

Financial Results

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Condensed Consolidated Statements of Earnings

| (unaudited) (millions of Canadian dollars except where otherwise indicated) | 12 Weeks Ended | | 24 Weeks Ended | |
|--|----------------|---------------|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Revenue | \$ 12,931 | \$ 12,357 | \$ 25,283 | \$ 24,690 |
| Operating Expenses | | | | |
| Cost of inventories sold (note 10) | 8,707 | 8,485 | 17,093 | 16,877 |
| Selling, general and administrative expenses | 3,168 | 3,471 | 6,304 | 6,814 |
| | 11,875 | 11,956 | 23,397 | 23,691 |
| Operating Income | 1,056 | 401 | 1,886 | 999 |
| Net Interest Expense and Other Financing Charges (note 5) | 503 | 521 | 1,049 | 263 |
| Earnings (Loss) Before Income Taxes | 553 | (120) | 837 | 736 |
| Income Taxes (note 6) | 199 | 52 | 365 | 165 |
| Net Earnings (Loss) | 354 | (172) | 472 | 571 |
| Attributable to: | | | | |
| Shareholders of the Company (note 7) | 118 | (245) | 66 | 347 |
| Non-Controlling Interests | 236 | 73 | 406 | 224 |
| Net Earnings (Loss) | \$ 354 | \$ (172) | \$ 472 | \$ 571 |
| Net Earnings (Loss) per Common Share (\$) (note 7) | | | | |
| Basic | \$ 0.71 | \$ (1.66) | \$ 0.30 | \$ 2.13 |
| Diluted | \$ 0.70 | \$ (1.66) | \$ 0.28 | \$ 2.12 |

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

Condensed Consolidated Statements of Comprehensive Income

| (unaudited) (millions of Canadian dollars) | 12 Weeks Ended | | 24 Weeks Ended | |
|---|----------------|---------------|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Net earnings (loss) | \$ 354 | \$ (172) | \$ 472 | \$ 571 |
| Other comprehensive (loss) income, net of taxes | | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | | |
| Foreign currency translation adjustment (note 20) | (9) | (66) | (22) | 47 |
| Gains (losses) on cash flow hedges (note 20) | 3 | (21) | 3 | (48) |
| Items that will not be reclassified to profit or loss: | | | | |
| Net defined benefit plan actuarial gains (losses) (note 18) | 130 | (47) | 197 | (11) |
| Adjustment to fair value of investment properties | (12) | 7 | (12) | 7 |
| Other comprehensive income (loss) | 112 | (127) | 166 | (5) |
| Comprehensive Income (Loss) | 466 | (299) | 638 | 566 |
| Attributable to: | | | | |
| Shareholders of the Company | 171 | (345) | 140 | 366 |
| Non-Controlling Interests | 295 | 46 | 498 | 200 |
| Comprehensive Income (Loss) | \$ 466 | \$ (299) | \$ 638 | \$ 566 |

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

Condensed Consolidated Balance Sheets

| (unaudited) (millions of Canadian dollars) | As at | | |
|---|------------------|------------------|------------------------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Dec. 31, 2020 ⁽ⁱ⁾ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents (note 8) | \$ 2,795 | \$ 2,861 | \$ 2,581 |
| Short-term investments (note 8) | 612 | 547 | 575 |
| Security deposits (note 8) | – | 71 | – |
| Accounts receivable | 1,038 | 1,253 | 1,192 |
| Credit card receivables (note 9) | 3,033 | 2,834 | 3,109 |
| Inventories (note 10) | 5,246 | 4,873 | 5,385 |
| Prepaid expenses and other assets | 575 | 448 | 304 |
| Assets held for sale (note 11) | 102 | 109 | 108 |
| Total Current Assets | 13,401 | 12,996 | 13,254 |
| Fixed Assets | 11,904 | 11,642 | 11,943 |
| Right-of-Use Assets | 4,067 | 4,146 | 4,043 |
| Investment Properties | 5,130 | 4,733 | 4,930 |
| Equity Accounted Joint Ventures | 557 | 598 | 573 |
| Intangible Assets | 6,812 | 7,285 | 7,032 |
| Goodwill | 4,769 | 4,784 | 4,772 |
| Deferred Income Taxes | 121 | 219 | 139 |
| Security Deposits (note 8) | 74 | 77 | 75 |
| Other Assets (note 12) | 1,111 | 1,198 | 1,314 |
| Total Assets | \$ 47,946 | \$ 47,678 | \$ 48,075 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Bank indebtedness | \$ 138 | \$ 133 | \$ 86 |
| Trade payables and other liabilities | 5,972 | 5,501 | 6,023 |
| Loyalty liability | 213 | 215 | 194 |
| Provisions | 119 | 153 | 98 |
| Income taxes payable | 224 | 108 | 128 |
| Demand deposits from customers | 50 | – | 24 |
| Short-term debt (note 13) | 1,019 | 1,265 | 1,335 |
| Long-term debt due within one year (note 14) | 1,966 | 1,332 | 924 |
| Lease liabilities due within one year | 801 | 802 | 799 |
| Associate interest | 347 | 282 | 349 |
| Total Current Liabilities | 10,849 | 9,791 | 9,960 |
| Provisions | 92 | 95 | 116 |
| Long-Term Debt (note 14) | 12,419 | 13,678 | 13,519 |
| Lease Liabilities | 4,239 | 4,340 | 4,206 |
| Trust Unit Liability (note 20) | 4,032 | 3,359 | 3,600 |
| Deferred Income Taxes | 2,094 | 2,120 | 2,059 |
| Other Liabilities (note 15) | 1,153 | 952 | 1,197 |
| Total Liabilities | 34,878 | 34,335 | 34,657 |
| EQUITY | | | |
| Share Capital (note 16) | 3,556 | 3,622 | 3,599 |
| Retained Earnings | 4,924 | 4,913 | 5,226 |
| Contributed Surplus (notes 17 & 19) | (1,345) | (1,023) | (1,180) |
| Accumulated Other Comprehensive Income | 134 | 221 | 166 |
| Total Equity Attributable to Shareholders of the Company | 7,269 | 7,733 | 7,811 |
| Non-Controlling Interests | 5,799 | 5,610 | 5,607 |
| Total Equity | 13,068 | 13,343 | 13,418 |
| Total Liabilities and Equity | \$ 47,946 | \$ 47,678 | \$ 48,075 |

(i) Certain comparative figures have been restated to conform with current year presentation. Contingent liabilities (note 21).

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

Condensed Consolidated Statements of Changes in Equity

| (millions of Canadian dollars except where otherwise indicated) (unaudited) | Common Shares | Preferred Shares | Total Share Capital | Retained Earnings | Contributed Surplus | Foreign Currency Translation Adjustment | Cash Flow Hedges | Adjustment to Fair Value on Transfer of Investment Properties | Total Accumulated Other Comprehensive Income | Non-Controlling Interests | Total Equity |
|---|---------------|------------------|---------------------|-------------------|---------------------|---|------------------|---|--|---------------------------|--------------|
| Balance as at Dec. 31, 2020 | \$ 2,782 | \$ 817 | \$ 3,599 | \$ 5,226 | \$ (1,180) | \$ 153 | \$ (22) | \$ 35 | \$ 166 | \$ 5,607 | \$ 13,418 |
| Net earnings | – | – | – | 66 | – | – | – | – | – | 406 | 472 |
| Other comprehensive income (loss) ⁽ⁱ⁾ | – | – | – | 106 | – | (23) | 3 | (12) | (32) | 92 | 166 |
| Comprehensive income (loss) | \$ – | \$ – | \$ – | \$ 172 | \$ – | \$ (23) | \$ 3 | \$ (12) | \$ (32) | \$ 498 | \$ 638 |
| Effect of equity-based compensation (notes 16 & 19) | 11 | – | 11 | – | (9) | – | – | – | – | (6) | (4) |
| Shares purchased and cancelled (note 16) | (55) | – | (55) | (292) | – | – | – | – | – | – | (347) |
| Net effect of shares held in trusts (notes 16 & 19) | 1 | – | 1 | 6 | – | – | – | – | – | – | 7 |
| Loblaw capital transactions and dividends (notes 17 & 19) | – | – | – | – | (156) | – | – | – | – | (300) | (456) |
| Dividends declared | | | | | | | | | | | |
| Per common share (\$) (note 16) | | | | | | | | | | | |
| – \$1.100 | – | – | – | (166) | – | – | – | – | – | – | (166) |
| Per preferred share (\$) (note 16) | | | | | | | | | | | |
| – Series I – \$0.7250 | – | – | – | (7) | – | – | – | – | – | – | (7) |
| – Series III – \$0.6500 | – | – | – | (5) | – | – | – | – | – | – | (5) |
| – Series IV – \$0.6500 | – | – | – | (5) | – | – | – | – | – | – | (5) |
| – Series V – \$0.593750 | – | – | – | (5) | – | – | – | – | – | – | (5) |
| | \$ (43) | \$ – | \$ (43) | \$ (474) | \$ (165) | \$ – | \$ – | \$ – | \$ – | \$ (306) | \$ (988) |
| Balance as at Jun. 19, 2021 | \$ 2,739 | \$ 817 | \$ 3,556 | \$ 4,924 | \$ (1,345) | \$ 130 | \$ (19) | \$ 23 | \$ 134 | \$ 5,799 | \$ 13,068 |

