

Management's Discussion and Analysis

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Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL" or the "Company") should be read in conjunction with the Company's third quarter 2022 unaudited interim period condensed consolidated financial statements and the accompanying notes of this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2021 and the related annual MD&A included in the Company's 2021 Annual Report.

The Company's third quarter 2022 unaudited interim period condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). These unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except where otherwise noted.

Under International Financial Reporting Standards ("IFRS" or "GAAP"), certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. Non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated and segment underlying operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. See Section 8, "Non-GAAP Financial Measures", of this MD&A for more information on the Company's non-GAAP financial measures.

The Company operates through its two reportable operating segments, Loblaw Companies Limited ("Loblaw") and Choice Properties Real Estate Investment Trust ("Choice Properties"). Other and Intersegment includes eliminations, intersegment adjustments related to the consolidation and cash and short-term investments held by the Company. All other company level activities that are not allocated to the reportable operating segments, such as net interest expense, corporate activities and administrative costs are included in Other and Intersegment. Loblaw has two reportable operating segments, retail and financial services. Loblaw's retail segment consists primarily of food retail and drug retail. Loblaw provides Canadians with grocery, pharmacy and healthcare services, health and beauty, apparel, general merchandise and financial services. Choice Properties owns, manages and develops a high-quality portfolio of commercial and residential properties across Canada.

In 2021, the Company completed the sale of the Weston Foods bakery business. The impacts of the sale of Weston Foods and the results of Weston Foods, net of intersegment eliminations, have been presented separately as discontinued operations in the Company's results. See note 5, "Discontinued Operations" in the Company's unaudited interim period condensed consolidated financial statements and the accompanying notes of this Quarterly Report for details.

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

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

A glossary of terms and ratios used throughout this Quarterly Report can be found beginning on page 180 of the Company's 2021 Annual Report.

This MD&A contains forward-looking statements, which are subject to risks and uncertainties that could cause the Company's actual results to differ materially from the forward-looking statements. For additional information related to forward looking statements, material assumptions and material risks associated with them, see Section 6, "Enterprise Risks and Risk Management", Section 7, "Outlook" and Section 9, "Forward-Looking Statements" of this MD&A.

The information in this MD&A is current to November 21, 2022, unless otherwise noted.

At a Glance

Key Financial Highlights

As at or for the 16 weeks ended October 8, 2022, October 9, 2021 and December 31, 2021
(\$ millions except where otherwise indicated)

Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

Consolidated

REVENUE	OPERATING INCOME	ADJUSTED EBITDA ⁽¹⁾	ADJUSTED EBITDA MARGIN ⁽¹⁾ (%)
\$17,520	\$1,474	\$1,951	11.1%
+8.2% vs. Q3 2021	+31.0% vs. Q3 2021	+9.6% vs. Q3 2021	+10bps vs. Q3 2021
NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS FROM CONTINUING OPERATIONS	ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS⁽¹⁾ FROM CONTINUING OPERATIONS	DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS (\$)	ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE⁽¹⁾ FROM CONTINUING OPERATIONS (\$)
\$889	\$453	\$6.14	\$3.12
+273.5% vs. Q3 2021	+24.1% vs. Q3 2021	+288.6% vs. Q3 2021	+28.4% vs. Q3 2021

GWL Corporate⁽²⁾

CASH FLOW FROM OPERATING BUSINESSES⁽¹⁾ FROM CONTINUING OPERATIONS	GWL CORPORATE⁽²⁾ FREE CASH FLOW⁽¹⁾ FROM CONTINUING OPERATIONS	QUARTERLY DIVIDENDS DECLARED PER SHARE (\$)	GWL CORPORATE⁽²⁾ CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS
\$222	\$374	\$0.66	\$888
+7.2% vs. Q3 2021	+30.8% vs. Q3 2021	+10.0% vs. Q3 2021	-33.6% vs. Q4 2021

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

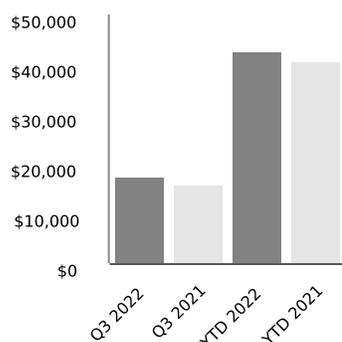
(2) GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.

