

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 second 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 second 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 three reportable operating segments, Loblaw Companies Limited ("Loblaw"), Choice Properties Real Estate Investment Trust ("Choice Properties") and Weston Foods. Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation and cash and short-term investments held by the Company. All other company level activities that are not allocated to the reportable operating segments, such as net interest expense, corporate activities and administrative costs are included in Other and Intersegment. Loblaw has two reportable operating segments, retail and financial services. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise and financial services. Choice Properties owns, manages and develops a high-quality portfolio of commercial retail, industrial, office and residential properties across Canada. Weston Foods is a North American bakery making bread, rolls, cupcakes, donuts, cookies, cakes, pies, cones and wafers, artisan baked goods and more. As at the end of the second quarter of 2021, the Company's ownership interest in Loblaw was 52.6%, 61.7% in Choice Properties and 100% in Weston Foods.

On March 23, 2021, the Company announced its intention to launch a process to sell the Weston Foods operating segment (the "Weston Foods Transaction"). This announcement followed a strategic review by the Board of Directors that determined that the Company should focus on its other two operating segments, Loblaw and Choice Properties, as these two segments will remain the Company's most significant drivers of long-term value creation.

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

A glossary of terms and ratios used throughout this Quarterly Report can be found beginning on page 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 7, "Outlook" and Section 9, "Forward-Looking Statements" of this MD&A.

The information in this MD&A is current to July 29, 2021, unless otherwise noted.

At a Glance

Key Financial Highlights

As at or for the 12 weeks ended June 19, 2021 and June 13, 2020
(\$ millions except where otherwise indicated)

Consolidated

\$ 12,931	+4.6%	\$ 1,056	+163.3%	\$ 1,489	+38.0%	11.5%	+280bps
	vs. Q2 2020		vs. Q2 2020		vs. Q2 2020 ⁽³⁾		vs. Q2 2020 ⁽³⁾
REVENUE		OPERATING INCOME		ADJUSTED EBITDA ⁽¹⁾		ADJUSTED EBITDA MARGIN ⁽¹⁾ (%)	
\$ 108	+142.4%	\$ 272	+95.7%	\$ 0.70	+142.2%	\$ 1.78	+95.6%
	vs. Q2 2020		vs. Q2 2020 ⁽³⁾		vs. Q2 2020		vs. Q2 2020 ⁽³⁾
NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS		ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS ⁽¹⁾		DILUTED NET EARNINGS PER COMMON SHARE (\$)		ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE ⁽¹⁾ (\$)	

GWL Corporate⁽²⁾

\$ 108	+16.1%	\$ 259	+270.0%	\$ 0.55	+4.8%	11.7%	+220bps
	vs. Q2 2020		vs. Q2 2020		vs. Q2 2020		vs. Q2 2020 ⁽³⁾
CASH FLOW FROM OPERATING BUSINESSES ⁽¹⁾		GWL CORPORATE FREE CASH FLOW ⁽¹⁾		QUARTERLY DIVIDENDS DECLARED PER SHARE (\$)		ROLLING YEAR ADJUSTED RETURN ON CAPITAL ⁽¹⁾ (%)	

(1) See Section 8. "Non-GAAP Financial Measures", of this MD&A.

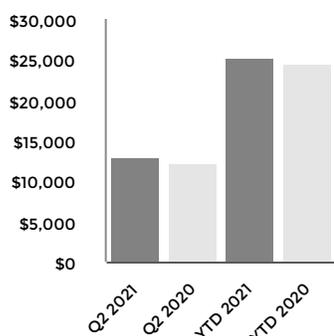
(2) GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.

(3) Certain figures have been restated due to the non-GAAP financial measures policy change. See section 8.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's Second Quarter 2021 MD&A.

Key Performance Indicators

For the 12 weeks and 24 weeks ended June 19, 2021 and June 13, 2020
(\$ millions except where otherwise indicated)

REVENUE



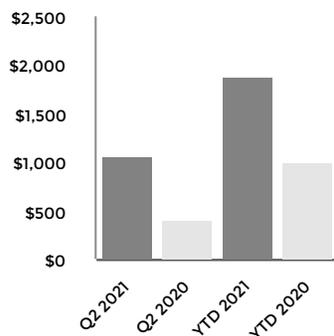
Q2 2021	\$ 12,931	
Q2 2020	\$ 12,357	+4.6%
YTD 2021	\$25,283	
YTD 2020	\$24,690	+2.4%

How we performed

Revenue increased in the second quarter of 2021 due to growth in Loblaw, Weston Foods and Choice Properties.

Year-to-date, the increase in revenue was due to growth in Loblaw and an increase in Choice Properties, partially offset by the decline in sales at Weston Foods mainly due to the unfavourable impact of foreign currency translation. Excluding foreign currency translation, Weston Foods sales increased nominally.

OPERATING INCOME



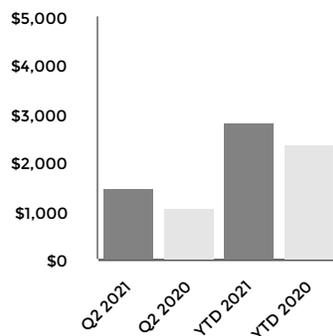
Q2 2021	\$ 1,056	
Q2 2020	\$ 401	+163.3%
YTD 2021	\$ 1,886	
YTD 2020	\$ 999	+88.8%

How we performed

Operating income increased in the second quarter of 2021 mainly due to the favourable year-over-year net impact of adjusting items and improvements in the underlying operating performance of Loblaw, Choice Properties and Weston Foods.

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.

ADJUSTED EBITDA⁽¹⁾



Q2 2021	\$ 1,489	
Q2 2020 ⁽³⁾	\$ 1,079	+38.0%
YTD 2021	\$ 2,824	
YTD 2020 ⁽³⁾	\$ 2,379	+18.7%

How we performed

Adjusted EBITDA⁽¹⁾ increased in the second quarter of 2021 mainly due to an increase in Loblaw, Choice Properties and Weston Foods.

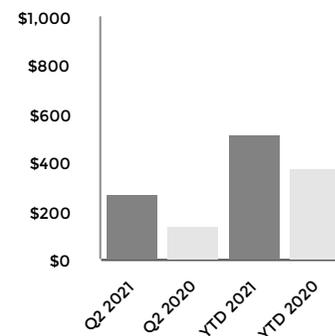
Year-to-date, the increase was primarily due to an increase in Loblaw and Choice Properties.

Adjusted EBITDA margin⁽¹⁾ in the second quarter of 2021 and year-to-date increased driven by an improvement in Loblaw retail adjusted gross profit percentage⁽¹⁾, and an improvement in selling, general and administrative ("SG&A") expenses as a percentage of sales due to lower COVID-19 related costs in Loblaw, Choice Properties and Weston Foods.

ADJUSTED EBITDA MARGIN⁽¹⁾ (%)

11.5%	+280bps
Q2 2021	vs. Q2 2020 ⁽³⁾
11.2%	+160bps
YTD 2021	vs. 2020 ⁽³⁾

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS⁽¹⁾



Q2 2021	\$ 272	
Q2 2020 ⁽³⁾	\$ 139	+95.7%
YTD 2021	\$ 515	
YTD 2020 ⁽³⁾	\$ 378	+36.2%

How we performed

Adjusted net earnings available to common shareholders⁽¹⁾ increased in the second quarter of 2021 due to the improvement in the underlying operating performance at Loblaw, Choice Properties and Weston Foods.

Year-to-date, the increase was due to the improvement in the underlying operating performance at Loblaw and Choice Properties, partially offset by an increase in the adjusted effective tax rate⁽¹⁾.

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

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

\$ 1.78	+95.6%
Q2 2021	vs. Q2 2020 ⁽³⁾
\$ 3.37	+37.6%
YTD 2021	vs. 2020 ⁽³⁾

(1) See Section 8, "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 8.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's Second Quarter 2021 MD&A.

GWL Corporate Free Cash Flow⁽¹⁾

GWL Corporate free cash flow⁽¹⁾ is generated from the dividends received from Loblaw, distributions received from Choice Properties, net cash flow contributions from Weston Foods and proceeds from participation in Loblaw's Normal Course Issuer Bid, less corporate expenses, interest and income taxes paid.

(\$ millions)	12 Weeks Ended		24 Weeks Ended	
	Jun. 19, 2021	Jun. 13, 2020	Jun. 19, 2021	Jun. 13, 2020
Weston Foods adjusted EBITDA ⁽¹⁾	\$ 26	\$ 7	\$ 60	\$ 59
Weston Foods capital expenditures	(26)	(33)	(39)	(57)
Distributions from Choice Properties	80	54	163	136
Dividends from Loblaw	61	59	61	118
Weston Foods income taxes (paid) recovered	(1)	(1)	(1)	2
Other	(32)	7	(59)	(11)
GWL Corporate cash flow from operating businesses⁽¹⁾	\$ 108	\$ 93	\$ 185	\$ 247
Proceeds from participation in Loblaw's Normal Course Issuer Bid	172	–	338	92
GWL Corporate and financing costs ⁽ⁱ⁾	(19)	(20)	(52)	(48)
Income taxes paid	(2)	(3)	(14)	(7)
GWL Corporate free cash flow⁽¹⁾	\$ 259	\$ 70	\$ 457	\$ 284

(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 12 weeks and 24 weeks ended June 19, 2021 and June 13, 2020
(\$ millions except where otherwise indicated)

GWL CORPORATE⁽²⁾ CASH FLOW FROM OPERATING BUSINESSES⁽¹⁾

\$ 108	+16.1%
Q2 2021	vs. Q2 2020
\$ 185	-25.1%
YTD 2021	vs. 2020

GWL CORPORATE⁽²⁾ FREE CASH FLOW⁽¹⁾

\$ 259	+270.0%
Q2 2021	vs. Q2 2020
\$ 457	+60.9%
YTD 2021	vs. 2020

GWL CORPORATE⁽²⁾ NET DEBT

\$ 33	-89.4%
Q2 2021	vs. Q2 2020
\$ 312	
Q2 2020	

How we performed

Increase in the second quarter of 2021 was primarily due to an improvement in Weston Foods underlying operating performance and higher distributions from Choice Properties due to timing, partially offset by unfavourable changes in non-cash working capital recorded in Other.

Decrease year-to-date was primarily due to lower dividends from Loblaw due to timing, unfavourable changes in non-cash working capital recorded in Other, partially offset by higher distributions from Choice Properties due to timing and lower Weston Foods' capital expenditures.

How we performed

Increase in the second quarter of 2021 was primarily due to higher proceeds from participation in Loblaw's Normal Course Issuer Bid and increases in cash flows from operating businesses.

Increase year-to-date was primarily due to higher proceeds from participation in Loblaw's Normal Course Issuer Bid, partially offset by decreases in cash flows from operating businesses.

How we performed

Decrease primarily driven by higher cash and cash equivalents and lower total debt.

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

1.1 Consolidated Results of Operations

Loblaw delivered strong financial performance in the second quarter of 2021. Revenue growth continued despite lapping the unprecedented demand in the previous year from stockpiling by consumers at the start of COVID-19. Consolidated gross margin improved significantly, reflecting a heightened focus on the core retail business, including promotional effectiveness and cost controls. Loblaw maintained its focus on delivering value and quality to its customers in a safe shopping environment and is well-positioned to meet the evolving needs of customers as pandemic restrictions lift and economies re-open.

Choice Properties generated solid results in the second quarter of 2021, collecting 98% of contractual rents despite continued regional lockdowns across Canada. Choice Properties continued to advance its development initiatives, drive meaningful net asset value appreciation and improve its balance sheet. Net asset value per unit increased by 3.6% driven primarily by gains from the industrial portfolio, 149,000 square feet of new gross leasable area was transferred to income-producing assets, and Choice Properties lowered its leverage ratio through the early repayment of \$200 million of debentures.

Weston Foods delivered much improved financial results in the second quarter of 2021 compared to the same quarter in 2020. Sales grew in foodservice and retail as government-mandated lockdowns were lifted in many regions of Canada and the United States. In addition to the increase in sales, lower pandemic-related costs and continued productivity improvements contributed to the year-over-year earnings growth. In the second quarter, Weston Foods was faced with higher-than-expected input, labour and distribution costs. The higher costs, together with labour availability challenges, negatively impacted sales and earnings. These factors were primarily the result of a surge in global demand for consumer goods as economies began to reopen following the lifting of many lockdown restrictions. Weston Foods has taken steps, including pricing, to help mitigate the impact of cost inflation, and expects the labour availability challenges will ease over time. The business is well-positioned to meet the increasing demand from its customers and continue to offer superior products and services.