| (millions of Canadian dollars except where otherwise indicated) (unaudited) | Common Shares | Preferred Shares | Total Share Capital | Retained Earnings | Contributed Surplus | Foreign Currency Translation Adjustment | Cash Flow Hedges | Adjustment to Fair Value on Transfer of Investment Properties | Total Accumulated Other Comprehensive Income | Non-Controlling Interests | Total Equity |
|---|---------------|------------------|---------------------|-------------------|---------------------|---|------------------|---|--|---------------------------|--------------|
| Balance as at Dec. 31, 2019 | \$ 2,809 | \$ 817 | \$ 3,626 | \$ 4,766 | \$ (979) | \$ 182 | \$ (4) | \$ 18 | \$ 196 | \$ 5,566 | \$ 13,175 |
| Net earnings | – | – | – | 347 | – | – | – | – | – | 224 | 571 |
| Other comprehensive income (loss) ⁽ⁱ⁾ | – | – | – | (6) | – | 46 | (28) | 7 | 25 | (24) | (5) |
| Comprehensive income (loss) | \$ – | \$ – | \$ – | \$ 341 | \$ – | \$ 46 | \$ (28) | \$ 7 | \$ 25 | \$ 200 | \$ 566 |
| Effect of equity-based compensation (notes 16 & 19) | – | – | – | – | (4) | – | – | – | – | (4) | (8) |
| Net effect of shares held in trusts (notes 16 & 19) | (4) | – | (4) | (11) | – | – | – | – | – | – | (15) |
| Loblaw capital transactions and dividends (notes 17 & 19) | – | – | – | – | (40) | – | – | – | – | (152) | (192) |
| Dividends declared | | | | | | | | | | | |
| Per common share (\$) (note 16) | | | | | | | | | | | |
| – \$1.050 | – | – | – | (161) | – | – | – | – | – | – | (161) |
| Per preferred share (\$) (note 16) | | | | | | | | | | | |
| – Series I – \$0.7250 | – | – | – | (7) | – | – | – | – | – | – | (7) |
| – Series III – \$0.6500 | – | – | – | (5) | – | – | – | – | – | – | (5) |
| – Series IV – \$0.6500 | – | – | – | (5) | – | – | – | – | – | – | (5) |
| – Series V – \$0.593750 | – | – | – | (5) | – | – | – | – | – | – | (5) |
| | \$ (4) | \$ – | \$ (4) | \$ (194) | \$ (44) | \$ – | \$ – | \$ – | \$ – | \$ (156) | \$ (398) |
| Balance as at Jun. 13, 2020 | \$ 2,805 | \$ 817 | \$ 3,622 | \$ 4,913 | \$ (1,023) | \$ 228 | \$ (32) | \$ 25 | \$ 221 | \$ 5,610 | \$ 13,343 |

(i) Other comprehensive income (loss) includes actuarial gains of \$197 million (2020 – losses of \$11 million), of which \$106 million (2020 – loss of \$6 million) is presented in retained earnings, and \$91 million (2020 – loss of \$5 million) in non-controlling interests. Also included in non-controlling interests was a gain of \$1 million on foreign currency translation adjustments (2020 – gain of \$1 million) and nil unrealized gain or loss on cash flow hedges (2020 – loss of \$20 million).

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

Condensed Consolidated Statements of Cash Flows

| (unaudited) (millions of Canadian dollars) | 12 Weeks Ended | | 24 Weeks Ended | |
|--|-----------------|------------------------------|-----------------|------------------------------|
| | Jun. 19, 2021 | Jun. 13, 2020 ⁽ⁱ⁾ | Jun. 19, 2021 | Jun. 13, 2020 ⁽ⁱ⁾ |
| Operating Activities | | | | |
| Net earnings | \$ 354 | \$ (172) | \$ 472 | \$ 571 |
| Add (deduct): | | | | |
| Net interest expense and other financing charges (note 5) | 503 | 521 | 1,049 | 263 |
| Income taxes (note 6) | 199 | 52 | 365 | 165 |
| Depreciation and amortization | 573 | 566 | 1,133 | 1,126 |
| Asset impairments, net of recoveries | – | 8 | 1 | 14 |
| Adjustment to fair value of investment properties and assets held for sale | (149) | 93 | (195) | 195 |
| Change in allowance for credit card receivables (note 9) | (12) | 4 | (32) | 54 |
| Change in provisions | 3 | 10 | 1 | 13 |
| | 1,471 | 1,082 | 2,794 | 2,401 |
| Change in gross credit card receivables (note 9) | (119) | 410 | 108 | 630 |
| Change in non-cash working capital | 424 | (422) | (27) | (135) |
| Income taxes paid | (87) | (112) | (283) | (197) |
| Interest received | 6 | 5 | 11 | 13 |
| Interest received from finance leases | – | 1 | 1 | 1 |
| Other | 12 | 48 | 14 | 63 |
| Cash Flows from Operating Activities | 1,707 | 1,012 | 2,618 | 2,776 |
| Investing Activities | | | | |
| Fixed asset and investment properties purchases | (213) | (143) | (364) | (315) |
| Intangible asset additions | (91) | (79) | (175) | (173) |
| Cash assumed on initial consolidation of franchises (note 4) | – | – | – | 14 |
| Proceeds from disposal of assets | 10 | 35 | 51 | 146 |
| Lease payments received from finance leases | 2 | – | 4 | 2 |
| Change in short-term investments (note 8) | (298) | (198) | (37) | (317) |
| Change in security deposits (note 8) | – | (71) | – | (71) |
| Other | (128) | (67) | (74) | (99) |
| Cash Flows used in Investing Activities | (718) | (523) | (595) | (813) |
| Financing Activities | | | | |
| Change in bank indebtedness | (144) | 50 | 52 | 115 |
| Change in short-term debt | 9 | 38 | (256) | (224) |
| Change in demand deposits from customers | 14 | – | 26 | – |
| Change in other financing (note 15) | (1) | (1) | (1) | (3) |
| Interest paid | (195) | (165) | (439) | (419) |
| Settlement of net debt associated with equity forward sale agreement (note 14) | (53) | – | (53) | – |
| Long-term debt – Issued (note 14) | 279 | 937 | 309 | 1,921 |
| – Repayments (note 14) | (276) | (880) | (331) | (1,448) |
| Cash rent paid on lease liabilities – Interest | (43) | (51) | (89) | (99) |
| Cash rent paid on lease liabilities – Principal | (160) | (151) | (257) | (301) |
| Share capital – Issued (notes 16 & 19) | 2 | – | 9 | – |
| – Purchased and held in trusts (note 16) | – | – | – | (21) |
| – Purchased and cancelled (note 16) | (141) | – | (166) | – |
| Loblaw common share capital – Issued (notes 17 & 19) | 42 | 3 | 49 | 24 |
| – Purchased and held in trusts (note 17) | – | – | – | (10) |
| – Purchased and cancelled (note 17) | (207) | – | (362) | (96) |
| Dividends – To common shareholders | (84) | (80) | (163) | (161) |
| – To preferred shareholders | (11) | (11) | (22) | (22) |
| – To non-controlling interests | (57) | (57) | (57) | (114) |
| Other | 6 | (39) | (57) | (79) |
| Cash Flows used in Financing Activities | (1,020) | (407) | (1,808) | (937) |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | (1) | (5) | (1) | 1 |
| Change in Cash and Cash Equivalents | (32) | 77 | 214 | 1,027 |
| Cash and Cash Equivalents, Beginning of Period | 2,827 | 2,784 | 2,581 | 1,834 |
| Cash and Cash Equivalents, End of Period | \$ 2,795 | \$ 2,861 | \$ 2,795 | \$ 2,861 |

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

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

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 1. Nature and Description of the Reporting Entity

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

The Company operates through its three reportable operating segments, Loblaw Companies Limited ("Loblaw"), Choice Properties Real Estate Investment Trust ("Choice Properties"), and Weston Foods. Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation and cash and short-term investments held by the Company. All other company level activities that are not allocated to the reportable operating segments, such as interest expense, corporate activities and administrative costs are included in Other and Intersegment.

Loblaw has two reportable operating segments, retail and financial services. Loblaw's retail segment consists primarily of food retail and drug retail. 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.

Quarterly net earnings are affected by foreign currency exchange rates, seasonality and the timing of holidays, relative to the Company's interim period. Accordingly, quarterly performance is not necessarily indicative of annual performance. Historically, Weston Foods has earned more revenue in the third and fourth quarters and least in the first quarter. Historically, Loblaw has earned more revenue in the fourth quarter relative to the preceding quarters in its fiscal year.

Note 2. Significant Accounting Policies

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company's 2020 audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements.

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

STATEMENT OF COMPLIANCE These unaudited interim period condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2020 audited annual consolidated financial statements and accompanying notes.

These unaudited interim period condensed consolidated financial statements were approved for issuance by the Company's Board of Directors on July 29, 2021.