Key Performance Indicators

For the 16 weeks and 40 weeks ended October 8, 2022 and October 9, 2021
(\$ millions except where otherwise indicated)

Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

REVENUE

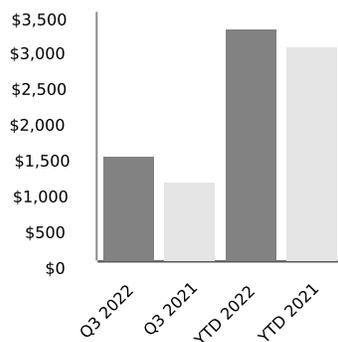


Q3 2022	\$ 17,520	
Q3 2021	\$ 16,192	+8.2%
YTD 2022	\$ 42,906	
YTD 2021	\$ 40,846	+5.0%

How we performed

Revenue increased in the third quarter of 2022 and year-to-date due to growth at Loblaw.

OPERATING INCOME



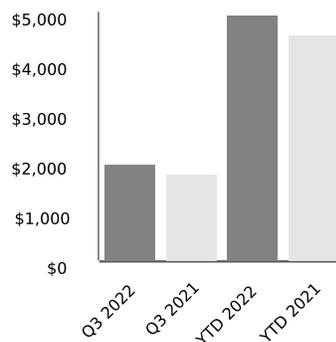
Q3 2022	\$ 1,474	
Q3 2021	\$ 1,125	+31.0%
YTD 2022	\$ 3,289	
YTD 2021	\$ 3,018	+9.0%

How we performed

Operating income increased in the third quarter of 2022 due to the favourable year-over-year net impact of adjusting items and the improvement in the underlying operating performance of the Company driven by Loblaw.

Year-to-date, operating income increased due to the improvement in the underlying operating performance of the Company driven by Loblaw, partially offset by the unfavourable year-over-year net impact of adjusting items.

ADJUSTED EBITDA⁽¹⁾



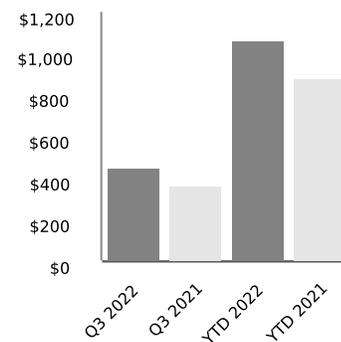
Q3 2022	\$ 1,951	
Q3 2021	\$ 1,780	+9.6%
YTD 2022	\$ 4,961	
YTD 2021	\$ 4,542	+9.2%

How we performed

Adjusted EBITDA⁽¹⁾ increased in the third quarter of 2022 and year-to-date mainly due to an increase at Loblaw.

Adjusted EBITDA margin⁽¹⁾ in the third quarter of 2022 and year-to-date increased primarily driven by an improvement in Loblaw retail adjusted gross profit percentage⁽¹⁾ partially offset by an increase in retail selling, general and administrative expenses.

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



Q3 2022	\$ 453	
Q3 2021	\$ 365	+24.1%
YTD 2022	\$ 1,063	
YTD 2021	\$ 885	+20.1%

How we performed

Adjusted net earnings available to common shareholders⁽¹⁾ from continuing operations increased in the third quarter of 2022 due to the improvement in the underlying operating performance at Loblaw.

Year-to-date, the increase was due to the improvement in the underlying operating performance at Loblaw and a decrease in adjusted net interest expense and other financial charges⁽¹⁾.

Adjusted diluted net earnings per common share⁽¹⁾ from continuing operations increased in the third quarter of 2022 and year-to-date due to the performance in adjusted net earnings available to common shareholders⁽¹⁾ and lower weighted average common shares due to share repurchases.

ADJUSTED EBITDA MARGIN⁽¹⁾ (%)

11.1%	+10bps
Q3 2022	vs. Q3 2021
11.6%	+50bps
YTD 2022	vs. 2021

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

\$ 3.12	+28.4%
Q3 2022	vs. Q3 2021
\$ 7.24	+24.2%
YTD 2022	vs. 2021

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

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

GWL Corporate⁽²⁾ Free Cash Flow⁽¹⁾ from Continuing Operations

GWL Corporate⁽²⁾ free cash flow⁽¹⁾ from continuing operations is generated from the dividends received from Loblaw, distributions received from Choice Properties, and proceeds from participation in Loblaw's Normal Course Issuer Bid, less corporate expenses, interest and income taxes paid.

