in 2020 and transferred from other assets. There were no transfers in the third quarter of 2021. During 2020, additions to fixed assets in Loblaw included prepayments that were made in 2019 and transferred from other assets of \$16 million in the third quarter of 2020 and \$66 million year-to-date of 2020.

Management's Discussion and Analysis

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

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.

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. 9, 2021	Oct. 3, 2020	Oct. 9, 2021	Oct. 3, 2020
Net income	\$ 163	\$ 97	\$ 186	\$ 334
Add (deduct) impact of the following:				
Fair value adjustment on Exchangeable Units	(16)	15	491	(441)
Unit distributions on Exchangeable Units	74	72	220	216
Fair value adjustment on investment properties	(35)	(28)	(363)	324
Fair value adjustment on investment property held in equity accounted joint ventures	(16)	11	(30)	37
Internal expenses for leasing	2	1	5	5
Capitalized interest on equity accounted joint ventures	1	1	3	4
Acquisition transaction costs and other related costs	–	–	–	2
Amortization of intangible assets	–	–	1	1
Foreign exchange gain	–	–	–	(1)
Other fair value gains (losses), net	–	–	2	(1)
Funds from Operations	\$ 173	\$ 169	\$ 515	\$ 480

9.1 Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021

In 2020, management undertook a review of historical adjusting items as part of an effort to reduce the number of non-GAAP items it adjusts for in its financial reporting. Management concluded that, in order to present adjusting items in a manner more consistent with that of its Canadian and U.S. peers, the Company will no longer adjust for asset impairments (net of recoveries), certain restructuring and other related costs, pension settlement costs, statutory corporate income tax rate changes or other items.

Starting in the first quarter of 2021, restructuring and other related costs will be considered an adjusting item only if significant and if part of a publicly announced restructuring plan. Other unusual items will be assessed on a case by case basis based on their nature, magnitude and propensity to re-occur. This change took effect in the first quarter of 2021 with restatement of comparative periods at that time.

The summaries below reconcile the non-GAAP financial measures as previously reported in 2020 and 2019 to those reported under the new policy starting in the first quarter of 2021.

The Company's interest in Weston Foods has been presented separately as Discontinued Operations in the Company's current and comparative results. As a result, all financial information represents the Company's results from Continuing Operations unless otherwise indicated, including the following previously reported Adjusted Operating Income and Adjusted EBITDA.

Adjusted Operating Income and Adjusted EBITDA:

(unaudited) (\$ millions)	Quarters Ended											
	March 21, 2020 (12 weeks)				June 13, 2020 (12 weeks)				October 3, 2020 (16 weeks)			
	Loblaw	Choice Properties	Other	Consoli- dated	Loblaw	Choice Properties	Other	Consoli- dated	Loblaw	Choice Properties	Other	Consoli- dated
Adjusted Operating income - Previously Reported	\$ 692	\$ 226	\$ (66)	\$ 852	\$ 534	\$ 201	\$ (62)	\$ 673	\$ 882	\$ 224	\$ 17	\$ 1,123
Add (deduct) impact of the following:												
Asset Impairments, net of recoveries	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring and other related costs	(4)	-	-	(4)	(8)	-	-	(8)	(6)	-	-	(6)
Adjusting Items	\$ (4)	\$ -	\$ -	\$ (4)	\$ (8)	\$ -	\$ -	\$ (8)	\$ (6)	\$ -	\$ -	\$ (6)
Adjusted operating income - Restated	\$ 688	\$ 226	\$ (66)	\$ 848	\$ 526	\$ 201	\$ (62)	\$ 665	\$ 876	\$ 224	\$ 17	\$ 1,117
Depreciation and amortization	594	1	(78)	517	598	-	(75)	523	795	1	(114)	682
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(119)	-	-	(119)	(118)	-	-	(118)	(155)	-	-	(155)
Adjusted EBITDA - Restated	\$1,163	\$ 227	\$ (144)	\$ 1,246	\$1,006	\$ 201	\$ (137)	\$ 1,070	\$1,516	\$ 225	\$ (97)	\$ 1,644

(unaudited) (\$ millions)	Quarter Ended								Year Ended			
	December 31, 2020 (13 weeks)				December 31, 2020 (53 weeks)							
	Loblaw	Choice Properties	Other	Consolidated	Loblaw	Choice Properties	Other	Consolidated				
Adjusted Operating income - Previously Reported	\$ 838	\$ 225	\$ (57)	\$ 1,006	\$ 2,946	\$ 876	\$ (168)	\$ 3,654				
Add (deduct) impact of the following:												
Asset Impairments, net of recoveries	(17)	-	(6)	(23)	(17)	-	(6)	(23)				
Restructuring and other related costs	(2)	-	-	(2)	(20)	-	-	(20)				
Adjusting Items	\$ (19)	\$ -	\$ (6)	\$ (25)	\$ (37)	\$ -	\$ (6)	\$ (43)				
Adjusted operating income - Restated	\$ 819	\$ 225	\$ (63)	\$ 981	\$ 2,909	\$ 876	\$ (174)	\$ 3,611				
Depreciation and amortization	609	1	(78)	532	2,596	3	(345)	2,254				
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(117)	-	-	(117)	(509)	-	-	(509)				
Adjusted EBITDA - Restated	\$ 1,311	\$ 226	\$ (141)	\$ 1,396	\$ 4,996	\$ 879	\$ (519)	\$ 5,356				