Note 3. Subsidiaries

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

| | | As at | | | | | |
|--------------------------|----------------------------------|-------------------------------|--------------------|-------------------------------|--------------------|-------------------------------|--------------------|
| | | Jun. 19, 2021 | | Jun. 13, 2020 | | Dec. 31, 2020 | |
| | | Number of shares / units held | Ownership interest | Number of shares / units held | Ownership interest | Number of shares / units held | Ownership interest |
| Loblaw | Common shares ⁽ⁱ⁾ | 177,937,308 | 52.6% | 186,460,059 | 52.1% | 182,874,456 | 52.6% |
| | Class B LP Units ⁽ⁱⁱ⁾ | 395,786,525 | n/a | 389,961,783 | n/a | 395,786,525 | n/a |
| | Trust Units | 50,661,415 | n/a | 50,661,415 | n/a | 50,661,415 | n/a |
| Choice Properties | | 446,447,940 | 61.7% | 440,623,198 | 62.9% | 446,447,940 | 61.8% |

- (i) Includes 8.85 million Loblaw common shares pledged (June 13, 2020 and December 31, 2020 – 9.6 million Loblaw common shares) under the equity forward sale agreement (see note 20). Additionally, commencing in the first quarter of 2020, GWL participated in Loblaw's Normal Course Issuer Bid ("NCIB") program, in order to maintain its proportionate percentage ownership (see note 17).
- (ii) Class B LP Units ("Exchangeable Units") are economically equivalent to Trust Units, receive distributions equal to the distributions paid on Trust Units and are exchangeable, at the holder's option, into Trust Units.

Note 4. Business Acquisitions

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

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

No franchises were consolidated in the second quarter of 2021 and 2020. On a year-to-date basis, the following table summarizes the amounts recognized for the assets acquired, the liabilities assumed and the non-controlling interests recognized at the acquisition dates:

| (\$ millions) | 24 Weeks Ended | |
|---|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 |
| Net assets acquired: | | |
| Cash and cash equivalents | \$ – | \$ 14 |
| Inventories | – | 42 |
| Fixed assets | – | 44 |
| Trade payables and other liabilities ⁽ⁱ⁾ | – | (54) |
| Other liabilities ⁽ⁱ⁾ | – | (30) |
| Non-controlling interests | – | (16) |
| Total net assets acquired | \$ – | \$ – |

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

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 5. Net Interest Expense and Other Financing Charges

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

| (\$ millions) | 12 Weeks Ended | | 24 Weeks Ended | |
|---|----------------|---------------|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Interest expense: | | | | |
| Long-term debt | \$ 147 | \$ 163 | \$ 287 | \$ 313 |
| Lease liabilities | 43 | 51 | 89 | 99 |
| Borrowings related to credit card receivables | 8 | 8 | 17 | 20 |
| Trust Unit distributions | 51 | 48 | 102 | 96 |
| Independent funding trusts | 3 | 3 | 6 | 8 |
| Post-employment and other long-term employee benefits (note 18) | 2 | 1 | 4 | 4 |
| Bank indebtedness | 2 | – | 2 | 1 |
| Financial liabilities (note 15) | 11 | 6 | 23 | 13 |
| Capitalized interest | – | – | (1) | (1) |
| | \$ 267 | \$ 280 | \$ 529 | \$ 553 |
| Interest income: | | | | |
| Accretion income | \$ (2) | \$ (2) | \$ (3) | \$ (3) |
| Short-term interest income | (4) | (5) | (8) | (14) |
| | \$ (6) | \$ (7) | \$ (11) | \$ (17) |
| Forward sale agreement ⁽ⁱ⁾ | \$ 54 | \$ (9) | \$ 104 | \$ (26) |
| Fair value adjustment of the Trust Unit liability (note 20) | 188 | 257 | 427 | (247) |
| Net interest expense and other financing charges | \$ 503 | \$ 521 | \$ 1,049 | \$ 263 |

(i) Included in the second quarter of 2021 and year-to-date is a charge of \$58 million (2020 – income of \$3 million) and \$111 million (2020 – income of \$13 million), respectively, related to the fair value adjustment of the forward sale agreement for the Loblaw common shares (see note 20). The fair value adjustment of the forward sale agreement results from changes in the value of the underlying Loblaw common shares. On settlement, in whole or in part, any cash paid under the forward sale agreement could be offset by the sale of the underlying Loblaw common shares. Also included in the second quarter of 2021 and year-to-date is forward accretion income of \$9 million (2020 – income of \$11 million) and \$17 million (2020 – income of \$23 million), respectively, and the forward fee of \$5 million (2020 – \$5 million) and \$10 million (2020 – \$10 million), respectively, associated with the forward sale agreement.

Note 6. Income Taxes

In the second quarter of 2021, income tax expense was \$199 million (2020 – \$52 million) and the effective tax rate was 36.0% (2020 – (43.3)%). The increase in the effective tax rate was primarily attributable 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.

On a year-to-date basis, income tax expense was \$365 million (2020 – \$165 million) and the effective tax rate was 43.6% (2020 – 22.4%). The increase in the effective tax rate 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.

On April 23, 2020, the Federal Court of Appeal released its decision in the Glenhuron Bank Limited (“Glenhuron”) case in favour of Loblaw and reversed the decision of the Tax Court of Canada (“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 (see note 21).

Note 7. Basic and Diluted Net Earnings per Common Share

| (\$ millions except where otherwise indicated) | 12 Weeks Ended | | 24 Weeks Ended | |
|---|----------------|---------------|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Net earnings (loss) attributable to shareholders of the Company | \$ 118 | \$ (245) | \$ 66 | \$ 347 |
| 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 |
| 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 |
| Weighted average common shares outstanding (in millions) (note 16) | 151.5 | 153.4 | 151.8 | 153.5 |
| Dilutive effect of equity-based compensation ⁽ⁱ⁾ (in millions) | 0.3 | – | 0.2 | 0.1 |
| Diluted weighted average common shares outstanding (in millions) | 151.8 | 153.4 | 152.0 | 153.6 |
| Basic net earnings (loss) per common share (\$) | \$ 0.71 | \$ (1.66) | \$ 0.30 | \$ 2.13 |
| Diluted net earnings (loss) per common share (\$) | \$ 0.70 | \$ (1.66) | \$ 0.28 | \$ 2.12 |

- (i) In the second quarter of 2021 and year-to-date, nominal (2020 – 2.1 million) and 1.5 million (2020 – 1.1 million) potentially dilutive instruments, respectively, were excluded from the computation of diluted net earnings (loss) per common share as they were anti-dilutive.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

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

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

CASH AND CASH EQUIVALENTS

| (\$ millions) | Jun. 19, 2021 | As at | |
|------------------------------------|---------------|---------------|---------------|
| | | Jun. 13, 2020 | Dec. 31, 2020 |
| Cash | \$ 1,067 | \$ 888 | \$ 1,228 |
| Cash equivalents: | | | |
| Government treasury bills | 992 | 719 | 758 |
| Bankers' acceptances | 729 | 1,253 | 570 |
| Corporate commercial paper | 7 | 1 | – |
| Guaranteed investment certificates | – | – | 22 |
| Other | – | – | 3 |
| Cash and cash equivalents | \$ 2,795 | \$ 2,861 | \$ 2,581 |

SHORT-TERM INVESTMENTS

| (\$ millions) | Jun. 19, 2021 | As at | |
|------------------------------------|---------------|---------------|---------------|
| | | Jun. 13, 2020 | Dec. 31, 2020 |
| Government treasury bills | \$ 553 | \$ 351 | \$ 485 |
| Bankers' acceptances | 30 | 139 | 81 |
| Corporate commercial paper | – | 57 | 1 |
| Guaranteed Investment Certificates | 29 | – | 7 |
| Other | – | – | 1 |
| Short-term investments | \$ 612 | \$ 547 | \$ 575 |

SECURITY DEPOSITS

| (\$ millions) | Jun. 19, 2021 | As at | |
|---------------------------|---------------|---------------|---------------|
| | | Jun. 13, 2020 | Dec. 31, 2020 |
| Cash | \$ 62 | \$ 45 | \$ 52 |
| Government treasury bills | 12 | \$ 103 | 23 |
| Total security deposits | \$ 74 | \$ 148 | \$ 75 |
| Current portion | – | (71) | – |
| Security deposits | \$ 74 | \$ 77 | \$ 75 |

Security Deposits During the second quarter of 2020, a repayment accumulation process was triggered due to the subsequent maturity of the *Eagle Credit Card Trust*[®] (“*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.

Note 9. Credit Card Receivables

The components of credit card receivables were as follows:

| (\$ millions) | Jun. 19, 2021 | As at | |
|--|---------------|---------------|---------------|
| | | Jun. 13, 2020 | Dec. 31, 2020 |
| Gross credit card receivables | \$ 3,238 | \$ 3,084 | \$ 3,346 |
| Allowance for credit card receivables | (205) | (250) | (237) |
| Credit card receivables | \$ 3,033 | \$ 2,834 | \$ 3,109 |
| Securitized to independent securitization trusts: | | | |
| Securitized to <i>Eagle Credit Card Trust</i> [®] (note 14) | \$ 1,050 | \$ 1,000 | \$ 1,050 |
| Securitized to Other Independent Securitization Trusts (note 13) | 300 | 525 | 575 |
| Total securitized to independent securitization trusts | \$ 1,350 | \$ 1,525 | \$ 1,625 |

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

The associated liability of *Eagle* is recorded in long-term debt (see note 14). The associated liabilities of credit card receivables securitized to the Other Independent Securitization are recorded in short-term debt.

On a year-to-date basis in 2021, PC Bank recorded a \$275 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts as a result of a decline in the volume of credit card receivables.

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.