The Company's results reflect:

- the impact of COVID-19. Also refer to Section 2, "Results of Reportable Operating Segments" and Section 7, "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	12 Weeks Ended				24 Weeks Ended			
	Jun. 19, 2021	Jun. 13, 2020 ⁽⁴⁾	\$ Change	% Change	Jun. 19, 2021	Jun. 13, 2020 ⁽⁴⁾	\$ Change	% Change
Revenue	\$ 12,931	\$ 12,357	\$ 574	4.6%	\$ 25,283	\$ 24,690	\$ 593	2.4%
Operating income	\$ 1,056	\$ 401	\$ 655	163.3%	\$ 1,886	\$ 999	\$ 887	88.8%
Adjusted EBITDA ⁽¹⁾	\$ 1,489	\$ 1,079	\$ 410	38.0%	\$ 2,824	\$ 2,379	\$ 445	18.7%
Adjusted EBITDA margin ⁽¹⁾	11.5%	8.7%			11.2%	9.6%		
Depreciation and amortization⁽ⁱ⁾	\$ 573	\$ 566	\$ 7	1.2%	\$ 1,133	\$ 1,126	\$ 7	0.6%
Net interest expense and other financing charges	\$ 503	\$ 521	\$ (18)	(3.5)%	\$ 1,049	\$ 263	\$ 786	298.9%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 257	\$ 267	\$ (10)	(3.7)%	\$ 511	\$ 523	\$ (12)	(2.3)%
Income taxes	\$ 199	\$ 52	\$ 147	282.7%	\$ 365	\$ 165	\$ 200	121.2%
Adjusted income taxes ⁽¹⁾	\$ 216	\$ 108	\$ 108	100.0%	\$ 394	\$ 268	\$ 126	47.0%
Adjusted effective tax rate ⁽¹⁾	27.8%	28.9%			27.9%	27.2%		
Net earnings (loss) attributable to shareholders of the Company	\$ 118	\$ (245)	\$ 363	148.2%	\$ 66	\$ 347	\$ (281)	(81.0)%
Net earnings (loss) available to common shareholders of the Company	\$ 108	\$ (255)	\$ 363	142.4%	\$ 46	\$ 327	\$ (281)	(85.9)%
Adjusted net earnings available to common shareholders of the Company ⁽¹⁾	\$ 272	\$ 139	\$ 133	95.7%	\$ 515	\$ 378	\$ 137	36.2%
Diluted net earnings (loss) per common share (\$)	\$ 0.70	\$ (1.66)	\$ 2.36	142.2%	\$ 0.28	\$ 2.12	\$ (1.84)	(86.8)%
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 1.78	\$ 0.91	\$ 0.87	95.6%	\$ 3.37	\$ 2.45	\$ 0.92	37.6%

- (i) Depreciation and amortization includes \$117 million (2020 - \$118 million) in the second quarter of 2021 and \$234 million (2020 - \$237 million) year-to-date of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation, recorded by Loblaw and \$10 million and \$19 million in the second quarter and year-to-date of 2020, respectively, of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY

In the second quarter of 2021, the Company recorded net earnings available to common shareholders of the Company of \$108 million (\$0.70 per common share), an increase of \$363 million (\$2.36 per common share) compared to the same period in 2020. The increase was due to the favourable year-over-year net impact of adjusting items totaling \$230 million (\$1.49 per common share) and an improvement of \$133 million (\$0.87 per common share) in the consolidated underlying operating performance of the Company described below.

- The favourable year-over-year net impact of adjusting items totaling \$230 million (\$1.49 per common share) was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment on investment properties of \$203 million (\$1.33 per common share) primarily driven by Choice Properties, net of consolidation adjustments in Other and Intersegment; and

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- the favourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$69 million (\$0.44 per common share) as a result of the increase in Choice Properties' unit price in the second quarter of 2021; partially offset by,
 - the unfavourable year-over-year impact of the fair value adjustment of the forward sale agreement of Loblaw common shares of \$52 million (\$0.34 per common share).
- The improvement in the Company's consolidated underlying operating performance of \$133 million (\$0.87 per common share) was due to:
 - the favourable underlying operating performance of Loblaw, Choice Properties and Weston Foods; partially offset by,
 - an increase in depreciation and amortization.
 - Diluted net earnings per common share also included the favourable impact of shares purchased for cancellation in the fourth quarter of 2020 and in the first and second quarters of 2021.

Adjusted net earnings available to common shareholders of the Company⁽¹⁾ were \$272 million, an increase of \$133 million, or 95.7%, 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⁾ was \$1.78 per common share in the second quarter of 2021, an increase of \$0.87 per common share, or 95.6%, compared to the same period in 2020. The increase was due to the performance in adjusted net earnings available to common shareholders⁽¹⁾ and the favourable impact of share repurchases.

Year-to-date net earnings available to common shareholders of the Company were \$46 million (\$0.28 per common share), a decrease of \$281 million (\$1.84 per common share), or 85.9%, compared to the same period in 2020. The decrease was due to the unfavourable year-over-year net impact of adjusting items totaling \$418 million (\$2.76 per common share), partially offset by an improvement in the Company's consolidated underlying operating performance of \$137 million (\$0.92 per common share) described below.

- The unfavourable year-over-year net impact of adjusting items totaling \$418 million (\$2.76 per common share) was primarily due to:
 - the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$674 million (\$4.42 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 \$107 million (\$0.70 per common share); partially offset by,
 - the favourable year-over-year impact of the fair value adjustment on investment properties of \$326 million (\$2.14 per common share) primarily driven by Choice Properties, net of consolidation adjustments in Other and Intersegment; and
 - the favourable year-over-year impact of restructuring and other related costs of \$30 million (\$0.19 per common share).
- The improvement in the Company's consolidated underlying operating performance of \$137 million (\$0.92 per common share) was due to:
 - the favourable underlying operating performance of Loblaw; and
 - the favourable underlying operating performance of Choice Properties; partially offset by,
 - 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
 - an increase in depreciation and amortization.
- Diluted net earnings per common share also included the favourable impact of shares purchased for cancellation in the fourth quarter of 2020 and in the first and second quarters of 2021.

Year-to-date adjusted net earnings available to common shareholders of the Company⁽¹⁾ were \$515 million (\$3.37 per common share), an increase of \$137 million, or 36.2%, 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⁾ was \$3.37 per common share in the second quarter of 2021, an increase of \$0.92 per common share, or 37.6%, compared to the same period in 2020. The increase was due to the performance in adjusted net earnings available to common shareholders⁽¹⁾ and the favourable impact of share repurchases.

REVENUE

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended				24 Weeks Ended			
	Jun. 19, 2021	Jun. 13, 2020	\$ Change	% Change	Jun. 19, 2021	Jun. 13, 2020	\$ Change	% Change
Loblaw	\$ 12,491	\$ 11,957	\$ 534	4.5%	\$ 24,363	\$ 23,757	\$ 606	2.6%
Choice Properties	\$ 324	\$ 315	\$ 9	2.9%	\$ 651	\$ 640	\$ 11	1.7%
Weston Foods	\$ 431	\$ 412	\$ 19	4.6%	\$ 903	\$ 947	\$ (44)	(4.6)%
Other and Intersegment	\$ (315)	\$ (327)			\$ (634)	\$ (654)		
Consolidated	\$ 12,931	\$ 12,357	\$ 574	4.6%	\$ 25,283	\$ 24,690	\$ 593	2.4%

Revenue in the second quarter of 2021 was \$12,931 million, an increase of \$574 million, or 4.6%, compared to the same period in 2020. The increase in revenue in the second quarter of 2021 was impacted by each of its reportable operating segments as follows:

- Positively by 4.3% due to revenue growth of 4.5% at Loblaw, primarily driven by an increase in retail sales and an improvement in financial services revenue. Retail sales increased by \$514 million, or 4.4%, compared to the same period in 2020. The increase was primarily due to drug retail same-store sales growth of 9.6% and a net increase in retail square footage. Food retail same-store sales declined by 0.1% for the quarter. The decline was mainly driven by lapping the strong surge in sales in the second quarter of 2020. Food retail basket size decreased and traffic increased in the quarter, as compared to the second quarter of 2020; Loblaw's food retail average article price was higher by 1.4% (2020 - 4.6%), which reflected the year-over-year growth in food retail revenue over the average number of articles sold in Loblaw's stores in the quarter.
- Positively by 0.1% due to growth in revenue of 2.9% at Choice Properties. The increase of \$9 million was mainly due to the net contribution from acquisitions and development transfers completed in 2020 and 2021 and an increase in lease surrender revenue, partially offset by foregone revenue from dispositions in 2020, vacancies in select retail and office assets, and a reduction in transient parking revenue in the office portfolio due to the impact of the pandemic on city centres.
- Positively by 0.2% due to growth in sales of 4.6% at Weston Foods. Sales included the unfavourable impact of foreign currency translation of approximately 7.5%. Excluding the unfavourable impact of foreign currency translation, sales increased by 12.1% primarily due to lapping the negative impact of the COVID-19 pandemic in the second quarter of 2020. Sales were impacted by an increase in volumes in foodservice and retail categories, partially offset by the unfavourable impact of changes in sales mix.

Year-to-date revenue was \$25,283 million, an increase of \$593 million, or 2.4%, 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 2.6% at Loblaw, primarily driven by an increase in retail sales and an improvement in financial services revenue. Retail sales increased by \$600 million, or 2.6%, compared to the same period in 2020. The increase was primarily due to drug retail same-store sales growth of 3.8%, and a net increase in retail square footage. Food retail same-store sales remained flat as a result of the strong surge in sales in the same period of 2020.
- Positively by a nominal amount due to an increase in revenue of 1.7% at Choice Properties. The increase of \$11 million was mainly due to the net contribution from acquisitions and development transfers completed in 2020 and 2021 and an increase in lease surrender revenue, partially offset by foregone revenue from dispositions in 2020, vacancies in select retail and office assets, and a reduction in transient parking revenue in the office portfolio due to the impact of the pandemic on city centres.
- Negatively by 0.2% due to a decrease of 4.6% in sales of \$44 million at Weston Foods. Sales included the unfavourable impact of foreign currency translation of approximately 4.7%. Excluding the unfavourable impact of foreign currency translation, sales increased by 0.1% driven by an increase in volumes primarily due to lapping the negative impact that the pandemic had on sales in the same period last year, partially offset by the unfavourable impact of changes in sales mix. Sales volumes increased in foodservice, partially offset by a decrease in volumes in retail and in Girl Scout cookie sales due to the COVID-19 pandemic and restrictions on in-person sales in 2021.

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OPERATING INCOME

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended				24 Weeks Ended			
	Jun. 19, 2021	Jun. 13, 2020	\$ Change	% Change	Jun. 19, 2021	Jun. 13, 2020	\$ Change	% Change
Loblaw	\$ 750	\$ 402	\$ 348	86.6%	\$ 1,365	\$ 941	\$ 424	45.1%
Choice Properties	\$ 503	\$ (29)	\$ 532	1,834.5%	\$ 788	\$ 48	\$ 740	1,541.7%
Weston Foods	\$ (6)	\$ (49)	\$ 43	87.8%	\$ (6)	\$ (48)	\$ 42	87.5%
Other and Intersegment	\$ (191)	\$ 77			\$ (261)	\$ 58		
Consolidated	\$ 1,056	\$ 401	\$ 655	163.3%	\$ 1,886	\$ 999	\$ 887	88.8%

Operating income in the second quarter of 2021 was \$1,056 million compared to \$401 million in the same period in 2020, an increase of \$655 million, or 163.3%. The increase was mainly attributable to the favourable year-over-year net impact of adjusting items totaling \$263 million, and the improvement in underlying operating performance of \$392 million described below:

- the favourable year-over-year net impact of adjusting items totaling \$263 million was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of investment properties of \$242 million; and
 - the favourable year-over-year impact of restructuring and other related costs of \$20 million.
- the improvement in underlying operating performance of \$392 million was due to:
 - the favourable underlying operating performance of Loblaw due to the improvements in retail and financial services;
 - the favourable underlying operating performance of Choice Properties; and
 - the favourable underlying operating performance of Weston Foods;
 partially offset by,
 - an increase in depreciation and amortization mainly at Loblaw.

Year-to-date operating income was \$1,886 million compared to \$999 million in the same period in 2020, an increase of \$887 million, or 88.8%. The increase was mainly attributable to the favourable year-over-year net impact of adjusting items totaling \$471 million and the improvement in underlying operating performance of \$416 million described below:

- the favourable year-over-year net impact of adjusting items totaling \$471 million was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of investment properties of \$390 million;
 - the favourable year-over-year impact of restructuring and other related costs of \$47 million; and
 - the favourable year-over-year impact of the fair value adjustment of derivatives of \$30 million.
- the improvement in underlying operating performance of \$416 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.