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 8, 2022	Oct. 9, 2021	Oct. 8, 2022	Oct. 9, 2021 ⁽³⁾
Dividends from Loblaw	\$ 139	\$ 124	\$ 203	\$ 185
Distributions from Choice Properties	83	83	248	248
GWL Corporate⁽²⁾ cash flow from operating businesses⁽¹⁾ from Continuing Operations	\$ 222	\$ 207	\$ 451	\$ 433
Proceeds from participation in Loblaw's Normal Course Issuer Bid	190	136	509	474
GWL Corporate, financing, and other costs ⁽ⁱ⁾	(14)	(44)	(116)	(115)
Income taxes paid	(24)	(13)	(152)	(27)
GWL Corporate⁽²⁾ free cash flow⁽¹⁾ from Continuing Operations	\$ 374	\$ 286	\$ 692	\$ 765

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

As at or for the 16 weeks and 40 weeks ended October 8, 2022, October 9, 2021 and December 31, 2021
(\$ millions except where otherwise indicated)

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

\$ 222	+7.2%
Q3 2022	vs. Q3 2021
\$ 451	+4.2%
YTD 2022	vs. 2021

How we performed

Cash flow from operating businesses from continuing operations increased in the third quarter of 2022 and year-to-date as a result of an increase in dividends received from Loblaw.

GWL CORPORATE⁽²⁾ FREE CASH FLOW⁽¹⁾ FROM CONTINUING OPERATIONS

\$ 374	+30.8%
Q3 2022	vs. Q3 2021
\$ 692	-9.5%
YTD 2022	vs. 2021

How we performed

The increase in the third quarter of 2022 was primarily due to higher proceeds from GWL's participation in Loblaw's Normal Course Issuer Bid, partially offset by higher income taxes paid.

The decrease year-to-date was primarily due to higher income taxes paid, partially offset by higher proceeds received from GWL's participation in Loblaw's Normal Course Issue Bid.

GWL CORPORATE⁽²⁾ CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

\$ 888	-33.6%
Q3 2022	vs. Q4 2021

How we performed

GWL Corporate⁽²⁾ cash and cash equivalents and short-term investments included the proceeds received from the disposal of the Weston Foods business in 2021. The decrease since 2021 year end was primarily due to the repayment of the GWL credit facility in 2022 and higher income taxes paid.

Management's Discussion and Analysis

1. Overall Financial Performance

Loblaw delivered positive financial and operating performance as it continued to execute on retail excellence in its core businesses while advancing its growth and efficiencies initiatives, and furthering its Environmental, Social and Governance leadership. Global inflationary forces continued to increase the cost of food in the quarter. Loblaw's efforts to moderate cost increases and provide superior value to customers through its PC Optimum™ program and promotions resulted in strong sales and stable gross margins in food retail. Sales were led by strong performance in discount banners such as No Frills® and Real Canadian Superstore®, and a continued shift to private label brands including President's Choice® and no name®. In drug retail, revenues benefited from elevated sales of higher margin categories like beauty, cough and cold. In a difficult economic environment, Loblaw is putting the strength of its unique assets to work for Canadians, and is working hard to meet customer expectations for value.

Choice Properties delivered solid operating and financial results in the third quarter with near full occupancy in its retail and industrial asset classes and strong same-asset growth. Choice Properties advanced its industrial and mixed-use development initiatives, unlocking value by achieving key zoning and entitlement milestones at two development projects. Choice Properties continues to be well positioned in the current economic environment supported by its high-quality tenants, necessity-based portfolio and an industry leading balance sheet.

1.1 Consolidated Results of Operations

The Company's results reflect the year-over-year impact of the fair value adjustment of the Trust Unit liability as a result of the significant changes in Choice Properties' unit price, recorded in net interest expense and other financing charges. The Company's results are impacted by market price fluctuations of Choice Properties' Trust Units on the basis that the Trust Units held by unitholders, other than the Company, are redeemable for cash at the option of the holder and are presented as a liability on the Company's consolidated balance sheet. The Company's financial results are positively impacted when the Trust Unit price declines and negatively impacted when the Trust Unit price increases.