As at the end of the second quarter of 2021, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was \$27 million (June 13, 2020 - \$47 million; December 31, 2020 - \$52 million), which represented 9% (June 13, 2020 - 9%; December 31, 2020 - 9%) of the securitized credit card receivables amount.

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at the end of the second quarter of 2021 and throughout the first half of 2021.

Note 10. Inventories

The components of inventories were as follows:

| (\$ millions) | Jun. 19, 2021 | As at | |
|----------------------------|---------------|---------------|---------------|
| | | Jun. 13, 2020 | Dec. 31, 2020 |
| Raw materials and supplies | \$ 93 | \$ 79 | \$ 71 |
| Finished goods | 5,153 | 4,794 | 5,314 |
| Inventories | \$ 5,246 | \$ 4,873 | \$ 5,385 |

As at the end of the second quarter of 2021, Loblaw recorded an inventory provision of \$42 million (June 13, 2020 - \$35 million; December 31, 2020 - \$34 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of inventories sold. There were no reversals of previously recorded write-downs of inventories during the first half of 2021 and 2020.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 11. Assets Held for Sale

Loblaw classifies certain assets, primarily land and buildings, that it intends to dispose of in the next 12 months, as assets held for sale. These assets were either originally used in Loblaw's retail business segment or held in investment properties. In the second quarter of 2021, Loblaw recorded a nominal gain (2020 – nominal gain) from the sale of these assets. On a year-to-date basis, Loblaw recorded a net gain of \$5 million (2020 – nominal loss) from the sale of these assets. No fair value changes or impairment charges were recognized on assets held for sale during the first half of 2021 and 2020.

Note 12. Other Assets

The components of other assets were as follows:

| (\$ millions) | As at | | |
|---|-----------------|-----------------|-----------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Dec. 31, 2020 |
| Fair value of equity forward (note 20) ⁽ⁱ⁾ | \$ 491 | \$ 573 | \$ 630 |
| Sundry investments and other receivables ⁽ⁱⁱ⁾ | 156 | 50 | 145 |
| Net accrued benefit plan asset (note 18) | 395 | 216 | 184 |
| Finance lease receivable | 72 | 62 | 77 |
| Mortgages, loans and notes receivable | 143 | 227 | 168 |
| Other | 165 | 193 | 159 |
| Total Other Assets | \$ 1,422 | \$ 1,321 | \$ 1,363 |
| Current portion of mortgages, loans and notes receivable ⁽ⁱⁱⁱ⁾ | (49) | (123) | (49) |
| Current portion of fair value of equity forward ^(iv) | (262) | – | – |
| Other Assets | \$ 1,111 | \$ 1,198 | \$ 1,314 |

- (i) See Note 14 for details on the partial settlement of the Net debt associated with the equity forward sale agreement.
- (ii) In 2020, Shoppers Drug Mart Inc. agreed to invest a total of \$75 million in Maple Corporation ("Maple"), the leading virtual care provider in Canada, in exchange for a significant minority stake. As at June 19, 2021, Loblaw had invested \$61 million in exchange for approximately 24% of the ownership interest in Maple. The remaining investment is expected to be executed in the third quarter of 2021.
- (iii) Current portion of mortgages, loans and notes receivable are included in prepaid expenses and other assets in the consolidated balance sheets.
- (iv) Current portion of fair value of equity forward is included in prepaid expenses and other assets in the consolidated balance sheets.

Note 13. Short-Term Debt

The components of short-term debt were as follows:

| (\$ millions) | As at | | |
|--|-----------------|-----------------|-----------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Dec. 31, 2020 |
| Other Independent Securitization Trusts (note 9) | \$ 300 | \$ 525 | \$ 575 |
| Series B Debentures ⁽ⁱ⁾ | 719 | 740 | 760 |
| Short-term debt | \$ 1,019 | \$ 1,265 | \$ 1,335 |

- (i) Series B Debentures issued by GWL are due on demand and are secured by a pledge of 8.85 million Loblaw common shares (June 13, 2020 and December 31, 2020 – 9.6 million Loblaw common shares). See Note 14 for details on the partial settlement of the Net debt associated with the equity forward sale agreement.

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

Note 14. Long-Term Debt

The components of long-term debt were as follows:

| (\$ millions) | As at | | |
|--|---------------|---------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Dec. 31, 2020 |
| Debentures | \$ 10,468 | \$ 10,845 | \$ 10,505 |
| Long-term debt secured by mortgage | 1,214 | 1,227 | 1,207 |
| Construction loans | 8 | 25 | 25 |
| Guaranteed Investment Certificates | 1,048 | 1,452 | 1,185 |
| Independent Securitization Trusts (note 9) | 1,050 | 1,000 | 1,050 |
| Independent funding trusts | 582 | 490 | 512 |
| Committed credit facilities | 55 | 12 | – |
| Transaction costs and other | (40) | (41) | (41) |
| Total long-term debt | \$ 14,385 | \$ 15,010 | \$ 14,443 |
| Long-term debt due within one year | (1,966) | (1,332) | (924) |
| Long-term debt | \$ 12,419 | \$ 13,678 | \$ 13,519 |

The Company, Loblaw and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at the end of and throughout the first half of 2021, the Company, Loblaw and Choice Properties were in compliance with the financial covenants.

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 |

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

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) 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 (note 12) 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 (note 13).

Subsequent to quarter end, the Company paid approximately \$363 million to net settle an additional 4.73 million shares under the equity forward sale agreement reflecting a redemption of 53% of the Series A Debentures, the Series B Debentures and accrued interest balances. As at end of second quarter of 2021, 53% of the fair value of the Series A Debentures and equity forward were classified as current liabilities and current assets, respectively.

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.

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

| (\$ millions) | 12 Weeks Ended | | 24 Weeks Ended | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Balance, beginning of period | \$ 1,159 | \$ 1,324 | \$ 1,185 | \$ 1,311 |
| GICs issued | 155 | 266 | 156 | 286 |
| GICs matured | (266) | (138) | (293) | (145) |
| Balance, end of period | \$ 1,048 | \$ 1,452 | \$ 1,048 | \$ 1,452 |

INDEPENDENT FUNDING TRUSTS Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts in the amount of \$64 million (June 13, 2020 and December 31, 2020 – \$64 million), 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.

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 |
| 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.

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

| (\$ millions) | As at | | |
|------------------------------------|---------------|---------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Dec. 31, 2020 |
| Debentures | \$ 725 | \$ 346 | \$ 196 |
| GICs | 402 | 640 | 597 |
| Independent Securitization Trusts | – | 250 | – |
| Independent funding trusts | 582 | – | – |
| Long-term debt secured by mortgage | 252 | 71 | 106 |
| Construction Loans | 5 | 25 | 25 |
| Long-term debt due within one year | \$ 1,966 | \$ 1,332 | \$ 924 |

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

| (\$ millions) | 12 Weeks Ended | | 24 Weeks Ended | |
|--|----------------|---------------|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Total long-term debt, beginning of period | \$ 14,419 | \$ 14,944 | \$ 14,443 | \$ 14,554 |
| Long-term debt issuances ⁽ⁱ⁾ | 279 | 937 | 309 | 1,921 |
| Long-term debt repayments ⁽ⁱⁱ⁾ | (312) | (880) | (367) | (1,448) |
| Total cash flow (used in)/from long-term debt financing activities | (33) | 57 | (58) | 473 |
| Other non-cash changes | (1) | 9 | – | (17) |
| Total long-term debt, end of period | \$ 14,385 | \$ 15,010 | \$ 14,385 | \$ 15,010 |

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

(ii) Includes \$36 million repayment of George Weston Series A debentures which are presented within the line "Settlement of net debt associated with equity forward sale agreement" in the condensed consolidated statements of cash flows.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 15. Other Liabilities

The components of other liabilities were as follows:

| (\$ millions) | As at | | |
|---|-----------------|---------------|-----------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Dec. 31, 2020 |
| Financial liabilities ⁽ⁱ⁾ | \$ 662 | \$ 428 | \$ 661 |
| Net defined benefit plan obligation (note 18) | 341 | 367 | 382 |
| Other long-term employee benefit obligation | 136 | 130 | 129 |
| Equity-based compensation liability (note 19) | 6 | 5 | 7 |
| Other | 8 | 22 | 18 |
| Other liabilities | \$ 1,153 | \$ 952 | \$ 1,197 |

(i) Financial liabilities represent land and buildings disposed or partially disposed of by Choice Properties to third parties. On consolidation, these transactions were not recognized as a sale of assets as under the terms of the leases, the Company did not relinquish control of the properties for purposes of IFRS 16 "Leases" and IFRS 15 "Revenue from Contracts with Customers". Instead, the proceeds from the transactions were recognized as financial liabilities and as at June 19, 2021, \$3 million (June 13, 2020 - \$4 million; December 31, 2020 - \$5 million) was recorded in trade payables and other liabilities and \$662 million (June 13, 2020 - \$428 million; December 31, 2020 - \$661 million) was recorded in other liabilities.

Note 16. Share Capital

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

| (\$ millions except where otherwise indicated) | 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 |
| 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 (note 19) | 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 (note 19) | 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 (note 7) | 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 Normal Course Issuer Bid ("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.