ADJUSTED EBITDA⁽¹⁾

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended				24 Weeks Ended			
	Jun. 19, 2021	Jun. 13, 2020 ⁽⁴⁾	\$ Change	% Change	Jun. 19, 2021	Jun. 13, 2020 ⁽⁴⁾	\$ Change	% Change
Loblaw	\$ 1,369	\$ 1,006	\$ 363	36.1%	\$ 2,585	\$ 2,169	\$ 416	19.2%
Choice Properties	\$ 223	\$ 201	\$ 22	10.9%	\$ 448	\$ 428	\$ 20	4.7%
Weston Foods	\$ 26	\$ 7	\$ 19	271.4%	\$ 60	\$ 59	\$ 1	1.7%
Other and Intersegment	\$ (129)	\$ (135)			\$ (269)	\$ (277)		
Consolidated	\$ 1,489	\$ 1,079	\$ 410	38.0%	\$ 2,824	\$ 2,379	\$ 445	18.7%

Adjusted EBITDA⁽¹⁾ in the second quarter of 2021 was \$1,489 million compared to \$1,079 million in the same period in 2020, an increase of \$410 million, or 38.0%. The increase in adjusted EBITDA⁽¹⁾ was impacted by each of the Company's reportable operating segments as follows:

- Positively by 33.6% due to an increase of 36.1% 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 and a favourable decrease in selling, general and administrative expenses ("SG&A").
- Positively by 2.0% due to an increase of 10.9% in adjusted EBITDA⁽¹⁾ at Choice Properties, primarily driven by a decline in expected credit loss provisions including a non-recurring allowance for expected credit losses on a specific mortgage receivable incurred in the second quarter of 2020, and the increase in revenue described above.
- Positively by 1.8% due to an increase of 271.4% in adjusted EBITDA⁽¹⁾ at Weston Foods driven by the increase in sales described above, a decrease in COVID-19 related expenses and productivity improvements, partially offset by higher input, labour and distribution costs.

Year-to-date adjusted EBITDA⁽¹⁾ was \$2,824 million compared to \$2,379 million in the same period in 2020, an increase of \$445 million, or 18.7%. The increase in adjusted EBITDA⁽¹⁾ was impacted by each of the Company's reportable operating segments as follows:

- Positively by 17.5% due to an increase of 19.2% 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 0.8% due to an increase of 4.7% in adjusted EBITDA⁽¹⁾ at Choice Properties, primarily driven by a decline in expected credit loss provisions including a non-recurring allowance for expected credit losses on a specific mortgage receivable incurred in the second quarter of 2020, and the increase in revenue described above.
- Positively by a nominal amount due to an increase of 1.7% in adjusted EBITDA⁽¹⁾ at Weston Foods driven by a decrease in COVID-19 related expenses, productivity improvements, and other cost savings initiatives, partially offset by higher input costs.

Management's Discussion and Analysis

DEPRECIATION AND AMORTIZATION

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended				24 Weeks Ended			
	Jun. 19, 2021	Jun. 13, 2020	\$ Change	% Change	Jun. 19, 2021	Jun. 13, 2020	\$ Change	% Change
Loblaw	\$ 614	\$ 598	\$ 16	2.7%	\$ 1,224	\$ 1,192	\$ 32	2.7%
Choice Properties	\$ 1	\$ —	\$ 1	100.0%	\$ 2	\$ 1	\$ 1	100.0%
Weston Foods	\$ 33	\$ 44	\$ (11)	(25.0)%	\$ 69	\$ 87	\$ (18)	(20.7)%
Other and Intersegment	\$ (75)	\$ (76)			\$ (162)	\$ (154)		
Consolidated	\$ 573	\$ 566	\$ 7	1.2%	\$ 1,133	\$ 1,126	\$ 7	0.6%

Depreciation and amortization in the second quarter of 2021 was \$573 million, an increase of \$7 million compared to the same period in 2020. Year-to-date depreciation and amortization was \$1,133 million, an increase of \$7 million compared to the same period in 2020.

Depreciation and amortization in the second quarter and year-to-date included \$117 million (2020 - \$118 million) and \$234 million (2020 - \$237 million), respectively, of amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") recorded by Loblaw and \$10 million and \$19 million in the second quarter and year-to-date of 2020, respectively, of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs. Excluding these amounts, depreciation and amortization increased in the second quarter and year-to-date by \$18 million and \$29 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	12 Weeks Ended				24 Weeks Ended			
	Jun. 19, 2021	Jun. 13, 2020	\$ Change	% Change	Jun. 19, 2021	Jun. 13, 2020	\$ Change	% Change
Net interest expense and other financing charges	\$ 503	\$ 521	\$ (18)	(3.5)%	\$ 1,049	\$ 263	\$ 786	298.9%
Add: Fair value adjustment of the Trust Unit liability	(188)	(257)	69	26.8%	(427)	247	(674)	(272.9)%
Fair value adjustment of the forward sale agreement for Loblaw common shares	(58)	3	(61)	(2,033.3)%	(111)	13	(124)	(953.8)%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 257	\$ 267	\$ (10)	(3.7)%	\$ 511	\$ 523	\$ (12)	(2.3)%

Net interest expense and other financing charges in the second quarter of 2021 were \$503 million, a decrease of \$18 million compared to the same period in 2020. The decrease was primarily due to the year-over-year impact of adjusting items totaling \$8 million itemized in the table above, and a decrease in adjusted net interest expense and other financing charges⁽¹⁾ of \$10 million. Included in the adjusting items was the favourable year-over-year fair value adjustment of the Trust Unit liability of \$69 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 \$10 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 the Choice Properties segment 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; and
- higher interest expense in the Choice Properties segment including Other and Intersegment adjustments, primarily related to higher distributions from newly issued Trust Units in the third quarter of 2020 and newly issued Class B LP units ("Exchangeable Units") in the fourth quarter of 2020.

Year-to-date net interest expense and other financing charges were \$1,049 million, an increase of \$786 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 \$798 million, itemized in the table above, partially offset by a decrease in adjusted net interest expense and other financing charges⁽¹⁾ of \$12 million. Included in the adjusting items was the unfavourable year-over-year fair value adjustment of the Trust Unit liability of \$674 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 \$12 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 the Choice Properties segment primarily due to early redemption premiums for two senior unsecured debentures that were repaid 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; and
- higher interest expense in the Choice Properties segment including Other and Intersegment adjustments, primarily related to higher distributions from newly issued Trust Units in the third quarter of 2020 and newly issued Exchangeable Units in the fourth quarter of 2020.

INCOME TAXES

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended				24 Weeks Ended			
	Jun. 19, 2021	Jun. 13, 2020 ⁽⁴⁾	\$ Change	% Change	Jun. 19, 2021	Jun. 13, 2020 ⁽⁴⁾	\$ Change	% Change
Income taxes	\$ 199	\$ 52	\$ 147	282.7%	\$ 365	\$ 165	\$ 200	121.2%
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽¹⁾⁽ⁱ⁾	17	52	(35)	(67.3)%	45	113	(68)	(60.2)%
Outside basis difference in certain Loblaw shares	–	4	(4)	(100.0)%	(16)	(10)	(6)	(60.0)%
Adjusted income taxes ⁽¹⁾	\$ 216	\$ 108	\$ 108	100.0%	\$ 394	\$ 268	\$ 126	47.0%
Effective tax rate applicable to earnings before taxes	36.0%	(43.3)%			43.6%	22.4%		
Adjusted effective tax rate applicable to adjusted earnings before taxes ⁽¹⁾	27.8%	28.9%			27.9%	27.2%		

(i) See the adjusted EBITDA⁽¹⁾ table and the adjusted net interest expense and other financing charges⁽¹⁾ table included in Section 8, "Non-GAAP Financial Measures", of this MD&A for a complete list of items excluded from adjusted earnings before taxes⁽¹⁾.

Management's Discussion and Analysis

The effective tax rate in the second quarter of 2021 was 36.0%, compared to (43.3)% 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, the impact of certain other non-deductible items, and the impact of negative earnings before taxes reported in the second quarter of 2020.

The adjusted effective tax rate⁽¹⁾ for the second quarter of 2021 was 27.8%, compared to 28.9% in the same period in 2020. The decrease was primarily attributable to the timing of the impact of certain other non-deductible items.

The year-to-date effective tax rate was 43.6%, compared to 22.4% 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 and 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, partially offset by the impact of certain other non-deductible items.

The year-to-date adjusted effective tax rate⁽¹⁾ was 27.9%, compared to 27.2% 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, partially offset by the impact of certain other non-deductible items.

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

1.2 Consolidated Other Business Matters

COVID-19 RELATED COSTS The Company incurred COVID-19 related costs of approximately \$75 million and \$128 million in the second quarter of 2021 and year-to-date, respectively (2020 - \$315 million and \$347 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)	12 Weeks Ended		24 Weeks Ended	
	Jun. 19, 2021	Jun. 13, 2020	Jun. 19, 2021	Jun. 13, 2020
Loblaw ⁽ⁱ⁾	\$ 70	\$ 282	\$ 118	\$ 314
Choice Properties ⁽ⁱⁱ⁾	2	15	3	15
Weston Foods	3	18	7	18
Consolidated	\$ 75	\$ 315	\$ 128	\$ 347

- (i) Loblaw's 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 \$2 million (2020 - \$15 million) and \$3 million (2020 - \$15 million) in the second quarter of 2021 and year-to-date, respectively, for certain past due amounts, reflecting increased collectability risk and negotiated rent abatements.

Refer to Section 7. "Outlook" of this MD&A for more information.

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

(unaudited) (\$ millions)	12 Weeks Ended		24 Weeks Ended	
	Jun. 19, 2021	Jun. 13, 2020	Jun. 19, 2021	Jun. 13, 2020
Net Debt Associated with Equity Forward Sale Agreement	\$ (53)	\$ –	\$ (53)	\$ –
GWL's Normal Course Issuer Bid ("NCIB") - Purchased and cancelled ⁽ⁱ⁾⁽ⁱⁱ⁾	(141)	–	(166)	–
GWL's Participation in Loblaw's NCIB ⁽ⁱⁱⁱ⁾	172	–	338	92
Net Cash Flow (Used in) From Above Activities	\$ (22)	\$ –	\$ 119	\$ 92

- (i) \$30 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the first quarter of 2021 was paid in the second quarter of 2021.
- (ii) \$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.
- (iii) \$15 million of cash consideration received related to Loblaw common shares sold during the first quarter of 2021 was paid in the second quarter of 2021.

Net Debt Associated with Equity Forward Sale Agreement In the second quarter of 2021, the Company partially settled the net debt associated with the equity forward sale agreement by paying approximately \$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, including accrued interest. As a result of the transaction, the Company redeemed \$36 million of the Series A Debentures and \$60 million of the Series B Debentures.

Subsequent to quarter end, the Company paid an additional \$363 million to further reduce the net debt associated with the equity forward sale agreement. In aggregate, the Company has paid \$416 million to settle approximately 57% of the net debt, representing 5.48 million of the 9.6 million Loblaw common shares. In 2021, the Company expects to eliminate the remaining balance using cash. Upon completion, the full 9.6 million shares will be included in determining the Company's beneficial and voting interest in Loblaw.

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 second quarter of 2021, the Company purchased and cancelled 1.2 million shares under its Normal Course Issuer Bid program. At the end of the quarter, the Company had 150,600,742 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 quarter end, the Company purchased and cancelled approximately \$130 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 second quarter of 2021, GWL received proceeds of \$172 million from the sale of Loblaw shares.

Management's Discussion and Analysis

2. Results of Reportable Operating Segments

The following discussion provides details of the second 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	12 Weeks Ended				24 Weeks Ended			
	Jun. 19, 2021	Jun. 13, 2020 ⁽⁴⁾	\$ Change	% Change	Jun. 19, 2021	Jun. 13, 2020 ⁽⁴⁾	\$ Change	% Change
Revenue	\$ 12,491	\$ 11,957	\$ 534	4.5%	\$ 24,363	\$ 23,757	\$ 606	2.6%
Operating income	\$ 750	\$ 402	\$ 348	86.6%	\$ 1,365	\$ 941	\$ 424	45.1%
Adjusted EBITDA ⁽¹⁾	\$ 1,369	\$ 1,006	\$ 363	36.1%	\$ 2,585	\$ 2,169	\$ 416	19.2%
Adjusted EBITDA margin ⁽¹⁾	11.0%	8.4%			10.6%	9.1%		
Depreciation and amortization ⁽ⁱ⁾	\$ 614	\$ 598	\$ 16	2.7%	\$ 1,224	\$ 1,192	\$ 32	2.7%

(i) Depreciation and amortization in the second quarter of 2021 includes \$117 million (2020 - \$118 million) and \$234 million (2020 - \$237 million) year-to-date of amortization of intangible assets acquired with Shoppers Drug Mart.