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(unaudited) (\$ millions)	Quarters Ended											
	March 23, 2019 (12 weeks)				June 15, 2019 (12 weeks)				October 5, 2019 (16 weeks)			
	Loblaw	Choice Properties	Other	Consoli- dated	Loblaw	Choice Properties	Other	Consoli- dated	Loblaw	Choice Properties	Other	Consoli- dated
Adjusted Operating income - Previously Reported	\$ 577	\$ 230	\$ (81)	\$ 726	\$ 709	\$ 232	\$ (63)	\$ 878	\$ 872	\$ 226	\$ (12)	\$ 1,086
Add (deduct) impact of the following:												
Asset Impairments, net of recoveries	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring and other related costs	(12)	-	-	(12)	(16)	-	-	(16)	(22)	-	-	(22)
Pension annuities and buy-outs	(10)	-	-	(10)	-	-	-	-	-	-	-	-
Certain prior period items	-	-	-	-	15	-	-	15	-	-	-	-
Adjusting Items	\$ (22)	\$ -	\$ -	\$ (22)	\$ (1)	\$ -	\$ -	\$ (1)	\$ (22)	\$ -	\$ -	\$ (22)
Adjusted operating income - Restated	\$ 555	\$ 230	\$ (81)	\$ 704	\$ 708	\$ 232	\$ (63)	\$ 877	\$ 850	\$ 226	\$ (12)	\$ 1,064
Depreciation and amortization	580	-	(76)	504	580	1	(82)	499	775	-	(118)	657
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(119)	-	-	(119)	(116)	-	-	(116)	(157)	-	-	(157)
Adjusted EBITDA - Restated	\$ 1,016	\$ 230	\$ (157)	\$ 1,089	\$ 1,172	\$ 233	\$ (145)	\$ 1,260	\$ 1,468	\$ 226	\$ (130)	\$ 1,564

(unaudited) (\$ millions)	Quarter Ended								Year Ended			
	December 31, 2019 (13 weeks)								December 31, 2019 (53 weeks)			
	Loblaw	Choice Properties	Other	Consolidated	Loblaw	Choice Properties	Other	Consolidated	Loblaw	Choice Properties	Other	Consolidated
Adjusted Operating income - Previously Reported	\$ 730	\$ 225	\$ (59)	\$ 896	\$ 2,888	\$ 913	\$ (215)	\$ 3,586				
Add (deduct) impact of the following:												
Asset Impairments, net of recoveries	(75)	-	38	(37)	(75)	-	38	(37)				
Restructuring and other related costs	(24)	-	-	(24)	(74)	-	-	(74)				
Pension annuities and buy-outs	-	-	-	-	(10)	-	-	(10)				
Certain prior period items	7	-	(7)	-	22	-	(7)	15				
Adjusting Items	\$ (92)	\$ -	\$ 31	\$ (61)	\$ (137)	\$ -	\$ 31	\$ (106)				
Adjusted operating income - Restated	\$ 638	\$ 225	\$ (28)	\$ 835	\$ 2,751	\$ 913	\$ (184)	\$ 3,480				
Depreciation and amortization	589	-	(76)	513	2,524	1	(352)	2,173				
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(116)	-	-	(116)	(508)	-	-	(508)				
Adjusted EBITDA - Restated	\$ 1,111	\$ 225	\$ (104)	\$ 1,232	\$ 4,767	\$ 914	\$ (536)	\$ 5,145				

Adjusted Net Earnings Available to Common Shareholders and Adjusted Diluted Net earnings per Common Share are presented below:

	Quarters Ended								Year Ended	
	March 21, 2020		June 13, 2020		October 3, 2020		December 31, 2020		December 31, 2020	
	(12 weeks)		(12 weeks)		(16 weeks)		(13 weeks)		(53 weeks)	
(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	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	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share
Adjusted Total Company - Previously Reported	\$ 239	\$ 1.55	\$ 142	\$ 0.93	\$ 362	\$ 2.35	\$ 312	\$ 2.03	\$ 1,055	\$ 6.85
Add (deduct) impact of the following:										
Asset impairments, net of recoveries	-	-	-	-	-	-	(11)	(0.08)	(11)	(0.08)
Restructuring and other related costs	(2)	(0.01)	(3)	(0.02)	(3)	(0.02)	-	-	(8)	(0.04)
Statutory corporate income tax rate change	2	0.01	-	-	(1)	(0.01)	1	0.01	2	0.01
Adjusting items	\$ -	\$ -	\$ (3)	\$ (0.02)	\$ (4)	\$ (0.03)	\$ (10)	\$ (0.07)	\$ (17)	\$ (0.11)
Adjusted Total Company - Restated	\$ 239	\$ 1.55	\$ 139	\$ 0.91	\$ 358	\$ 2.32	\$ 302	\$ 1.96	\$ 1,038	\$ 6.74
Continuing Operations	\$ 225	\$ 1.46	\$ 157	\$ 1.03	\$ 343	\$ 2.22	\$ 268	\$ 1.74	\$ 993	\$ 6.44
Discontinued Operations⁽ⁱ⁾	\$ 14	\$ 0.09	\$ (18)	\$ (0.12)	\$ 15	\$ 0.10	\$ 34	\$ 0.22	\$ 45	\$ 0.30