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.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

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

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

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

Note 17. Loblaw Capital Transactions

LOBLAW PREFERRED SHARES As at the end of the second quarter of 2021, the Second Preferred Shares, Series B in the amount of \$221 million net of \$4 million of after-tax issuance costs, and related cash dividends, were presented as a component of non-controlling interests in the Company's condensed consolidated balance sheet. In the second quarter of 2021 and year-to-date, Loblaw declared dividends of \$3 million (2020 - \$3 million) and \$6 million (2020 - \$6 million), respectively, related to the Second Preferred Shares, Series B.

LOBLAW COMMON SHARES The following table summarizes Loblaw's common share activity under its equity-based compensation arrangements and NCIB program, and includes the impact on the Company's unaudited interim period condensed consolidated financial statements for the periods ended as indicated:

| (\$ millions except where otherwise indicated) | 12 Weeks Ended | | 24 Weeks Ended | |
|---|----------------|---------------|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Issued (number of shares) | 848,135 | 90,246 | 1,403,904 | 893,840 |
| Purchased and held in trusts (number of shares) | - | - | - | (145,000) |
| Purchased and cancelled (number of shares) | (4,806,098) | - | (10,177,962) | (2,757,577) |
| | (3,957,963) | 90,246 | (8,774,058) | (2,008,737) |
| Cash consideration received (paid) | | | | |
| Equity-based compensation | \$ 42 | \$ 3 | \$ 49 | \$ 24 |
| Purchased and held in trusts | - | - | - | (10) |
| Purchased and cancelled ⁽ⁱ⁾ | (379) | - | (700) | (188) |
| | \$ (337) | \$ 3 | \$ (651) | \$ (174) |
| Increase (decrease) in contributed surplus | | | | |
| Equity-based compensation | \$ 14 | \$ 1 | \$ 21 | \$ 12 |
| Purchased and held in trusts | - | - | - | (3) |
| Purchased and cancelled | (90) | - | (177) | (49) |
| | \$ (76) | \$ 1 | \$ (156) | \$ (40) |

(i) \$29 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.

NORMAL COURSE ISSUER BID During the first quarter of 2020, the Toronto Stock Exchange ("TSX") accepted an amendment to Loblaw's NCIB. The amendment permitted Loblaw to purchase its common shares from GWL under Loblaw's NCIB, pursuant to an automatic disposition plan agreement among Loblaw's broker, Loblaw and GWL ("ADP Agreement"), in order for GWL to maintain its proportionate ownership interest in Loblaw.

In the second quarter of 2021, Loblaw renewed its NCIB to purchase on the TSX or through alternative trading systems up to 17,106,459 of Loblaw's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, Loblaw may purchase its common shares from time to time at the then market price of such shares. Loblaw will continue to be permitted to purchase its common shares from GWL in accordance with the exemption granted by the TSX. Purchases from GWL will be made pursuant to the ADP Agreement. As at June 19, 2021, Loblaw had purchased 4,806,098 common shares for cancellation under its current NCIB.

During the second quarter of 2021, 4,806,098 (2020 – nil) Loblaw common shares were purchased under the Loblaw NCIB for cancellation, for aggregate consideration of \$350 million (2020 – nil), including 2,159,071 (2020 – nil) Loblaw common shares purchased from GWL, for aggregate consideration of \$157 million (2020 – nil). On a year-to-date basis, 10,177,962 (2020 – 2,757,577) Loblaw common shares were purchased under the NCIB for cancellation, for aggregate consideration of \$700 million (2020 – \$188 million), including 4,937,148 (2020 – 1,355,077) Loblaw common shares purchased from GWL, for aggregate consideration of \$338 million (2020 – \$92 million).

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

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

| (\$ millions) | 12 Weeks Ended | | 24 Weeks Ended | |
|--|----------------|---------------|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Post-employment benefit costs recognized in operating income ⁽ⁱ⁾ | \$ 45 | \$ 43 | \$ 93 | \$ 83 |
| Other long-term employee benefit costs recognized in operating income ⁽ⁱⁱ⁾ | \$ 10 | \$ 8 | \$ 18 | \$ 16 |
| Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 5) | \$ 2 | \$ 1 | \$ 4 | \$ 4 |
| Actuarial gains (losses) before income taxes recognized in other comprehensive income | \$ 176 | \$ (65) | \$ 268 | \$ (16) |

- (i) Includes costs related to the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates.
- (ii) Includes costs related to the Company's long-term disability plans.

The actuarial gains recognized in the second quarter of 2021 were primarily driven by higher than expected returns on assets and an increase in discount rates. The actuarial gains recognized in the year-to-date of 2021 were primarily driven by an increase in discount rates, partially offset by lower than expected returns on assets. The actuarial losses recognized in the second quarter and year-to-date of 2020 were primarily driven by a decrease in discount rates, partially offset by higher than expected return on assets.

Note 19. Equity-Based Compensation

The Company's equity-based compensation arrangements include Stock Option, Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), Director Deferred Share Unit ("DSU") and Executive Deferred Share Unit ("EDSU") plans and Choice Properties' unit-based compensation plans. The Company's costs recognized in SG&A related to its equity-based compensation arrangements for the second quarter of 2021 and year-to-date were \$18 million (2020 – \$16 million) and \$40 million (2020 – \$30 million), respectively.

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

| (\$ millions) | As at | | |
|--------------------------------------|---------------|---------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Dec. 31, 2020 |
| Trade payables and other liabilities | \$ 11 | \$ 8 | \$ 9 |
| Other liabilities (note 15) | \$ 6 | \$ 5 | \$ 7 |
| Contributed surplus | \$ 116 | \$ 109 | \$ 125 |

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

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

| | 12 Weeks Ended | | 24 Weeks Ended | |
|--|------------------|---------------|------------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Outstanding options, beginning of period | 2,050,819 | 1,792,773 | 1,746,483 | 1,246,718 |
| Granted | – | – | 397,183 | 548,868 |
| Exercised | (14,050) | – | (104,545) | (2,813) |
| Forfeited/cancelled | (1,078) | (16,202) | (3,430) | (16,202) |
| Outstanding options, end of period | 2,035,691 | 1,776,571 | 2,035,691 | 1,776,571 |

During the second quarter of 2021, GWL issued common shares on the exercise of stock options with a weighted average market share price of \$118.50 per common share with cash consideration of \$2 million. There were no stock options exercised in the second quarter of 2020.

In the year-to-date of 2021, GWL issued common shares on the exercise of stock options with a weighted average market share price of \$108.07 (2020 - \$89.60) per common share and received \$9 million cash consideration (2020 - nominal).

There were no stock options granted during the second quarter of 2021 and 2020. In the year-to-date of 2021, GWL granted stock options with a weighted average exercise price of \$100.86 (2020 - \$104.15) per common share and a fair value of \$6 million (2020 - \$6 million). The assumptions used to measure the grant date fair value of the GWL options granted during the periods ended as indicated under the Black-Scholes stock option valuation model were as follows:

| | 2021 | 2020 |
|---------------------------------|------------------------|-----------------|
| Expected dividend yield | 2.2% | 2.0% |
| Expected share price volatility | 19.1% - 19.5% | 14.3% - 14.9% |
| Risk-free interest rate | 0.9% - 1.1% | 0.9% |
| Expected life of options | 4.9 - 6.7 years | 4.9 - 6.7 years |

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at the end of the second quarter of 2021 was 1.4% (2020 - 0.8%).

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

| | 12 Weeks Ended | | 24 Weeks Ended | |
|--|------------------|---------------|------------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Outstanding options, beginning of period | 8,824,395 | 7,648,714 | 7,259,645 | 6,317,922 |
| Granted | 156,115 | 12,690 | 1,870,168 | 1,815,577 |
| Exercised | (782,102) | (59,711) | (906,776) | (479,007) |
| Forfeited/cancelled | (544,565) | (43,439) | (569,194) | (96,238) |
| Outstanding options, end of period | 7,653,843 | 7,558,254 | 7,653,843 | 7,558,254 |

During the second quarter of 2021 Loblaw issued common shares on the exercise of stock options with a weighted average market share price of \$72.98 (2020 - \$68.33) per common share and received cash consideration of \$42 million (2020 - \$3 million). In the year-to-date of 2021, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of \$72.01 (2020 - \$68.04) per common share and received cash consideration of \$49 million (2020 - \$24 million).

During the second quarter of 2021 Loblaw granted stock options with a weighted average exercise price of \$71.32 (2020 – \$69.14) per common share and a fair value of \$2 million (2020 – nominal). In the year-to-date of 2021, Loblaw granted stock options with a weighted average exercise price of \$63.39 (2020 – \$70.05) per common share and a fair value of \$17 million (2020 – \$13 million). The assumptions used to measure the grant date fair value of the Loblaw options granted during the periods ended as indicated under the Black-Scholes stock option valuation model were as follows:

| | 12 Weeks Ended | | 24 Weeks Ended | |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Expected dividend yield | 1.9% | 1.8% | 2.0% | 1.8% |
| Expected share price volatility | 18.4% - 20.4% | 18.4% - 19.4% | 18.4% - 20.4% | 13.5% - 19.4% |
| Risk-free interest rate | 0.7% - 1.2% | 0.3% - 0.4% | 0.6% - 1.2% | 0.3% - 1.2% |
| Expected life of options | 3.8 - 6.2 years | 3.7 - 6.2 years | 3.8 - 6.2 years | 3.7 - 6.2 years |

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at the end of the second quarter of 2021 was 9.0% (2020 – 8.0%).