REVENUE Loblaw revenue in the second quarter of 2021 was \$12,491 million, an increase of \$534 million, or 4.5%, 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 \$514 million, or 4.4%, compared to the same period in 2020 and included food retail sales of \$8,878 million (2020 - \$8,747 million) and drug retail sales of \$3,404 million (2020 - \$3,021 million). The increase was primarily driven by the following factors:

- food retail same-store sales declined by 0.1% for the quarter. The decline was mainly driven by lapping the strong surge in sales in the second quarter of 2020. The two year food retail sales Compound Annual Growth Rate ("CAGR")⁽⁶⁾ was 6.3%. Food retail basket size decreased and traffic increased in the quarter, as compared to the second quarter of 2020;
- Loblaw's food retail average article price was higher by 1.4% (2020 - 4.6%), which reflected the year-over-year growth in food retail revenue over the average number of articles sold in Loblaw's stores in the quarter; and
- drug retail same-store sales grew by 9.6% for the quarter. Pharmacy same-store sales growth benefited from the lapping of government mandated 30-day supply restrictions in the second quarter of the prior year. Pharmacy same-store sales growth was 17.2% and front store same-store sales increased by 3.6%. The two year drug retail sales CAGR⁽⁶⁾ was 5.7%.

In the last 12 months, 20 food and drug stores were opened and nine food and drug stores were closed, resulting in a net increase in retail square footage of 0.5 million square feet, or 0.7%.

Financial services revenue in the second quarter of 2021 increased by \$39 million compared to the same period in 2020. The increase was primarily driven by higher sales attributable to *The Mobile Shop* due to the temporary partial shutdown of *The Mobile Shop* kiosks in the second quarter of 2020 and higher interchange income from an increase in customer spending. This was partially offset by lower interest income attributable to lower average credit card receivables.

On a year-to-date basis, Loblaw revenue was \$24,363 million, an increase of \$606 million, or 2.6%, 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 \$23,952 million, an increase of \$600 million, or 2.6%, compared to the same period in 2020 and included food retail sales of \$17,357 million (2020 - \$17,079 million) and drug retail sales of \$6,595 million (2020 - \$6,273 million). Food retail same-store sales remained flat as a result of the strong surge in sales in the same period of 2020. The two year food retail sales CAGR⁽⁶⁾ was 6.3%. Year-to-date drug retail same-store sales growth was 3.8%, with pharmacy same-store sales growth of 10.0% and front store sale decline of 1.4%. The two year drug retail sales CAGR⁽⁶⁾ was 5.0%.

Year-to-date financial services revenue increased by \$26 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 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.

OPERATING INCOME Loblaw operating income in the second quarter of 2021 was \$750 million, an increase of \$348 million, or 86.6%, compared to the same period in 2020. The increase included an improvement in underlying operating performance of \$346 million and the favourable year-over-year net impact of adjusting items totaling \$2 million, as described below:

- the improvement in underlying operating performance of \$346 million was primarily due to the improvement in underlying operating performance of retail driven by an increase in retail gross profit and a decrease in SG&A which was partially offset by an increase in 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 \$2 million was primarily due to the favourable year-over-year impact of restructuring and other related costs of \$1 million.

Year-to-date Loblaw operating income was \$1,365 million, an increase of \$424 million, or 45.1%, compared to the same period in 2020. The increase included the improvement in underlying operating performance of \$381 million and the favourable year-over-year net impact of adjusting items totaling \$43 million, as described below:

- the improvement in underlying operating performance of \$381 million was primarily due to the improvement in underlying operating performance of retail driven by 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 \$43 million was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of derivatives of \$23 million;
 - the favourable year-over-year impact of restructuring and other related costs of \$12 million; and
 - the favourable impact of a net gain on sale of non-operating properties of \$5 million.

ADJUSTED EBITDA⁽¹⁾ Loblaw adjusted EBITDA⁽¹⁾ in the second quarter of 2021 was \$1,369 million, an increase of \$363 million, or 36.1%, compared to the same period in 2020. The increase was primarily due to an improvement in retail of \$347 million and an increase in financial services of \$16 million.

Retail adjusted EBITDA⁽¹⁾ in the second quarter of 2021 increased by \$347 million driven by an increase in retail gross profit and a favourable decrease in SG&A.

- Retail gross profit percentage of 30.9% increased by 130 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 20.2%, a decrease of 120 basis points compared to the same period of 2020, primarily due to lower COVID-19 related expenses and improvements in e-commerce labour costs.

Financial services adjusted EBITDA⁽¹⁾ increased by \$16 million compared to the same period in 2020, primarily driven by higher revenue as described above, the reduction in the expected credit loss provision in the current quarter, lower contractual charge-off and lower funding costs. This was partially offset by higher loyalty program costs and operating costs, and higher customer acquisition costs.

Year-to-date Loblaw adjusted EBITDA⁽¹⁾ was \$2,585 million, an increase of \$416 million, or 19.2%, compared to the same period in 2020. The increase was primarily due to an increase in retail of \$335 million and financial services of \$81 million.

Management's Discussion and Analysis

Year-to-date retail adjusted EBITDA⁽¹⁾ increased by \$335 million, which was driven by an increase in retail gross profit, partially offset by an increase in retail SG&A of \$57 million.

- Retail gross profit percentage of 30.6% increased by 90 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 20.3%, a decrease of 30 basis points compared to the same period in 2020. The decrease was primarily driven by lower COVID-19 related expenses.

Year-to-date financial services adjusted EBITDA⁽¹⁾ increased by \$81 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 prior 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 second quarter of 2021 was \$614 million, an increase of \$16 million compared to the same period in 2020. Year-to-date depreciation and amortization was \$1,224 million, an increase of \$32 million compared to the same period in 2020. The increase in depreciation and amortization in the second 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 and amortization in financial services due to the launch of *PC Money* Account.

Depreciation and amortization included \$117 million (2020 - \$118 million) in the second quarter of 2021 and \$234 million (2020 - \$237 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 was \$56 million in the second quarter of 2021. When compared to the second quarter of 2020, this represented an increase of \$66 million or 660%. Year-to-date, Loblaw's net earnings attributable to non-controlling interests was \$75 million in 2021 which represents an increase of \$52 million, or 226.1% 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.

2.2 Choice Properties Operating Results

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended				24 Weeks Ended			
	Jun. 19, 2021	Jun. 13, 2020	\$ Change	% Change	Jun. 19, 2021	Jun. 13, 2020	\$ Change	% Change
Revenue	\$ 324	\$ 315	\$ 9	2.9%	\$ 651	\$ 640	\$ 11	1.7%
Net interest expense (income) and other financing charges ⁽ⁱ⁾	\$ 418	\$ 67	\$ 351	523.9%	\$ 765	\$ (189)	\$ 954	(504.8)%
Net income (loss)	\$ 85	\$ (96)	\$ 181	188.5%	\$ 23	\$ 237	\$ (214)	90.3%
Funds from Operations ⁽¹⁾⁽ⁱⁱ⁾	\$ 172	\$ 141	\$ 31	22.0%	\$ 342	\$ 311	\$ 31	10.0%

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

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

REVENUE Revenue in the second quarter of 2021 was \$324 million, an increase of \$9 million, or 2.9%, compared to the same period in 2020, and included \$181 million (2020 – \$182 million) generated from tenants within Loblaw retail.

On a year-to-date basis, revenue was \$651 million, an increase of \$11 million, or 1.7%, compared to the same period in 2020 and included \$363 million (2020 – \$368 million) generated from tenants within Loblaw retail.

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

- the net contribution from acquisitions and development transfers completed in 2020 and 2021; and
- an increase in lease surrender revenue;

partially offset by,

- declines due to foregone revenue from dispositions in 2020;
- vacancies in select retail and office assets; and
- a reduction in transient parking revenue in the office portfolio due to the impact of the pandemic on city centres.

NET INTEREST EXPENSE (INCOME) AND OTHER FINANCING CHARGES Net interest expense and other financing charges in the second quarter of 2021 were \$418 million compared to \$67 million in the same period in 2020. The increase of \$351 million was primarily driven by the unfavourable year-over-year impact of the fair value adjustment of Exchangeable Units of \$359 million, partially offset by the impact of early redemption premiums for two senior unsecured debentures repaid in the second quarter of 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.

Year-to-date, net interest expense and other financing charges were \$765 million compared to net interest income and other financing charges of \$189 million in the same period in 2020. The change of \$954 million was primarily driven by the unfavourable year-over-year impact of the fair value adjustment on the Exchangeable Units of \$963 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 repaid in the second quarter of 2020.

Management's Discussion and Analysis

NET INCOME (LOSS) Net income in the second quarter of 2021 was \$85 million, compared to a net loss of \$96 million in the same period in 2020. The increase of \$181 million was primarily driven by:

- 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;
- a non-recurring allowance for expected credit losses on a specific mortgage receivable incurred in the second quarter of 2020; and
- an increase in rental revenue as described above;

partially offset by,

- the unfavourable impact of higher net interest expense and other financing charges described above.

Year-to-date, net income was \$23 million, compared to \$237 million in the same period in 2020. The decrease of \$214 million was primarily driven by:

- the unfavourable impact of net interest income and other financing charges compared to net interest expense and other financing charges 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;
- a non-recurring allowance for expected credit losses on a specific mortgage receivable incurred in the second quarter of 2020; and
- an increase in rental revenue as described above.

FUNDS FROM OPERATIONS⁽¹⁾ Funds from Operations⁽¹⁾ in the second quarter of 2021 was \$172 million, an increase of \$31 million compared to the same period in 2020, primarily due to a decline in expected credit loss provisions, an increase in non-recurring lease surrender revenue and savings from lower borrowing costs. The results in the second quarter of 2020 were impacted by a non-recurring allowance for expected credit losses on a specific mortgage receivable and the early redemption premiums described above.

Year-to-date Funds from Operations⁽¹⁾ was \$342 million, an increase of \$31 million compared to the same period in 2020 primarily driven by the activities as described above.

CHOICE PROPERTIES OTHER BUSINESS MATTERS

Financing Transactions Subsequent to the end of the second quarter of 2021, Choice Properties redeemed in full, at par, plus accrued and unpaid interest thereon, the \$200 million aggregate principal amount of series 9 senior unsecured debentures outstanding bearing interest at 3.60% with an original maturity date of September 20, 2021.

2.3 Weston Foods Operating Results

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended				24 Weeks Ended			
	Jun. 19, 2021	Jun. 13, 2020	\$ Change	% Change	Jun. 19, 2021	Jun. 13, 2020	\$ Change	% Change
Sales	\$ 431	\$ 412	\$ 19	4.6%	\$ 903	\$ 947	\$ (44)	(4.6)%
Operating loss	\$ (6)	\$ (49)	\$ 43	87.8%	\$ (6)	\$ (48)	\$ 42	87.5%
Adjusted EBITDA ⁽¹⁾	\$ 26	\$ 7	\$ 19	271.4%	\$ 60	\$ 59	\$ 1	1.7%
Adjusted EBITDA margin ⁽¹⁾	6.0%	1.7%			6.6%	6.2%		
Depreciation and amortization ⁽ⁱ⁾	\$ 33	\$ 44	\$ (11)	(25.0)%	\$ 69	\$ 87	\$ (18)	(20.7)%

(i) Depreciation and amortization in the second quarter and year-to-date of 2020 includes \$10 million and \$19 million, respectively, of accelerated depreciation related to restructuring and other related costs.

SALES Weston Foods sales in the second quarter of 2021 were \$431 million, an increase of \$19 million, or 4.6%, compared to the same period in 2020. Sales included the unfavourable impact of foreign currency translation of approximately 7.5%. Excluding the unfavourable impact of foreign currency translation, sales increased by 12.1% primarily due to lapping the negative impact of the COVID-19 pandemic in the second quarter of 2020. Sales were impacted by an increase in volumes in foodservice and retail categories, partially offset by the unfavourable impact of changes in sales mix.

On a year-to-date basis, sales were \$903 million, a decrease of \$44 million, or 4.6%, compared to the same period in 2020. Sales included the unfavourable impact of foreign currency translation of approximately 4.7%. Excluding the unfavourable impact of foreign currency translation, sales increased by 0.1% driven by an increase in volumes primarily due to lapping the negative impact that the pandemic had on sales in the same period last year, partially offset by the unfavourable impact of changes in sales mix. Sales volumes increased in foodservice, partially offset by a decrease in volumes in retail and in Girl Scout cookie sales due to the COVID-19 pandemic and restrictions on in-person sales in 2021.

Management's Discussion and Analysis

OPERATING LOSS Weston Foods operating loss in the second quarter of 2021 was \$6 million compared to operating loss of \$49 million in the same period in 2020 due to an improvement in the underlying operating performance of \$20 million, and the favourable year-over-year net impact of adjusting items totaling \$23 million. The adjusting items were:

- the prior year impact of restructuring and other related costs of \$19 million; and
- the favourable year-over-year impact of the fair value adjustment of derivatives of \$4 million.