(i) The Company's interest in Weston Foods presented separately as Discontinued Operations was not impacted as a result of the non-GAAP financial measures policy change.

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	Quarters Ended								Year Ended	
	March 23, 2019 (12 weeks)		June 15, 2019 (12 weeks)		October 5, 2019 (16 weeks)		December 31, 2019 (12 weeks)		December 31, 2019 (52 weeks)	
(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	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	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share
Adjusted Total Company - Previously Reported	\$ 201	\$ 1.30	\$ 263	\$ 1.70	\$ 391	\$ 2.54	\$ 262	\$ 1.69	\$ 1,117	\$ 7.24
Add (deduct) impact of the following:										
Asset impairments, net of recoveries	-	-	-	-	-	-	(2)	(0.01)	(2)	(0.01)
Restructuring and other related costs	(5)	(0.03)	(6)	(0.04)	(7)	(0.05)	(10)	(0.07)	(28)	(0.18)
Pension annuities and buy-outs	(4)	(0.03)	-	-	-	-	-	-	(4)	(0.03)
Certain prior period items	-	-	6	0.04	-	-	-	-	6	0.04
Reserve release related to 2014 tax audit	-	-	-	-	4	0.03	-	-	4	0.03
Statutory corporate income tax rate change	-	-	8	0.05	-	-	-	-	8	0.05
Adjusting items	\$ (9)	\$ (0.06)	\$ 8	\$ 0.05	\$ (3)	\$ (0.02)	\$ (12)	\$ (0.08)	\$ (16)	\$ (0.10)
Adjusted Total Company - Restated	\$ 192	\$ 1.24	\$ 271	\$ 1.75	\$ 388	\$ 2.52	\$ 250	\$ 1.61	\$ 1,101	\$ 7.14
Continuing Operations	\$ 179	\$ 1.15	\$ 257	\$ 1.66	\$ 361	\$ 2.34	\$ 229	\$ 1.48	\$ 1,026	\$ 6.65
Discontinued Operations⁽ⁱ⁾	\$ 13	\$ 0.09	\$ 14	\$ 0.09	\$ 27	\$ 0.18	\$ 21	\$ 0.13	\$ 75	\$ 0.49

(i) The Company's interest in Weston Foods presented separately as Discontinued Operations was not impacted as a result of this change.

There were no impacts to previously reported adjusted net interest expense and other financing charges as a result of this change as reported in the Company's 2020 annual and interim MD&A.

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. Additionally, there can be no assurance regarding (a) the ability of the Company to successfully complete the sale of the Weston Foods fresh, frozen or ambient businesses, (b) the proceeds to be derived from the transactions referenced in this MD&A, and (c) the timing of closing of any such sale. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, in Section 3, "Liquidity and Capital Resources", Section 8, "Outlook", 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", "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 2021 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" of the Company's 2020 Annual Report and the Company's AIF for the year ended December 31, 2020. 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 vendor operations, 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;
- failure to execute the Company's e-commerce initiatives or to adapt its business model to the shifts in the retail landscape caused by digital advances;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- 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;
- failure to realize benefits from investments in the Company's new IT systems;
- failure to maintain an effective supply chain and consequently an appropriate assortment of available product at store level;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- public health events including those related to food and drug safety;
- errors made through medication dispensing or errors related to patient services or consultation;
- 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 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;
- 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 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;
- 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, including the failure by the Company to complete the Sale of Weston Foods businesses; and
- the inability of the Company to anticipate, identify and react to consumer and retail trends.

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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, 2020. 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 MD&A. 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 22, 2021

Footnote Legend

- (1) See Section 9, "Non-GAAP Financial Measures", of the Company's 2021 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) Certain figures have been restated due to the non-GAAP financial measures policy change. See section 9.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's 2021 Third Quarter Management's Discussion and Analysis.
 - (4) Comparative figures have been restated to conform with current year presentation.
 - (5) To be read in conjunction with Section 10, "Forward-Looking Statements", of the Company's 2021 Third Quarter Management's Discussion and Analysis.
 - (6) Compound Average Growth Rate ("CAGR") is the measure of annualized growth over a period longer than one year. CAGR as disclosed in Section 2.1 "Loblaw Operating Results" of the Company's 2021 Third Quarter Management's Discussion and Analysis, is the mean annual growth rate over a two year period, 2019 to 2021.
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