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

| (Number of awards) | 12 Weeks Ended | | 24 Weeks Ended | |
|---------------------------------------|----------------|---------------|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Outstanding RSUs, beginning of period | 113,785 | 129,197 | 133,038 | 136,788 |
| Granted | 435 | 1,127 | 31,721 | 37,728 |
| Reinvested | 564 | 694 | 1,335 | 1,374 |
| Settled | (526) | (2,057) | (51,408) | (44,596) |
| Forfeited | (1,112) | (675) | (1,540) | (3,008) |
| Outstanding RSUs, end of period | 113,146 | 128,286 | 113,146 | 128,286 |

During the second quarter of 2021, the fair value of GWL's RSUs granted was nominal (2020 – nominal). In the year-to-date of 2021, the fair value of GWL RSUs was \$3 million (2020 – \$4 million).

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

| (Number of awards) | 12 Weeks Ended | | 24 Weeks Ended | |
|---------------------------------------|----------------|---------------|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Outstanding RSUs, beginning of period | 932,506 | 1,050,032 | 894,272 | 1,032,832 |
| Granted | 51,570 | 1,774 | 329,687 | 232,784 |
| Reinvested | 4,522 | 4,838 | 4,522 | 9,668 |
| Settled | (44,936) | (26,422) | (279,373) | (233,506) |
| Forfeited | (55,606) | (5,704) | (61,052) | (17,260) |
| Outstanding RSUs, end of period | 888,056 | 1,024,518 | 888,056 | 1,024,518 |

During the second quarter of 2021, the fair value of Loblaw's RSUs granted was \$4 million (2020 – nominal). In the year-to-date of 2021, the fair value of Loblaw's RSUs was \$21 million (2020 – \$16 million).

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

| (Number of awards) | 12 Weeks Ended | | 24 Weeks Ended | |
|---------------------------------------|----------------|---------------|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Outstanding PSUs, beginning of period | 181,139 | 153,478 | 151,058 | 114,473 |
| Granted | – | – | 58,216 | 58,555 |
| Reinvested | 902 | 824 | 1,774 | 1,404 |
| Settled | – | (170) | (23,606) | (18,684) |
| Forfeited | – | (1,763) | (5,401) | (3,379) |
| Outstanding PSUs, end of period | 182,041 | 152,369 | 182,041 | 152,369 |

There were no PSUs granted in the second quarter of 2021 and 2020. In the year-to-date of 2021 the fair value of GWL's PSUs granted were \$6 million (2020 – \$6 million).

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

| (Number of awards) | 12 Weeks Ended | | 24 Weeks Ended | |
|---------------------------------------|----------------|---------------|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Outstanding PSUs, beginning of period | 701,328 | 701,166 | 666,400 | 662,695 |
| Granted | 23,737 | 5,390 | 269,611 | 231,626 |
| Reinvested | 3,388 | 3,239 | 3,388 | 6,318 |
| Settled | (21,097) | (4,113) | (217,755) | (181,327) |
| Forfeited | (52,824) | (1,037) | (67,112) | (14,667) |
| Outstanding PSUs, end of period | 654,532 | 704,645 | 654,532 | 704,645 |

During the second quarter of 2021, the fair value of Loblaw's PSUs granted were \$2 million (2020 – nominal). In the year-to-date of 2021 the fair value of Loblaw's PSUs granted were \$17 million (2020 – \$16 million).

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

| (Number of awards) | 12 Weeks Ended | | 24 Weeks Ended | |
|--------------------------------|----------------|---------------|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Settled | 526 | 2,227 | 75,014 | 63,280 |
| Released from trusts (note 16) | 526 | 2,227 | 73,426 | 58,236 |

The settlement of awards from shares held in trusts in the second quarter of 2021 resulted in a nominal increase (2020 – nominal) in retained earnings and a nominal increase (2020 – nominal) in share capital. The settlements of awards from shares held in trusts year-to-date for 2021 resulted in a \$6 million increase (2020 – \$6 million) in retained earnings and a \$1 million increase (2020 – nominal) in share capital.

Note 20. Financial Instruments

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

| (\$ millions) | Jun. 19, 2021 | | | | As at Jun. 13, 2020 ⁽ⁱ⁾ | | | | Dec. 31, 2020 ⁽ⁱ⁾ | | | |
|--|---------------|---------|---------|--------|---------------------------------------|---------|---------|--------|------------------------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | | | | | | | | |
| Amortized cost: | | | | | | | | | | | | |
| Certain other assets ⁽ⁱⁱ⁾ | \$ - | \$ - | \$ 88 | \$ 88 | \$ - | \$ - | \$ 142 | \$ 142 | \$ - | \$ - | \$ 113 | \$ 113 |
| Fair value through other comprehensive income: | | | | | | | | | | | | |
| Certain long-term investments and other assets ⁽ⁱⁱ⁾ | 117 | - | - | 117 | 117 | - | - | 117 | 117 | - | - | 117 |
| Fair value through profit and loss: | | | | | | | | | | | | |
| Security deposits | 74 | - | - | 74 | 148 | - | - | 148 | 75 | - | - | 75 |
| Certain long-term investments and other assets ⁽ⁱⁱ⁾ | - | 21 | 77 | 98 | - | 19 | 84 | 103 | - | 20 | 73 | 93 |
| Derivatives included in accounts receivable | 2 | 1 | - | 3 | - | 2 | - | 2 | 3 | - | - | 3 |
| Derivatives included in prepaid expenses and other assets | 7 | 4 | 2 | 13 | - | 4 | - | 4 | - | - | 3 | 3 |
| Derivatives included in other assets | - | 491 | - | 491 | - | 573 | - | 573 | - | 630 | - | 630 |
| Financial liabilities | | | | | | | | | | | | |
| Amortized cost: | | | | | | | | | | | | |
| Long-term debt | - | 15,867 | - | 15,867 | - | 16,731 | - | 16,731 | - | 16,389 | - | 16,389 |
| Certain other liabilities ⁽ⁱⁱ⁾ | - | - | 670 | 670 | - | - | 440 | 440 | - | - | 671 | 671 |
| Fair value through other comprehensive income: | | | | | | | | | | | | |
| Derivatives included in trade payables and other liabilities | - | 5 | - | 5 | - | 22 | - | 22 | - | - | - | - |
| Fair value through profit and loss: | | | | | | | | | | | | |
| Trust Unit liability | 4,032 | - | - | 4,032 | 3,359 | - | - | 3,359 | 3,600 | - | - | 3,600 |
| Derivatives included in trade payables and other liabilities | - | 5 | - | 5 | 19 | 1 | 1 | 21 | 4 | 16 | - | 20 |

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

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

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

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During the second quarter of 2021 and year-to-date, a loss of \$1 million (2020 – loss of \$4 million) and a loss of \$2 million (2020 – gain of \$3 million), respectively, was recognized in operating income on financial instruments designated as amortized cost. In addition, during the second quarter of 2021 and year-to-date, a net loss of \$242 million (2020 – net loss of \$268 million) and a net loss of \$532 million (2020 – net gain of \$245 million) was recognized in earnings before income taxes on financial instruments required to be classified as fair value through profit or loss.

Cash and Cash Equivalents, Short-Term Investments and Security Deposits As at the end of the second quarter of 2021, the Company had cash and cash equivalents, short-term investments and security deposits of \$3,481 million (June 13, 2020 – \$3,556 million; December 31, 2020 – \$3,231 million), including U.S. dollars of \$234 million (June 13, 2020 – \$121 million; December 31, 2020 – \$199 million).

During the second quarter of 2021 and year-to-date, a loss of \$9 million (2020 – loss of \$66 million) and a loss of \$22 million (2020 – gain of \$47 million), respectively, was recognized in other comprehensive income related to the effect of foreign currency translation on the Company's U.S. net investment in foreign operations.

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

In the second quarter of 2021, a loss of \$1 million (2020 – gain of \$7 million) and a loss of \$1 million (2020 – loss of \$2 million) year-to-date were recorded in operating income related to these derivatives. In addition, a corresponding \$2 million asset was included in prepaid expense and other assets as at June 19, 2021 (June 13, 2020 – \$1 million liability included in trade payables and other liabilities; December 31, 2020 – \$3 million asset included in prepaid expenses and other assets). As at June 19, 2021, a 1% increase (decrease) in foreign currency exchange rates would result in a gain (loss) in fair value of \$1 million.

Equity Derivative Contracts As at the end of the second quarter of 2021, Weston Holdings Limited, a subsidiary of GWL, held an outstanding equity forward sale agreement based on 8.85 million Loblaw common shares (June 13, 2020 and December 31, 2020 – 9.6 million Loblaw common shares) at an initial forward sale price of \$48.50 per Loblaw common share. As at the end of the second quarter of 2021, the forward rate was \$130.21 (June 13, 2020 – \$125.98; December 31, 2020 – \$128.30) per Loblaw common share. In the second quarter of 2021 and year-to-date, a fair value loss of \$58 million (2020 – gain of \$3 million) and a fair value loss of \$111 million (2020 – gain of \$13 million) was recorded in net interest expense and other financing charges related to this agreement (see note 5).

Trust Unit Liability In the second quarter of 2021 and year-to-date, a fair value loss of \$188 million (2020 – loss of \$257 million) and a fair value loss of \$427 million (2020 – gain of \$247 million) was recorded in net interest expense and other financing charges (see note 5).