Year-to-date operating loss was \$6 million compared to operating loss of \$48 million in the same period in 2020, an improvement of \$42 million due to the favourable year-over-year net impact of adjusting items totaling \$42 million. The underlying operating performance of Weston Foods was flat compared to the same period in 2020. The adjusting items were:

- the prior year impact of restructuring and other related costs of \$35 million; and
- the favourable year-over-year impact of the fair value adjustment of derivatives of \$7 million.

ADJUSTED EBITDA⁽¹⁾ Weston Foods adjusted EBITDA⁽¹⁾ in the second quarter of 2021 was \$26 million compared to \$7 million in the same period in 2020, an increase of \$19 million, or 271.4%. The increase was driven by the increase in sales described above, a decrease in COVID-19 related expenses and productivity improvements, partially offset by higher input, labour and distribution costs.

Weston Foods adjusted EBITDA margin⁽¹⁾ in the second quarter of 2021 increased to 6.0% compared to 1.7% in the second quarter of 2020. The improvement in adjusted EBITDA margin⁽¹⁾ in the second quarter of 2021 was driven by the factors described above.

Year-to-date adjusted EBITDA⁽¹⁾ was \$60 million compared to \$59 million in the same period in 2020, an increase of \$1 million, or 1.7%. The increase was driven by a decrease in COVID-19 related expenses, productivity improvements, and other cost savings initiatives, partially offset by higher input costs.

Year-to-date adjusted EBITDA margin⁽¹⁾ increased to 6.6% compared to 6.2% in the same period in 2020. The improvement in adjusted EBITDA margin⁽¹⁾ was driven by the factors described above.

DEPRECIATION AND AMORTIZATION Weston Foods depreciation and amortization in the second quarter of 2021 was \$33 million, a decrease of \$11 million compared to the same period in 2020. In the second quarter of 2020, depreciation and amortization included \$10 million of accelerated depreciation related to Weston Foods' transformation program. Excluding this amount, depreciation and amortization in the second quarter of 2021 decreased by \$1 million.

Year-to-date depreciation and amortization in 2021 was \$69 million, a decrease of \$18 million compared to the same period in 2020. Depreciation and amortization in 2020 included \$19 million of accelerated depreciation related to Weston Foods' transformation program. Excluding this amount, depreciation and amortization increased by \$1 million.

WESTON FOODS OTHER BUSINESS MATTERS

Restructuring and other related costs Weston Foods continuously evaluates strategic and cost reduction initiatives related to its manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. There were no restructuring and other related costs at Weston Foods recorded in the second quarter and year-to-date of 2021. In the second quarter of 2020 and year-to-date, Weston Foods recorded restructuring and other related costs of \$19 million and \$35 million, respectively, which were primarily related to Weston Foods' transformation program.

3. Liquidity and Capital Resources

3.1 Cash Flows

(\$ millions) For the periods ended as indicated	12 Weeks Ended			24 Weeks Ended		
	Jun. 19, 2021	Jun. 13, 2020 ⁽⁵⁾	\$ Change	Jun. 19, 2021	Jun. 13, 2020 ⁽⁵⁾	\$ Change
Cash and cash equivalents, beginning of period	\$ 2,827	\$ 2,784	\$ 43	\$ 2,581	\$ 1,834	\$ 747
Cash flows from operating activities	\$ 1,707	\$ 1,012	\$ 695	\$ 2,618	\$ 2,776	\$ (158)
Cash flows used in investing activities	\$ (718)	\$ (523)	\$ (195)	\$ (595)	\$ (813)	\$ 218
Cash flows used in financing activities	\$ (1,020)	\$ (407)	\$ (613)	\$ (1,808)	\$ (937)	\$ (871)
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ (1)	\$ (5)	\$ 4	\$ (1)	\$ 1	\$ (2)
Cash and cash equivalents, end of period	\$ 2,795	\$ 2,861	\$ (66)	\$ 2,795	\$ 2,861	\$ (66)

CASH FLOWS FROM OPERATING ACTIVITIES Cash flows from operating activities were \$1,707 million in the second quarter of 2021, an increase of \$695 million compared to the same period in 2020. The increase in cash flows from operating activities was primarily driven by the unfavourable change in working capital as a result of increased inventory purchases and decreased trade payables in the prior year and higher cash earnings in the current year, partially offset by an increase in credit card receivables due to a rise in customer spending.

Year-to-date cash flows from operating activities were \$2,618 million in 2021, a decrease of \$158 million compared to the same period in 2020. The decrease in cash flows from operating activities was primarily driven by a decrease in credit card receivables due to a reduction of customer spending in the prior year and higher income taxes paid in the current year, partially offset by higher cash earnings.

CASH FLOWS USED IN INVESTING ACTIVITIES Cash flows used in investing activities were \$718 million in the second quarter of 2021, an increase of \$195 million compared to the same period in 2020. The increase in cash flows used in investing activities was primarily driven by an increase in short-term investments in the current year and higher capital expenditures.

Year-to-date cash flows used in investing activities were \$595 million in 2021, a decrease of \$218 million compared to the same period in 2020. The decrease in year-to-date cash flows used in investing activities was primarily driven by a significant increase in short-term investments 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	12 Weeks Ended			24 Weeks Ended		
	Jun. 19, 2021	Jun. 13, 2020	\$ Change	Jun. 19, 2021	Jun. 13, 2020	\$ Change
Loblaw ⁽ⁱ⁾	\$ 258	\$ 199	\$ 59	\$ 461	\$ 410	\$ 51
Choice Properties	20	20	–	38	69	(31)
Weston Foods	26	33	(7)	39	57	(18)
Other	–	–	–	2	2	–
Total capital investments	\$ 304	\$ 252	\$ 52	\$ 540	\$ 538	\$ 2

(i) During 2021, additions to fixed assets in Loblaw included prepayments that were made in 2020 and transferred from other assets of nil in the second quarter of 2021 and \$1 million year-to-date. During 2020, additions to fixed assets in Loblaw included prepayments that were made in 2019 and transferred from other assets of \$30 million in the second quarter of 2020 and \$50 million year-to-date of 2020.

Management's Discussion and Analysis

CASH FLOWS USED IN FINANCING ACTIVITIES Cash flows used in financing activities were \$1,020 million in the second quarter of 2021, an increase of \$613 million compared to the same period in 2020. The increase in cash flows used in financing activities was primarily due to Loblaw and the Company not repurchasing any common shares under their respective NCIB programs during the second quarter of 2020 and a decrease in bank indebtedness.

Year-to-date cash flows used in financing activities were \$1,808 million in 2021, an increase of \$871 million compared to the same period in 2020. The increase in cash flows used in financing activities was primarily due to Loblaw and the Company not repurchasing any common shares under their respective NCIB programs during the second quarter of 2020 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⁾

(\$ millions) For the periods ended as indicated	12 Weeks Ended			24 Weeks Ended		
	Jun. 19, 2021	Jun. 13, 2020 ⁽⁵⁾	\$ Change	Jun. 19, 2021	Jun. 13, 2020 ⁽⁵⁾	\$ Change
Cash flows from operating activities	\$ 1,707	\$ 1,012	\$ 695	\$ 2,618	\$ 2,776	\$ (158)
Less: Interest paid	195	165	30	439	419	20
Capital Investments ⁽ⁱ⁾	304	252	52	540	538	2
Lease payments, net	201	202	(1)	342	398	(56)
Free cash flow ⁽¹⁾	\$ 1,007	\$ 393	\$ 614	\$ 1,297	\$ 1,421	\$ (124)

(i) During 2021, additions to fixed assets in Loblaw included prepayments that were made in 2020 and transferred from other assets of nil in the second quarter of 2021 and \$1 million year-to-date. During 2020, additions to fixed assets in Loblaw included prepayments that were made in 2019 and transferred from other assets of \$30 million in the second quarter of 2020 and \$50 million year-to-date of 2020.

Free cash flow⁽¹⁾ in the second quarter 2021 was \$1,007 million, an increase of \$614 million compared to the same period in 2020. The increase in free cash flow⁽¹⁾ was primarily driven by the unfavourable change in working capital as a result of increased inventory purchases and decreased trade payables in the prior year and higher cash earnings in the current year, partially offset by an increase in credit card receivables due to a rise in customer spending.

On a year-to-date basis, free cash flow⁽¹⁾ was \$1,297 million, a decrease of \$124 million compared to the same period in 2020. The decrease in free cash flow⁽¹⁾ was primarily driven by a decrease in credit card receivables due to a reduction of customer spending in the prior year and higher income taxes paid in the current year, partially offset by higher cash earnings.

3.2 Liquidity

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

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

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

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

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

(\$ millions)	Jun. 19, 2021					As at Jun. 13, 2020					Dec. 31, 2020				
	Loblaw	Choice Properties	Weston Foods	Other/ Intersegment	Total	Loblaw	Choice Properties	Weston Foods	Other/ Intersegment	Total	Loblaw	Choice Properties	Weston Foods	Other/ Intersegment	Total
	Bank indebtedness	\$ 138	\$ -	\$ -	\$ -	\$ 138	\$ 133	\$ -	\$ -	\$ -	\$ 133	\$ 86	\$ -	\$ -	\$ -
Demand deposits from customers	50	-	-	-	50	-	-	-	-	-	24	-	-	-	24
Short-term debt	300	-	-	719	1,019	525	-	-	740	1,265	575	-	-	760	1,335
Long-term debt due within one year	984	753	-	229	1,966	1,240	92	-	-	1,332	597	327	-	-	924
Long-term debt	5,994	5,776	-	649	12,419	6,343	6,420	-	915	13,678	6,449	6,155	-	915	13,519
Certain other liabilities ⁽ⁱ⁾	69	665	-	-	734	66	432	-	-	498	71	666	-	-	737
Fair value of financial derivatives related to the above debt	-	-	-	(491)	(491)	-	-	-	(573)	(573)	-	-	-	(630)	(630)
Total debt excluding lease liabilities	\$ 7,535	\$ 7,194	\$ -	\$ 1,106	\$15,835	\$8,307	\$ 6,944	\$ -	\$ 1,082	\$16,333	\$ 7,802	\$ 7,148	\$ -	\$ 1,045	\$15,995
Lease liabilities due within one year ⁽ⁱⁱ⁾	\$ 1,345	\$ 1	\$ 15	\$ (560)	\$ 801	\$1,324	\$ 1	\$ 13	\$ (536)	\$ 802	\$ 1,379	\$ 1	\$ 15	\$ (596)	\$ 799
Lease liabilities ⁽ⁱⁱ⁾	\$ 7,443	\$ 3	\$ 136	\$ (3,343)	\$ 4,239	\$7,685	\$ 5	\$ 54	\$ (3,404)	\$ 4,340	\$ 7,522	\$ 3	\$ 130	\$ (3,449)	\$ 4,206
Total debt including lease liabilities	\$16,323	\$ 7,198	\$ 151	\$ (2,797)	\$20,875	\$17,316	\$ 6,950	\$ 67	\$ (2,858)	\$21,475	\$16,703	\$ 7,152	\$ 145	\$ (3,000)	\$21,000

(i) Includes financial liabilities of \$665 million (June 13, 2020 - \$432 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 (June 13, 2020 - \$3 million; December 31, 2020 - \$3 million) and lease liabilities of \$7 million (June 13, 2020 - \$11 million; December 31, 2020 - \$8 million) relating to GWL Corporate are included in Other and Intersegment.

Management's Discussion and Analysis

Management targets credit metrics consistent with those of an investment grade profile. GWL Corporate holds cash and cash equivalents and short-term investments and as a result monitors its leverage on a net debt basis. GWL Corporate has total debt including lease liabilities of \$1,116 million (June 13, 2020 – \$1,096 million; December 31, 2020 – \$1,056 million) and cash and cash equivalents and short-term investments of \$1,083 million (June 13, 2020 – \$784 million; December 31, 2020 – \$1,013 million), resulting in a net debt position of \$33 million (June 13, 2020 – \$312 million; December 31, 2020 – \$43 million). 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.

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 second quarter of 2021 decreased compared to the second quarter of 2020 and year end 2020 primarily due to a decrease in retail debt and 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 second quarter of 2021, the Company, Loblaw and Choice Properties were in compliance with their respective covenants.

As at the end of and throughout the second 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	12 Weeks Ended		24 Weeks Ended	
			Jun. 19, 2021	Jun. 13, 2020	Jun. 19, 2021	Jun. 13, 2020
			Principal Amount	Principal Amount	Principal Amount	Principal Amount
Loblaw Companies Limited debenture	2.28%	May 7, 2030	\$ –	\$ 350	\$ –	\$ 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	–	500
Total debentures issued			\$ –	\$ 850	\$ –	\$ 1,350

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

(\$ millions)	Interest Rate	Maturity Date	12 Weeks Ended		24 Weeks Ended	
			Jun. 19, 2021	Jun. 13, 2020	Jun. 19, 2021	Jun. 13, 2020
			Principal Amount	Principal Amount	Principal Amount	Principal Amount
George Weston debenture - Series A	7.00%	November 10, 2031 ⁽ⁱ⁾	\$ 36	\$ –	\$ 36	\$ –
Choice Properties senior unsecured debentures						
- Series 8	3.60%	April 20, 2020	\$ –	\$ –	–	300
- Series B-C	4.32%	January 15, 2021	–	100	–	100
- Series C	3.50%	February 8, 2021	–	250	–	250
- Series E	2.30%	September 14, 2020	–	–	–	250
Total debentures repaid			\$ 36	\$ 350	\$ 36	\$ 900

(i) See Section 3.3, "Components of Total Debt - Net Debt Associated with Equity Forward Sale Agreement".

Subsequent to the end of the second quarter of 2021, Choice Properties redeemed in full, at par, plus accrued and unpaid interest thereon, the \$200 million aggregate principal amount of series 9 senior unsecured debentures outstanding bearing interest at 3.60% with an original maturity date of September 20, 2021.

Management's Discussion and Analysis

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

(\$ millions)	Maturity Date	Jun. 19, 2021		As at			
		Available Credit	Drawn	Jun. 13, 2020		Dec. 31, 2020	
		Available Credit	Drawn	Available Credit	Drawn	Available Credit	Drawn
Loblaw committed credit facility	October 7, 2023	\$ 1,000	\$ –	\$ 1,000	\$ –	\$ 1,000	\$ –
Choice Properties committed syndicated credit facility	May 4, 2023	1,500	55	1,500	12	1,500	–
Total committed credit facilities		\$ 2,500	\$ 55	\$ 2,500	\$ 12	\$ 2,500	\$ –

Subsequent to the end of the second quarter of 2021, the maturity date for Choice Properties committed syndicated credit facility was extended to June 24, 2026.

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)	As at		
	Jun. 19, 2021	Jun. 13, 2020	Dec. 31, 2020
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> [®]	\$ 1,050	\$ 1,000	\$ 1,050
Securitized to Other Independent Securitization Trusts	300	525	575
Total securitized to independent securitization trusts	\$ 1,350	\$ 1,525	\$ 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 second quarter of 2021 and throughout the quarter.

Subsequent to the second 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 income 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 second quarter of 2020, a repayment accumulation process was triggered due to the upcoming maturity of the *Eagle* Series with \$250 million of senior and subordinated term notes at a weighted average interest rate of 2.23% on September 17, 2020. The accumulated funds were recorded as security deposits beginning on June 1, 2020. As at June 13, 2020, \$71 million was recorded in security deposits. The remaining \$179 million were accumulated and recorded as security deposits until repayment in September 2020.

INDEPENDENT FUNDING TRUSTS As at the end of the second quarter of 2021, the independent funding trusts had drawn \$582 million (June 13, 2020 – \$490 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 second quarter of 2020, Loblaw provided a credit enhancement of \$64 million (June 13, 2020 and December 31, 2020 – \$64 million) for the benefit of the independent funding trusts representing not less than 10% (June 13, 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.

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.

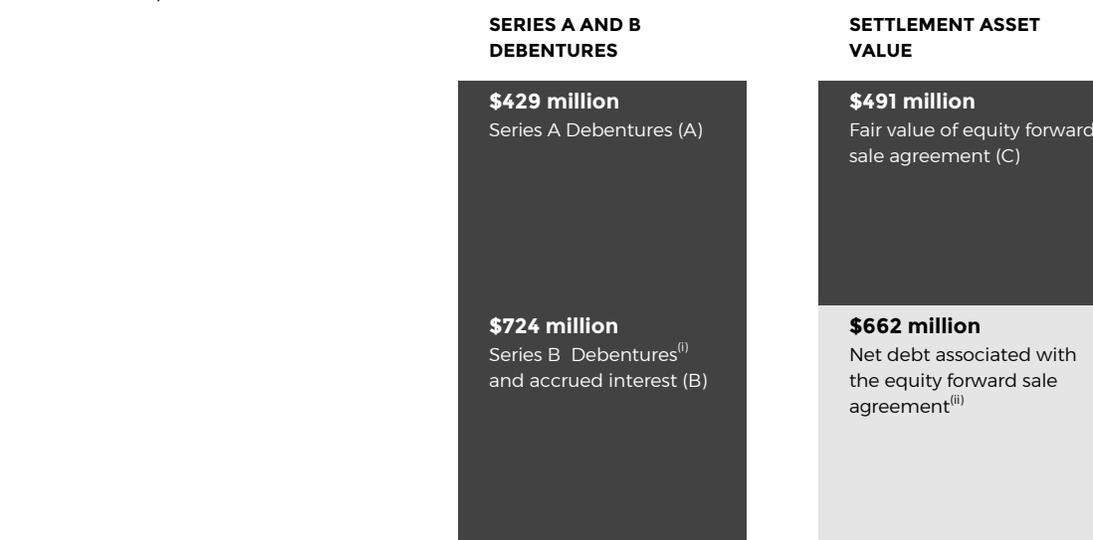
The Series A Debentures (“A”), Series B Debentures and the accrued interest (“B”), and the fair value of the equity forward sale agreement (“C”) should be considered together. At any time, the aggregate value of A, B, and C will be equivalent to the market value of the Loblaw common shares (see chart below). 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 partially settled the net debt associated with the equity forward sale agreement by paying approximately \$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, including accrued interest. As a result of the transaction, the Company redeemed \$36 million of the Series A Debentures and \$60 million of the Series B Debentures.

Subsequent to quarter end, the Company paid an additional \$363 million to further reduce the net debt associated with the equity forward sale agreement. In aggregate, the Company has paid \$416 million to settle approximately 57% of the net debt, representing 5.48 million of the 9.6 million Loblaw common shares. In 2021, the Company expects to eliminate the remaining balance using cash. Upon completion, the full 9.6 million shares will be included in determining the Company’s beneficial and voting interest in Loblaw.

As at the end of the second quarter of 2021 the forward rate was \$130.21 (June 13, 2020 – \$125.98; December 31, 2020 – \$128.30) and Series B Debentures were \$719 million (June 13, 2020 – \$740 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. WHL has to pay a forward fee of \$10 million (June 13, 2020 – \$10 million; December 31, 2020 – \$22 million) to the lender comprised of servicing fees and estimated dividends associated with the underlying Loblaw common shares.

As at June 19, 2021



Recognized in financial statements

- (i) Included the accrued interest of Series A Debentures and Series B Debentures of \$5 million.
- (ii) Calculated as the bid price of Loblaw of \$74.75 multiplied by 8.85 million Loblaw common shares.

Management's Discussion and Analysis

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

(\$ millions)	Maturity Date	As at		
		Jun. 19, 2021	Jun. 13, 2020	Dec. 31, 2020
Series A	2031	\$ 429	\$ 466	\$ 466
Series B	On demand	719	740	760
Fair value of financial derivatives related to the above debt	n/a	(491)	(573)	(630)
Debt associated with equity forward sale agreement		\$ 657	\$ 633	\$ 596
Debentures	2024 - 2033	450	450	450
Transaction costs and other	n/a	(1)	(1)	(1)
Other and Intersegment debt		\$ 1,106	\$ 1,082	\$ 1,045

3.4 Financial Condition

	As at		
	Jun. 19, 2021	Jun. 13, 2020 ⁽⁴⁾	Dec. 31, 2020 ⁽⁴⁾
Rolling year return on average equity attributable to common shareholders of the Company ⁽¹⁾	17.6%	15.1%	15.1%
Rolling year return on capital ⁽¹⁾	11.7%	9.5%	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 second quarter of 2021 compared to the end of the second 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, and a decline in average total equity as a result of share buybacks.

The rolling year adjusted return on capital⁽¹⁾ increased as at the end of the second quarter of 2021 compared to the end of the second quarter of 2020 and year end 2020, primarily due to an increase in adjusted operating income⁽¹⁾, lower debt levels and declining 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

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

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

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)	12 Weeks Ended				24 Weeks Ended			
	Jun. 19, 2021		Jun. 13, 2020		Jun. 19, 2021		Jun. 13, 2020	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital ⁽ⁱ⁾	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital ⁽ⁱ⁾
Issued and outstanding, beginning of period	151,933,747	\$ 2,785	153,670,563	\$ 2,809	152,374,416	\$ 2,786	153,667,750	\$ 2,809
Issued for settlement of stock options	14,050	3	–	–	104,545	11	2,813	–
Purchased and cancelled ⁽ⁱ⁾	(1,165,956)	(46)	–	–	(1,697,120)	(55)	–	–
Issued and outstanding, end of period	150,781,841	\$ 2,742	153,670,563	\$ 2,809	150,781,841	\$ 2,742	153,670,563	\$ 2,809
Shares held in trusts, beginning of period	(181,625)	\$ (3)	(261,823)	\$ (4)	(254,525)	\$ (4)	(88,832)	\$ –
Purchased for future settlement of RSUs and PSUs	–	–	–	–	–	–	(229,000)	(4)
Released for settlement of RSUs and PSUs	526	–	2,227	–	73,426	1	58,236	–
Shares held in trusts, end of period	(181,099)	\$ (3)	(259,596)	\$ (4)	(181,099)	\$ (3)	(259,596)	\$ (4)
Issued and outstanding, net of shares held in trusts, end of period	150,600,742	\$ 2,739	153,410,967	\$ 2,805	150,600,742	\$ 2,739	153,410,967	\$ 2,805
Weighted average outstanding, net of shares held in trusts	151,498,459		153,409,403		151,795,628		153,489,551	

(i) Common shares purchased and cancelled as at June 19, 2021, does not include the shares repurchased from the automatic share purchase plan, as described below.

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

(\$ millions except where otherwise indicated)	12 Weeks Ended		24 Weeks Ended	
	Jun. 19, 2021	Jun. 13, 2020	Jun. 19, 2021	Jun. 13, 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)	–	31,870	1,588	32,960
Purchased and cancelled (number of shares)	1,165,956	–	1,697,120	–
Cash consideration paid				
Purchased and held in trusts	\$ –	\$ –	\$ –	\$ (21)
Purchased and settled	\$ –	\$ (3)	\$ –	\$ (3)
Purchased and cancelled ⁽ⁱ⁾⁽ⁱⁱ⁾	\$ (141)	\$ –	\$ (166)	\$ –
Premium charged to retained earnings				
Purchased and held in trusts	\$ –	\$ –	\$ –	\$ 17
Purchased and cancelled ⁽ⁱⁱⁱ⁾	\$ 246	\$ –	\$ 292	\$ –
Reduction in share capital ^(iv)	\$ 46	\$ –	\$ 55	\$ –

- (i) \$30 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the first quarter of 2021 was paid in the second quarter of 2021.
- (ii) \$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.
- (iii) Includes \$131 million related to the automatic share purchase plan, as described below.
- (iv) Includes \$24 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 Toronto Stock Exchange ("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 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. As at June 19, 2021, an obligation to repurchase shares of approximately \$155 million was recognized under the ASPP in trade payables and other liabilities.

As of June 19, 2021, 1,165,956 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:

(\$)	12 Weeks Ended		24 Weeks Ended	
	Jun. 19, 2021	Jun. 13, 2020	Jun. 19, 2021	Jun. 13, 2020
Dividends declared per share ⁽ⁱ⁾ :				
Common share	\$ 0.550	\$ 0.525	\$ 1.100	\$ 1.050
Preferred share:				
Series I	\$ 0.3625	\$ 0.3625	\$ 0.7250	\$ 0.7250
Series III	\$ 0.3250	\$ 0.3250	\$ 0.6500	\$ 0.6500
Series IV	\$ 0.3250	\$ 0.3250	\$ 0.6500	\$ 0.6500
Series V	\$ 0.296875	\$ 0.296875	\$ 0.593750	\$ 0.593750

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

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

(\$)		
Dividends declared per share ⁽ⁱⁱ⁾		
- Common share		\$ 0.600
- Preferred share:		
Series I		\$ 0.3625
Series III		\$ 0.3250
Series IV		\$ 0.3250
Series V		\$ 0.296875