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

| (\$ millions) | 12 Weeks Ended | | | Jun. 19, 2021 24 Weeks Ended | | |
|---|----------------------------------|-----------------------------|--|---------------------------------|--|--|
| | Net asset (liability) fair value | Gain/(loss) recorded in OCI | Gain/(loss) recorded in operating income | Gain/(loss) recorded in OCI | Gain/(loss) recorded in operating income | |
| Derivatives designated as cash flow hedges | | | | | | |
| Foreign Exchange Currency Risk - Foreign Exchange Forwards ⁽ⁱ⁾ | \$ - | \$ - | \$ (1) | \$ - | \$ (1) | |
| Interest Rate Risk - Bond Forwards ⁽ⁱⁱ⁾ | - | 1 | (1) | 3 | (3) | |
| Interest Rate Risk - Interest Rate Swaps ⁽ⁱⁱⁱ⁾ | (3) | 5 | - | 4 | - | |
| Total derivatives designated as cash flow hedges | \$ (3) | \$ 6 | \$ (2) | \$ 7 | \$ (4) | |
| Derivatives not designated in a formal hedging relationship | | | | | | |
| Foreign Exchange and Other Forwards | \$ (3) | \$ - | \$ (2) | \$ - | \$ (7) | |
| Other Non-Financial Derivatives | 9 | - | 3 | - | 14 | |
| Total derivatives not designated in a formal hedging relationship | \$ 6 | \$ - | \$ 1 | \$ - | \$ 7 | |
| Total derivatives | \$ 3 | \$ 6 | \$ (1) | \$ 7 | \$ 3 | |

- (i) PC Bank uses foreign exchange forwards, with a notional amount of \$20 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in trade payables and other liabilities.
- (ii) PC Bank settled \$175 million of bond forward in the second quarter of 2021 (see note 9). The purpose of the bond forward was to hedge the interest rate for the \$300 million *Eagle* notes issued subsequent to the second quarter of 2021. Loblaw has concluded that this hedge was effective as at the settlement date.
- (iii) Choice Properties uses interest rate swaps, with a notional value of \$104 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in the other assets or other liabilities.

| (\$ millions) | 12 Weeks Ended | | | Jun. 13, 2020 24 Weeks Ended | | |
|--|----------------------------------|-----------------------------|--|---------------------------------|--|--|
| | Net asset (liability) fair value | Gain/(loss) recorded in OCI | Gain/(loss) recorded in operating income | Gain/(loss) recorded in OCI | Gain/(loss) recorded in operating income | |
| Derivatives designated as cash flow hedges | | | | | | |
| Interest Rate Risk - Bond Forwards ⁽ⁱ⁾ | \$ (10) | \$ (18) | \$ - | \$ (43) | \$ (1) | |
| Interest Rate Risk - Interest Rate Swaps ⁽ⁱⁱ⁾ | (11) | - | (2) | (8) | (2) | |
| Total derivatives designated as cash flow hedges | \$ (21) | \$ (18) | \$ (2) | \$ (51) | \$ (3) | |
| Derivatives not designated in a formal hedging relationship | | | | | | |
| Foreign Exchange and Other Forwards | \$ 5 | \$ - | \$ (22) | \$ - | \$ 23 | |
| Other Non-Financial Derivatives | (19) | - | 1 | - | (37) | |
| Total derivatives not designated in a formal hedging relationship | \$ (14) | \$ - | \$ (21) | \$ - | \$ (14) | |
| Total derivatives | \$ (35) | \$ (18) | \$ (23) | \$ (51) | \$ (17) | |

- (i) PC Bank uses bond forwards, with a notional value of \$200 million, to manage its interest risk related to future debt issuances. Loblaw uses bond forwards, with a notional value of \$350 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities.
- (ii) PC Bank uses interest rate swaps, with a notional value of \$300 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in trade payables and other liabilities. Choice Properties uses interest rate swaps, with a notional value of \$259 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in the other assets or other liabilities.

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During the second quarter of 2020, Loblaw settled a bond forward with a notional amount of \$350 million that was entered into during the first quarter of 2020. The purpose of the bond forward was to hedge the interest rate risk in the appropriate Government of Canada yield curve that corresponded to the term of the May 7, 2030 senior unsecured notes ("2030 Notes") issuance bearing interest at 2.284% per annum. Loblaw concluded that this hedge was effective as at the settlement date. Accordingly, the accumulated other comprehensive income associated with this bond forward will amortize over the term of the 2030 Notes as net interest expense and other financing charges within the consolidated statements of earnings, resulting in an effective annual interest rate of approximately 3.34%.

Note 21. Contingent Liabilities

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

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

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

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

In 2017, the Company and Loblaw announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits have been commenced against the Company and Loblaw as well as a number of other major grocery retailers and another bread wholesaler. In December 2019, a proposed class action on behalf of independent distributors was commenced against the Company and Weston Foods. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Loblaw believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's cash balances far exceed any realistic damages scenario and therefore it does not anticipate any impacts on its or Loblaw's dividend, dividend policy or share buyback plans. The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2021 or prior on the basis that a reliable estimate of the liability cannot be determined at this time. The Company and Loblaw will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated and will record an amount in the period at the earlier of when a reliable estimate of liability can be determined or the matter is ultimately resolved. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Loblaw will not face criminal charges or penalties.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including Loblaw and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks unquantified damages for the expenses incurred by the federal government, provinces, and territories of Canada in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in Canada. During the second quarter of 2021, the claim against Loblaw Companies Limited was discontinued. In May 2019, two further opioid-related class actions were commenced in each of Ontario and Quebec against a large group of defendants, including Sanis Health Inc. In December 2019, a further opioid-related class action was commenced in British Columbia against a large group of defendants, including Sanis Health Inc., Shoppers Drug Mart Inc. and Loblaw. The allegations in the Ontario, Quebec and the civil British Columbia class actions are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that these May 2019 and December 2019 claims seek recovery of damages on behalf of opioid users directly. In April 2021, Loblaw, Shoppers Drug Mart Inc., and Sanis Health Inc. were served with another opioid-related class action that was started in Alberta against multiple defendants. The claim seeks damages on behalf of municipalities and local governments in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. Loblaw believes these proceedings are without merit and is vigorously defending them. Loblaw does not currently have any significant accruals or provisions for these matters recorded in the unaudited interim period condensed consolidated financial statements.

Loblaw has been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary of Loblaw that was wound up in 2013, should be treated, and taxed, as income in Canada. The reassessments, which were received between 2015 and 2019, are for the 2000 to 2013 taxation years. On September 7, 2018, the Tax Court released its decision relating to the 2000 to 2010 taxation years. The Tax Court ruled that certain income earned by Glenhuron should be taxed in Canada based on a technical interpretation of the applicable legislation. On October 4, 2018, Loblaw filed a Notice of Appeal with the Federal Court of Appeal. On October 15, 2019, the matter was heard by the Federal Court of Appeal and on April 23, 2020, the Federal Court of Appeal released its decision and reversed the decision of the Tax Court. On October 29, 2020, the Supreme Court granted the Crown leave to appeal and on May 13, 2021, the Supreme Court heard the Crown's appeal, reserving judgment for 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.

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

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 22. Segment Information

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

The accounting policies of the reportable operating segments are the same as those described in the Company's summary of significant accounting policies (see note 2). The Company measures each reportable operating segment's performance based on adjusted EBITDA⁽ⁱ⁾ and adjusted operating income⁽ⁱⁱ⁾. No reportable operating segment is reliant on any single external customer.

| (\$ millions) | 12 Weeks Ended | | | | | | | | | |
|---|----------------|-------------------|--------------|------------------------|-----------|-------------------------------|-------------------|--------------|------------------------|-----------|
| | Jun. 19, 2021 | | | | | Jun. 13, 2020 ⁽ⁱⁱ⁾ | | | | |
| | Loblaw | Choice Properties | Weston Foods | Other and Intersegment | Total | Loblaw | Choice Properties | Weston Foods | Other and Intersegment | Total |
| Revenue | \$ 12,491 | \$ 324 | \$ 431 | \$ (315) | \$ 12,931 | \$ 11,957 | \$ 315 | \$ 412 | \$ (327) | \$ 12,357 |
| Operating income (loss) | \$ 750 | \$ 503 | \$ (6) | \$ (191) | \$ 1,056 | \$ 402 | \$ (29) | \$ (49) | \$ 77 | \$ 401 |
| Net interest expense (income) and other financing charges | 161 | 418 | – | (76) | 503 | 176 | 67 | (1) | 279 | 521 |
| Earnings (loss) before income taxes | \$ 589 | \$ 85 | \$ (6) | \$ (115) | \$ 553 | \$ 226 | \$ (96) | \$ (48) | \$ (202) | \$ (120) |
| Operating income (loss) | \$ 750 | \$ 503 | \$ (6) | \$ (191) | \$ 1,056 | \$ 402 | \$ (29) | \$ (49) | \$ 77 | \$ 401 |
| Depreciation and amortization | 614 | 1 | 33 | (75) | 573 | 598 | – | 44 | (76) | 566 |
| Adjusting items ⁽ⁱ⁾ | 5 | (281) | (1) | 137 | (140) | 6 | 230 | 12 | (136) | 112 |
| Adjusted EBITDA ⁽ⁱ⁾ | \$ 1,369 | \$ 223 | \$ 26 | \$ (129) | \$ 1,489 | \$ 1,006 | \$ 201 | \$ 7 | \$ (135) | \$ 1,079 |
| Depreciation and amortization ⁽ⁱⁱⁱ⁾ | 497 | 1 | 33 | (75) | 456 | 480 | – | 34 | (76) | 438 |
| Adjusted operating income (loss)⁽ⁱⁱ⁾ | \$ 872 | \$ 222 | \$ (7) | \$ (54) | \$ 1,033 | \$ 526 | \$ 201 | \$ (27) | \$ (59) | \$ 641 |

- (i) Certain items are excluded from operating income (loss) to derive adjusted EBITDA⁽ⁱ⁾. Adjusted EBITDA⁽ⁱ⁾ is used internally by management when analyzing segment underlying operating performance.
- (ii) 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 MD&A.
- (iii) Excludes \$117 million (2020 – \$118 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaw and nil (2020 – \$10 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

| | | 24 Weeks Ended | | | | | | | | | |
|---|--|----------------|-------------------|--------------|------------------------|-----------|-------------------------------|-------------------|--------------|------------------------|-----------|
| | | Jun. 19, 2021 | | | | | Jun. 13, 2020 ⁽ⁱⁱ⁾ | | | | |
| (\$ millions) | | Loblaw | Choice Properties | Weston Foods | Other and Intersegment | Total | Loblaw | Choice Properties | Weston Foods | Other and Intersegment | Total |
| Revenue | | \$ 24,363 | \$ 651 | \$ 903 | \$ (634) | \$ 25,283 | \$ 23,757 | \$ 640 | \$ 947 | \$ (654) | \$ 24,690 |
| Operating income (loss) | | \$ 1,365 | \$ 788 | \$ (6) | \$ (261) | \$ 1,886 | \$ 941 | \$ 48 | \$ (48) | \$ 58 | \$ 999 |
| Net interest expense (income) and other financing charges | | 321 | 765 | 1 | (38) | 1,049 | 348 | (189) | (2) | 106 | 263 |
| Earnings (loss) before income taxes | | \$ 1,044 | \$ 23 | \$ (7) | \$ (223) | \$ 837 | \$ 593 | \$ 237 | \$ (46) | \$ (48) | \$ 736 |
| Operating income (loss) | | \$ 1,365 | \$ 788 | \$ (6) | \$ (261) | \$ 1,886 | \$ 941 | \$ 48 | \$ (48) | \$ 58 | \$ 999 |
| Depreciation and amortization | | 1,224 | 2 | 69 | (162) | 1,133 | 1,192 | 1 | 87 | (154) | 1,126 |
| Adjusting items ⁽ⁱ⁾ | | (4) | (342) | (3) | 154 | (195) | 36 | 379 | 20 | (181) | 254 |
| Adjusted EBITDA ⁽ⁱ⁾ | | \$ 2,585 | \$ 448 | \$ 60 | \$ (269) | \$ 2,824 | \$ 2,169 | \$ 428 | \$ 59 | \$ (277) | \$ 2,379 |
| Depreciation and amortization ⁽ⁱⁱⁱ⁾ | | 990 | 2 | 69 | (162) | 899 | 955 | 1 | 68 | (154) | 870 |
| Adjusted operating income (loss)⁽ⁱⁱ⁾ | | \$ 1,595 | \$ 446 | \$ (9) | \$ (107) | \$ 1,925 | \$ 1,214 | \$ 427 | \$ (9) | \$ (123) | \$ 1,509 |

- (i) Certain items are excluded from operating income (loss) to derive adjusted EBITDA⁽ⁱ⁾. Adjusted EBITDA⁽ⁱ⁾ is used internally by management when analyzing segment underlying operating performance.
- (ii) 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 2021" of the Company's 2021 Second Quarter MD&A.
- (iii) Excludes \$234 million (2020 - \$237 million) of amortization of intangible assets acquired with Shoppers Drug Mart, recorded by Loblaw and nil (2020 - \$19 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other related costs.

Other and Intersegment includes the following items:

| | | 12 Weeks Ended | | | | | |
|--|--|----------------|------------------|--|------------------------------|------------------|--|
| | | Jun. 19, 2021 | | | Jun. 13, 2020 ⁽ⁱ⁾ | | |
| (\$ millions) | | Revenue | Operating Income | Net Interest Expense and Other Financing Charges | Revenue | Operating Income | Net Interest Expense and Other Financing Charges |
| Elimination of internal lease arrangements | | \$ (128) | \$ (35) | \$ (26) | \$ (127) | \$ (36) | \$ (32) |
| Elimination of cost recovery | | (52) | - | - | (51) | - | - |
| Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost | | - | (18) | - | - | (14) | - |
| Fair value adjustment on investment properties | | - | (132) | - | - | 137 | - |
| Fair value adjustment on Choice Properties' Exchangeable Units | | - | - | (289) | - | - | 70 |
| Fair value adjustment on Trust Unit liability | | - | - | 188 | - | - | 257 |
| Unit distributions on Exchangeable Units paid by Choice Properties to GWL | | - | - | (71) | - | - | (72) |
| Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL | | - | - | 51 | - | - | 48 |
| Intercompany sales | | (135) | - | - | (146) | - | - |
| Fair value adjustment of the forward sale agreement for Loblaw common shares | | - | - | 58 | - | - | (3) |
| Other | | - | (6) | 13 | (3) | (10) | 11 |
| Total Consolidated | | \$ (315) | \$ (191) | \$ (76) | \$ (327) | \$ 77 | \$ 279 |

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

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

| (\$ millions) | 24 Weeks Ended | | | | | |
|--|-----------------|------------------|--|------------------------------|------------------|--|
| | Jun. 19, 2021 | | | Jun. 13, 2020 ⁽ⁱ⁾ | | |
| | Revenue | Operating Income | Net Interest Expense and Other Financing Charges | Revenue | Operating Income | Net Interest Expense and Other Financing Charges |
| Elimination of internal lease arrangements | \$ (259) | \$ (74) | \$ (52) | \$ (258) | \$ (84) | \$ (64) |
| Elimination of cost recovery | (106) | – | – | (107) | – | – |
| Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost | – | (24) | – | – | (26) | – |
| Fair value adjustment on investment properties | – | (147) | – | – | 183 | – |
| Fair value adjustment on Choice Properties' Exchangeable Units | – | – | (507) | – | – | 456 |
| Fair value adjustment on Trust Unit liability | – | – | 427 | – | – | (247) |
| Unit distributions on Exchangeable Units paid by Choice Properties to GWL | – | – | (144) | – | – | (144) |
| Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL | – | – | 102 | – | – | 96 |
| Intercompany sales | (269) | – | – | (289) | – | – |
| Fair value adjustment of the forward sale agreement for Loblaw common shares | – | – | 111 | – | – | (13) |
| Other | – | (16) | 25 | – | (15) | 22 |
| Total Consolidated | \$ (634) | \$ (261) | \$ (38) | \$ (654) | \$ 58 | \$ 106 |

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

| (\$ millions) | Jun. 19, 2021 | As at | |
|---|------------------|------------------------------|------------------------------|
| | | Jun. 13, 2020 ⁽ⁱ⁾ | Dec. 31, 2020 ⁽ⁱ⁾ |
| Total Assets | | | |
| Loblaw | \$ 35,602 | \$ 36,275 | \$ 36,018 |
| Choice Properties | 15,968 | 15,146 | 15,647 |
| Weston Foods ⁽ⁱⁱ⁾ | 4,413 | 4,303 | 4,540 |
| Other and Intersegment ⁽ⁱⁱⁱ⁾ | (8,037) | (8,046) | (8,130) |
| Consolidated | \$ 47,946 | \$ 47,678 | \$ 48,075 |

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

(ii) Balance includes certain GWL corporate assets.

(iii) Balance includes cash and cash equivalents and short-term investments held by foreign operations.

| (\$ millions) | 12 Weeks Ended | | 24 Weeks Ended | |
|--|----------------|---------------|----------------|---------------|
| | Jun. 19, 2021 | Jun. 13, 2020 | Jun. 19, 2021 | Jun. 13, 2020 |
| Additions to Fixed Assets, Investment Properties and Intangible Assets | | | | |
| Loblaw ⁽ⁱ⁾ | \$ 258 | \$ 199 | \$ 461 | \$ 410 |
| Choice Properties | 20 | 20 | 38 | 69 |
| Weston Foods | 26 | 33 | 39 | 57 |
| Other | – | – | 2 | 2 |
| Consolidated | \$ 304 | \$ 252 | \$ 540 | \$ 538 |

(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.

Note 23. Related Party Transaction

VENTURE FUND During the second quarter of 2020, GWL, Loblaw and a wholly-owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington (the "Venture Fund"). A wholly-owned subsidiary of Wittington is the general partner of the Venture Fund, which hired an external fund manager to oversee the Venture Fund. The purpose of the Venture Fund is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have a 33% interest in the Venture Fund. The Company participates in the Venture Fund's Investment Committee which, among other items, approves the initial investments. The Company uses the equity method of accounting to record its consolidated 66% interest in the Venture Fund. The Company has a consolidated capital commitment of \$66 million over a 10-year period. To date, on a consolidated basis, the Company has invested \$24 million in the Venture Fund, of which \$6 million and \$12 million were invested in the second quarter and year-to-date of 2021, respectively, and recorded in Other Assets. Subsequent to the end of the second quarter of 2021, the Company invested \$4 million, on a consolidated basis, in the Venture Fund.