(ii) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V are payable on October 1, 2021. Dividends declared on Preferred Shares, Series I are payable on September 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 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)	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
	2021 (12 weeks)	2020 ⁽⁴⁾ (12 weeks)	2021 (12 weeks)	2020 ⁽⁴⁾ (12 weeks)	2020 ⁽⁴⁾ (13 weeks)	2019 ⁽⁴⁾ (12 weeks)	2020 ⁽⁴⁾ (16 weeks)	2019 ⁽⁴⁾ (16 weeks)
Revenue	\$ 12,931	\$ 12,357	\$ 12,352	\$ 12,333	\$ 13,806	\$ 12,107	\$ 16,209	\$ 15,226
Operating income	1,056	401	830	598	906	718	983	884
Adjusted EBITDA ⁽¹⁾	1,489	1,079	1,335	1,300	1,476	1,290	1,709	1,639
Depreciation and amortization ⁽ⁱ⁾	573	566	560	560	572	548	729	701
Net earnings (loss)	354	(172)	118	743	513	578	498	264
Net earnings (loss) attributable to shareholders of the Company	118	(245)	(52)	592	299	443	317	83
Net earnings (loss) available to common shareholders of the Company	108	(255)	(62)	582	289	433	303	69
Net earnings (loss) per common share (\$) - basic	\$ 0.71	\$ (1.66)	\$ (0.41)	\$ 3.79	\$ 1.89	\$ 2.82	\$ 1.98	\$ 0.45
Net earnings (loss) per common share (\$) - diluted	\$ 0.70	\$ (1.66)	\$ (0.41)	\$ 3.78	\$ 1.88	\$ 2.81	\$ 1.96	\$ 0.44
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 1.78	\$ 0.91	\$ 1.59	\$ 1.55	\$ 1.96	\$ 1.61	\$ 2.32	\$ 2.52
Loblaw's food retail same-store sales (decline) growth	(0.1)%	10.0%	0.1%	9.6%	8.6%	1.9%	6.9%	0.1%
Loblaw's drug retail same-store sales growth (decline)	9.6%	(1.1)%	(1.7)%	10.7%	3.7%	3.9%	6.1%	4.1%
Choice Properties' Funds From Operations per unit - diluted	\$ 0.238	\$ 0.201	\$ 0.236	\$ 0.244	\$ 0.239	\$ 0.237	\$ 0.238	\$ 0.250
Choice Properties' Net Operating Income (cash basis)	\$ 233	\$ 216	\$ 230	\$ 232	\$ 230	\$ 235	\$ 230	\$ 239
Weston Foods sales growth (decline)	4.6%	(14.0)%	(11.8)%	3.7%	0.2%	3.0%	(7.2)%	1.3%
Weston Foods sales growth (decline) excluding impact of foreign currency translation	12.1%	(15.7)%	(9.2)%	3.7%	1.0%	3.2%	(7.7)%	0.6%

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

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: foreign currency exchange rates, 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. The impact of Weston Foods seasonality is greatest in the third and fourth quarters and least in the first quarter.

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

- COVID-19 pandemic related impacts. In the Company's first quarter of 2020, financial results reflected an increase in revenue from the impact of COVID-19 in Loblaw and a decrease in revenue in Weston Foods in the second and third quarters of 2020 and the first quarter of 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 and second 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;
- 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 8, "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;
 - Weston Foods transaction costs and other related costs;
 - 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 second 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 operating segment. The Company is subject to risks and uncertainties presented by the announced Weston Foods Transaction, including: (a) the ability of the Company to successfully conclude a sale of the Weston Foods operating segment; (b) the net proceeds to be derived from a sale; (c) loss of customers during the sale process; (d) loss of key talent during the sale process; (e) provision of Weston Foods confidential information during the sale process; and (f) diverting management attention during the sale process from the day-to-day operations of Weston Foods. Failure to complete the Weston Foods Transaction 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. Outlook⁽³⁾

For 2021, the Company expects adjusted net earnings⁽¹⁾ to increase due to the results from its operating segments and to use excess cash to repurchase shares and to settle the remaining net debt associated with the equity forward sale agreement.

Loblaw Loblaw cannot predict the precise impacts of COVID-19 on its 2021 financial results. However, Loblaw anticipates that grocery sales will remain elevated due to the continued impact of the pandemic, including the impact of lockdown measures in many jurisdictions. As economies re-open, revenue growth will be challenged while lapping elevated 2020 sales. Costs are expected to improve, as Loblaw laps elevated COVID-19 related expenses, and as Process & Efficiencies and Data-Driven Insights programs continue to deliver benefits.

Loblaw previously announced that, on a full year basis, it 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 Loblaw's operating and financial performance in the first half of 2021, it now expects low to mid-twenties percentage growth in adjusted diluted net earnings per common share, excluding the impact of the 53rd week in the fourth quarter of fiscal year 2020.

In the four weeks following the end of the second quarter of 2021, Loblaw food retail same-store sales declined by 1.0% when compared to the same period last year.

During the second quarter, Loblaw's COVID-19 related costs were approximately \$70 million, inclusive of approximately \$25 million related to one-time bonuses and benefits for store and distribution centre colleagues. Loblaw incurred COVID-19 costs in the four weeks after the end of the second quarter of 2021 amounted to approximately \$9 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 and disciplined approach to financial management will continue to position it well. At the end of the second quarter of 2021, Choice Properties' diversified portfolio of retail, industrial and office properties was 96.9% occupied and leased to high-quality tenants across Canada. Its 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.

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. Choice Properties has a mix of development projects ranging in size, scale, and complexity, including retail intensification projects, which provide incremental growth to its existing sites, to larger, more complex mixed-use developments which are expected to drive net asset value growth in the future.

In 2021, Choice Properties plans to continue improving its portfolio quality and seek out opportunities to strengthen its balance sheet. In addition, Choice Properties has approximately \$250 million in debt obligations coming due over the remainder of the year, which is a manageable amount, and which Choice Properties intends to refinance with longer term debt or repay with excess cash on hand.

Weston Foods The uncertainty associated with the pandemic makes it difficult to reliably estimate future sales trends and overall financial performance of the business. The current assumption of management is that stricter government-mandated lockdowns implemented in many regions in the fourth quarter of 2020 will ease by the second half of 2021. Weston Foods foresees continued inflationary headwinds and is now expecting higher commodity, labour and distribution costs in the second half of the year. Weston Foods is taking actions to address near-term cost pressures however we expect its full year earnings to be impacted. On that basis, Weston Foods has revised its 2021 outlook and expects:

- sales to be modestly higher compared to 2020, after excluding the impact of foreign currency translation and the impact of the 53rd week in fiscal 2020;
- adjusted EBITDA⁽¹⁾ to be moderately lower compared to 2020, after excluding the impact of the 53rd week in fiscal 2020;
- capital expenditures to be approximately \$160 million; and
- depreciation to increase compared to 2020.

Management's Discussion and Analysis

8. 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.

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

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

(unaudited) (\$ millions)	12 Weeks Ended									
	June 19, 2021					June 13, 2020 ⁽⁴⁾				
	Loblaw	Choice Properties	Weston Foods	Other & Intersegment	Consolidated	Loblaw	Choice Properties	Weston Foods	Other & Intersegment ⁽⁴⁾	Consolidated
Net earnings (loss) attributable to shareholders of the Company					\$ 118					\$ (245)
Add impact of the following:										
Non-controlling interests					236					73
Income taxes					199					52
Net interest expense and other financing charges					503					521
Operating income	\$ 750	\$ 503	\$ (6)	\$ (191)	\$ 1,056	\$ 402	\$ (29)	\$ (49)	\$ 77	\$ 401
Add impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 117	\$ -	\$ -	\$ -	\$ 117	\$ 118	\$ -	\$ -	\$ -	\$ 118
Restructuring and other related costs	8	-	-	-	8	9	-	19	-	28
Fair value adjustment on investment properties	-	(281)	-	132	(149)	-	230	-	(137)	93
Weston Foods transaction costs and other related costs	-	-	-	5	5	-	-	-	-	-
Fair value adjustment of derivatives	(3)	-	(1)	-	(4)	(3)	-	3	-	-
Foreign currency translation and other company level activities	-	-	-	-	-	-	-	-	1	1
Adjusting items	\$ 122	\$ (281)	\$ (1)	\$ 137	\$ (23)	\$ 124	\$ 230	\$ 22	\$ (136)	\$ 240
Adjusted operating income	\$ 872	\$ 222	\$ (7)	\$ (54)	\$ 1,033	\$ 526	\$ 201	\$ (27)	\$ (59)	\$ 641
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱ⁾	497	1	33	(75)	456	480	-	34	(76)	438
Adjusted EBITDA	\$ 1,369	\$ 223	\$ 26	\$ (129)	\$ 1,489	\$ 1,006	\$ 201	\$ 7	\$ (135)	\$ 1,079

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes \$117 million (2020 - \$118 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and \$10 million in 2020 of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

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24 Weeks Ended

(unaudited) (\$ millions)	Jun. 19, 2021					Jun. 13, 2020 ⁽⁴⁾				
	Loblaw	Choice Properties	Weston Foods	Other & Intersegment	Consolidated	Loblaw	Choice Properties	Weston Foods	Other & Intersegment	Consolidated
Net (loss) earnings attributable to shareholders of the Company					\$ 66					\$ 347
Add impact of the following:										
Non-controlling interests					406					224
Income taxes					365					165
Net interest expense and other financing charges					1,049					263
Operating income	\$ 1,365	\$ 788	\$ (6)	\$ (261)	\$ 1,886	\$ 941	\$ 48	\$ (48)	\$ 58	\$ 999
Add impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 234	\$ -	\$ -	\$ -	\$ 234	\$ 237	\$ -	\$ -	\$ -	\$ 237
Fair value adjustment on investment properties	-	(342)	-	147	(195)	-	378	-	(183)	195
Restructuring and other related costs	12	-	-	-	12	24	-	35	-	59
Weston Foods transaction costs and other related costs	-	-	-	5	5	-	-	-	-	-
Fair value adjustment of derivatives	(11)	-	(3)	-	(14)	12	-	4	-	16
(Gain) loss on sale of non-operating properties	(5)	-	-	2	(3)	-	-	-	-	-
Acquisition transaction costs and other related costs	-	-	-	-	-	-	2	-	-	2
Foreign currency translation and other company level activities	-	-	-	-	-	-	(1)	-	2	1
Adjusting items	\$ 230	\$ (342)	\$ (3)	\$ 154	\$ 39	\$ 273	\$ 379	\$ 39	\$ (181)	\$ 510
Adjusted operating income	\$ 1,595	\$ 446	\$ (9)	\$ (107)	\$ 1,925	\$ 1,214	\$ 427	\$ (9)	\$ (123)	\$ 1,509
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱ⁾	990	2	69	(162)	899	955	1	68	(154)	870
Adjusted EBITDA	\$ 2,585	\$ 448	\$ 60	\$ (269)	\$ 2,824	\$ 2,169	\$ 428	\$ 59	\$ (277)	\$ 2,379

- (i) Depreciation and amortization for the calculation of adjusted EBITDA excludes \$234 million (2020 - \$237 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and \$19 million in 2020 of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

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.

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 second quarter of 2021, Loblaw recorded \$8 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 \$12 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.

For details on the restructuring and other related costs incurred by Weston Foods see Section 2.3, "Weston Foods Operating Results", of this MD&A.

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

(Gain) loss on sale of non-operating properties In the first quarter of 2021, Loblaw disposed of non-operating properties to a third party and recorded a gain of \$5 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. On consolidation, the Company recorded the property as fixed asset and recognized at cost less accumulated depreciation. As a result, on consolidation an incremental \$2 million loss was recognized in Other and Intersegment.

Weston Foods transaction costs and other related costs The Company recorded transaction and other related costs in connection with the Weston Foods Transaction.

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.

Management's Discussion and Analysis

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

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

(unaudited) (\$ millions)	12 Weeks Ended		24 Weeks Ended	
	Jun. 19, 2021	Jun. 13, 2020	Jun. 19, 2021	Jun. 13, 2020
Net interest expense and other financing charges	\$ 503	\$ 521	\$ 1,049	\$ 263
Add: Fair value adjustment of the Trust Unit liability	(188)	(257)	(427)	247
Fair value adjustment of the forward sale agreement for Loblaw common shares	(58)	3	(111)	13
Adjusted net interest expense and other financing charges	\$ 257	\$ 267	\$ 511	\$ 523

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 second 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)	12 Weeks Ended		24 Weeks Ended	
	Jun. 19, 2021	Jun. 13, 2020 ⁽⁴⁾	Jun. 19, 2021	Jun. 13, 2020 ⁽⁴⁾
Adjusted operating income ⁽ⁱ⁾	\$ 1,033	\$ 641	\$ 1,925	\$ 1,509
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	257	267	511	523
Adjusted earnings before taxes	\$ 776	\$ 374	\$ 1,414	\$ 986
Income taxes	\$ 199	\$ 52	\$ 365	\$ 165
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽ⁱⁱ⁾	17	52	45	113
Outside basis difference in certain Loblaw shares	–	4	(16)	(10)
Adjusted income taxes	\$ 216	\$ 108	\$ 394	\$ 268
Effective tax rate applicable to earnings before taxes	36.0%	(43.3%)	43.6%	22.4%
Adjusted effective tax rate applicable to adjusted earnings before taxes	27.8%	28.9%	27.9%	27.2%

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

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

In addition to certain items described in the “Adjusted EBITDA” and “Adjusted Net Interest Expense and Other Financing Charges” sections above, the following items impacted adjusted income taxes and the adjusted effective tax rate in the second quarters of 2021 and 2020:

Outside basis difference in certain Loblaw shares The Company recorded a deferred tax recovery (expense) 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)	12 Weeks Ended		24 Weeks Ended	
	Jun. 19, 2021	Jun. 13, 2020 ⁽⁴⁾	Jun. 19, 2021	Jun. 13, 2020 ⁽⁴⁾
Net earnings (loss) attributable to shareholders of the Company	\$ 118	\$ (245)	\$ 66	\$ 347
Less: Prescribed dividends on preferred shares in share capital	(10)	(10)	(20)	(20)
Net earnings (loss) available to common shareholders of the Company	\$ 108	\$ (255)	\$ 46	\$ 327
Less: Reduction in net earnings due to dilution at Loblaw	(2)	–	(3)	(1)
Net earnings (loss) available to common shareholders for diluted earnings per share	\$ 106	\$ (255)	\$ 43	\$ 326
Net earnings (loss) attributable to shareholders of the Company	\$ 118	\$ (245)	\$ 66	\$ 347
Adjusting items (refer to the following table)	164	394	469	51
Adjusted net earnings attributable to shareholders of the Company	\$ 282	\$ 149	\$ 535	\$ 398
Less: Prescribed dividends on preferred shares in share capital	(10)	(10)	(20)	(20)
Adjusted net earnings available to common shareholders of the Company	\$ 272	\$ 139	\$ 515	\$ 378
Less: Reduction in net earnings due to dilution at Loblaw	(2)	–	(3)	(1)
Adjusted net earnings available to common shareholders for diluted earnings per share	\$ 270	\$ 139	\$ 512	\$ 377
Diluted weighted average common shares outstanding (in millions)	151.8	153.4	152.0	153.6

Management's Discussion and Analysis

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

	12 Weeks Ended			
	Jun. 19, 2021		Jun. 13, 2020 ⁽⁴⁾	
(unaudited) (\$ except where otherwise indicated)	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net (Loss) Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net (Loss) Earnings Per Common Share
As reported	\$ 108	\$ 0.70	\$ (255)	\$ (1.66)
Add (deduct) impact of the following ⁽ⁱ⁾ :				
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 46	\$ 0.30	\$ 45	\$ 0.29
Restructuring and other related costs	2	0.01	18	0.12
Fair value adjustment on investment properties	(125)	(0.82)	78	0.51
Weston Foods transaction costs and other related costs	4	0.03	–	–
Fair value adjustment of derivatives	(1)	(0.01)	1	–
Fair value adjustment of the Trust Unit liability	188	1.24	257	1.68
Fair value adjustment of the forward sale agreement for Loblaw common shares	50	0.33	(2)	(0.01)
Outside basis difference in certain Loblaw shares	–	–	(4)	(0.03)
Foreign currency translation and other company level activities	–	–	1	0.01
Adjusting items	\$ 164	\$ 1.08	\$ 394	\$ 2.57
Adjusted	\$ 272	\$ 1.78	\$ 139	\$ 0.91

	24 Weeks Ended			
	Jun. 19, 2021		Jun. 13, 2020 ⁽⁴⁾	
(unaudited) (\$ except where otherwise indicated)	Net (Loss) Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net (Loss) Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share
As reported	\$ 46	\$ 0.28	\$ 327	\$ 2.12
Add (deduct) impact of the following ⁽ⁱ⁾ :				
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 91	\$ 0.59	\$ 91	\$ 0.59
Fair value adjustment on investment properties	(163)	(1.07)	163	1.07
Restructuring and other related costs	4	0.03	34	0.22
Weston Foods transaction costs and other related costs	4	0.03	–	–
Fair value adjustment of derivatives	(6)	(0.04)	8	0.05
Acquisition transaction costs and other related costs	–	–	2	0.01
Fair value adjustment of the Trust Unit liability	427	2.81	(247)	(1.61)
Fair value adjustment of the forward sale agreement for Loblaw common shares	96	0.63	(11)	(0.07)
Outside basis difference in certain Loblaw shares	16	0.11	10	0.07
Foreign currency translation and other company level activities	–	–	1	–
Adjusting items	\$ 469	\$ 3.09	\$ 51	\$ 0.33
Adjusted	\$ 515	\$ 3.37	\$ 378	\$ 2.45

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

(ii) Certain figures have been restated due to the non-GAAP financial measures policy change.

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)	12 Weeks Ended			24 Weeks Ended		
	Jun. 19, 2021	Jun. 13, 2020 ⁽⁵⁾	\$ Change	Jun. 19, 2021	Jun. 13, 2020 ⁽⁵⁾	\$ Change
Cash flows from operating activities	\$ 1,707	\$ 1,012	\$ 695	\$ 2,618	\$ 2,776	\$ (158)
Less: Interest paid	195	165	30	439	419	20
Capital Investments ⁽ⁱ⁾	304	252	52	540	538	2
Lease payments, net	201	202	(1)	342	398	(56)
Free cash flow ⁽¹⁾	\$ 1,007	\$ 393	\$ 614	\$ 1,297	\$ 1,421	\$ (124)

(i) During 2021, additions to fixed assets in Loblaw included prepayments that were made in 2020 and transferred from other assets of nil in the second quarter of 2021 and \$1 million year-to-date. During 2020, additions to fixed assets in Loblaw included prepayments that were made in 2019 and transferred from other assets of \$30 million in the second quarter of 2020 and \$50 million year-to-date of 2020.

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

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

(unaudited) (\$ millions)	12 Weeks Ended		24 Weeks Ended	
	Jun. 19, 2021	Jun. 13, 2020	Jun. 19, 2021	Jun. 13, 2020
Net income (loss)	\$ 85	\$ (96)	\$ 22	\$ 237
Add (deduct) impact of the following:				
Fair value adjustment on Exchangeable Units	289	(70)	507	(456)
Unit distributions on Exchangeable Units	73	72	146	144
Fair value adjustment on investment properties	(269)	216	(328)	352
Fair value adjustment on investment property held in equity accounted joint ventures	(12)	14	(14)	26
Internal expenses for leasing	2	2	4	4
Capitalized interest on equity accounted joint ventures	1	2	2	3
Acquisition transaction costs and other related costs	–	–	–	2
Amortization of intangible assets	–	1	1	1
Foreign exchange gain	–	–	–	(1)
Other fair value gains (losses), net	3	–	2	(1)
Funds from Operations	\$ 172	\$ 141	\$ 342	\$ 311

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8.1 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.

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	Weston Foods	Other	Consoli- dated	Loblaw	Choice Properties	Weston Foods	Other	Consoli- dated	Loblaw	Choice Properties	Weston Foods	Other	Consoli- dated
Adjusted Operating income - previously reported	\$ 692	\$ 226	\$ 18	\$ (64)	\$ 872	\$ 534	\$ 201	\$ (27)	\$ (59)	\$ 649	\$ 882	\$ 224	\$ 18	\$ 20	\$ 1,144
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	\$ 18	\$ (64)	\$ 868	\$ 526	\$ 201	\$ (27)	\$ (59)	\$ 641	\$ 876	\$ 224	\$ 18	\$ 20	\$ 1,138
Depreciation and amortization	594	1	43	(78)	560	598	-	44	(76)	566	795	1	47	(114)	729
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(119)	-	-	-	(119)	(118)	-	-	-	(118)	(155)	-	-	-	(155)
Less: Accelerated Depreciation	-	-	(9)	-	(9)	-	-	(10)	-	(10)	-	-	(3)	-	(3)
Adjusted EBITDA - Restated	\$1,163	\$ 227	\$ 52	\$ (142)	\$1,300	\$1,006	\$ 201	\$ 7	\$ (135)	\$1,079	\$1,516	\$ 225	\$ 62	\$ (94)	\$1,709

(unaudited) (\$ millions)	Quarter Ended					Year Ended				
	December 31, 2020					December 31, 2020				
	(13 weeks)					(53 weeks)				
	Loblaw	Choice Properties	Weston Foods	Other	Consolidated	Loblaw	Choice Properties	Weston Foods	Other	Consolidated
Adjusted Operating income - previously reported	\$ 838	\$ 225	\$ 46	\$ (55)	\$ 1,054	\$ 2,946	\$ 876	\$ 55	\$ (158)	\$ 3,719
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	\$ 46	\$ (61)	\$ 1,029	\$ 2,909	\$ 876	\$ 55	\$ (164)	\$ 3,676
Depreciation and amortization	609	1	41	(79)	572	2,596	3	175	(347)	2,427
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(117)	–	–	–	(117)	(509)	–	–	–	(509)
Less: Accelerated Depreciation	–	–	(8)	–	(8)	–	–	(30)	–	(30)
Adjusted EBITDA - Restated	\$ 1,311	\$ 226	\$ 79	\$ (140)	\$ 1,476	\$ 4,996	\$ 879	\$ 200	\$ (511)	\$ 5,564

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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	Weston Foods	Other	Consoli- dated	Loblaw	Choice Properties	Weston Foods	Other	Consoli- dated	Loblaw	Choice Properties	Weston Foods	Other	Consoli- dated
Adjusted Operating income - previously reported	\$ 577	\$ 230	\$ 14	\$ (79)	\$ 742	\$ 709	\$ 232	\$ 16	\$ (60)	\$ 897	\$ 872	\$ 226	\$ 32	\$ (9)	\$ 1,121
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	\$ 14	\$ (79)	\$ 720	\$ 708	\$ 232	\$ 16	\$ (60)	\$ 896	\$ 850	\$ 226	\$ 32	\$ (9)	\$ 1,099
Depreciation and amortization	580	-	32	(77)	535	580	1	35	(82)	534	775	-	44	(118)	701
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(119)	-	-	-	(119)	(116)	-	-	-	(116)	(157)	-	-	-	(157)
Less: Accelerated Depreciation	-	-	-	-	-	-	-	(2)	-	(2)	-	-	(4)	-	(4)
Adjusted EBITDA - Restated	\$1,016	\$ 230	\$ 46	\$ (156)	\$ 1,136	\$1,172	\$ 233	\$ 49	\$ (142)	\$ 1,312	\$1,468	\$ 226	\$ 72	\$ (127)	\$ 1,639

(unaudited) (\$ millions)	Quarter Ended					Year Ended				
	December 31, 2019					December 31, 2019				
	(13 weeks)					(53 weeks)				
	Loblaw	Choice Properties	Weston Foods	Other	Consolidated	Loblaw	Choice Properties	Weston Foods	Other	Consolidated
Adjusted Operating income - previously reported	\$ 730	\$ 225	\$ 23	\$ (56)	\$ 922	\$ 2,888	\$ 913	\$ 85	\$ (204)	\$ 3,682
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	\$ 23	\$ (25)	\$ 861	\$ 2,751	\$ 913	\$ 85	\$ (173)	\$ 3,576
Depreciation and amortization	589	–	36	(77)	548	2,524	1	147	(354)	2,318
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(116)	–	–	–	(116)	(508)	–	–	–	(508)
Less: Accelerated Depreciation	–	–	(3)	–	(3)	–	–	(9)	–	(9)
Adjusted EBITDA - Restated	\$ 1,111	\$ 225	\$ 56	\$ (102)	\$ 1,290	\$ 4,767	\$ 914	\$ 223	\$ (527)	\$ 5,377

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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 - As 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 - Restated	\$ 239	\$ 1.55	\$ 139	\$ 0.91	\$ 358	\$ 2.32	\$ 302	\$ 1.96	\$ 1,038	\$ 6.74

	Quarters Ended								Year Ended	
	March 23, 2019		June 15, 2019		October 5, 2019		December 31, 2019		December 31, 2019	
	(12 weeks)		(12 weeks)		(16 weeks)		(12 weeks)		(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 - As 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 - Restated	\$ 192	\$ 1.24	\$ 271	\$ 1.75	\$ 388	\$ 2.52	\$ 250	\$ 1.61	\$ 1,101	\$ 7.14

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.

9. Forward-Looking Statements

This Quarterly Report, including this MD&A, contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Quarterly Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of IT systems implementations. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, in Section 3, "Liquidity and Capital Resources", Section 7, "Outlook", and Section 8, "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 Weston Food Transaction; and
- the inability of the Company to anticipate, identify and react to consumer and retail trends.

Management's Discussion and Analysis

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.

10. 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

July 29, 2021

Footnote Legend

- (1) See Section 8, "Non-GAAP Financial Measures", of the Company's 2021 Second Quarter Management's Discussion and Analysis.
 - (2) GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.
 - (3) To be read in conjunction with Section 9, "Forward-Looking Statements", of the Company's 2021 Second Quarter Management's Discussion and Analysis.
 - (4) Certain figures have been restated due to the non-GAAP financial measures policy change. See section 8.1, "Non-GAAP Financial Measures Policy Change Effective First Quarter of 2021" of the Company's 2021 Second Quarter Management's Discussion and Analysis.
 - (5) Comparative figures have been restated to conform with current year presentation.
 - (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 Second Quarter Management's Discussion and Analysis, is the mean annual growth rate over a two year period, 2019 to 2021.
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