In 2021, the Company completed the sale of the Weston Foods bakery business. The Company's interest in Weston Foods is presented separately as discontinued operations in the Company's results. Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change
Revenue	\$ 17,520	\$ 16,192	\$ 1,328	8.2%	\$ 42,906	\$ 40,846	\$ 2,060	5.0%
Operating income	\$ 1,474	\$ 1,125	\$ 349	31.0%	\$ 3,289	\$ 3,018	\$ 271	9.0%
Adjusted EBITDA ⁽¹⁾	\$ 1,951	\$ 1,780	\$ 171	9.6%	\$ 4,961	\$ 4,542	\$ 419	9.2%
Adjusted EBITDA margin ⁽¹⁾	11.1%	11.0%			11.6%	11.1%		
Depreciation and amortization⁽ⁱ⁾	\$ 729	\$ 704	\$ 25	3.6%	\$ 1,830	\$ 1,770	\$ 60	3.4%
Net interest expense (income) and other financing charges	\$ 13	\$ 412	\$ (399)	(96.8)%	\$ (3)	\$ 1,460	\$ (1,463)	(100.2)%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 290	\$ 287	\$ 3	1.0%	\$ 768	\$ 797	\$ (29)	(3.6)%
Income taxes	\$ 276	\$ 200	\$ 76	38.0%	\$ 618	\$ 566	\$ 52	9.2%
Adjusted income taxes ⁽¹⁾	\$ 283	\$ 252	\$ 31	12.3%	\$ 754	\$ 647	\$ 107	16.5%
Adjusted effective tax rate ⁽¹⁾	26.1%	26.7%			27.5%	27.4%		
Net earnings attributable to shareholders of the Company from continuing operations	\$ 903	\$ 252	\$ 651	258.3%	\$ 1,926	\$ 325	\$ 1,601	492.6%
Net earnings (loss) available to common shareholders of the Company	\$ 889	\$ 124	\$ 765	616.9%	\$ 1,886	\$ 170	\$ 1,716	1,009.4%
Continuing operations	\$ 889	\$ 238	\$ 651	273.5%	\$ 1,892	\$ 291	\$ 1,601	550.2%
Discontinued operations	\$ –	\$ (114)	\$ 114	100.0%	\$ (6)	\$ (121)	\$ 115	95.0%
Adjusted net earnings available to common shareholders of the Company ⁽¹⁾ from continuing operations	\$ 453	\$ 365	\$ 88	24.1%	\$ 1,063	\$ 885	\$ 178	20.1%
Diluted net earnings (loss) per common share (\$)	\$ 6.14	\$ 0.82	\$ 5.32	648.8%	\$ 12.89	\$ 1.10	\$ 11.79	1,071.8%
Continuing operations	\$ 6.14	\$ 1.58	\$ 4.56	288.6%	\$ 12.93	\$ 1.90	\$ 11.03	580.5%
Discontinued operations	\$ –	\$ (0.76)	\$ 0.76	100.0%	\$ (0.04)	\$ (0.80)	\$ 0.76	95.0%
Adjusted diluted net earnings per common share ⁽¹⁾ from continuing operations (\$)	\$ 3.12	\$ 2.43	\$ 0.69	28.4%	\$ 7.24	\$ 5.83	\$ 1.41	24.2%

- (i) Depreciation and amortization includes \$151 million (2021 – \$155 million) in the third quarter of 2022 and \$382 million (2021 – \$389 million) year-to-date of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation and Lifemark Health Group, recorded by Loblaw.

Management's Discussion and Analysis

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

In the third quarter of 2022, the Company recorded net earnings available to common shareholders of the Company from continuing operations of \$889 million (\$6.14 per common share), an increase of \$651 million (\$4.56 per common share) compared to the same period in 2021. The increase was due to the favourable year-over-year net impact of adjusting items totaling \$563 million (\$3.87 per common share) and an improvement of \$88 million (\$0.69 per common share) in the consolidated underlying operating performance of the Company described below.

- The favourable year-over-year net impact of adjusting items totaling \$563 million (\$3.87 per common share) was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$329 million (\$2.27 per common share) as a result of the decrease in Choice Properties' unit price in the third quarter of 2022;
 - the favourable year-over-year impact of the fair value adjustment on investment properties of \$227 million (\$1.58 per common share) primarily driven by Choice Properties, net of consolidation adjustments in Other and Intersegment; and
 - the favourable year-over-year impact of the prior year fair value adjustment of the forward sale agreement of Loblaw common shares of \$64 million (\$0.43 per common share). The Company settled the net debt associated with the forward sale agreement in the fourth quarter of 2021;partially offset by,
 - the unfavourable impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied Properties Real Estate Investment Trust ("Allied") of \$64 million (\$0.45 per common share) as a result of a decrease in Allied's Class B Unit price in the third quarter of 2022.
- The improvement in the Company's consolidated underlying operating performance of \$88 million (\$0.69 per common share) was primarily due to the favourable underlying operating performance of Loblaw.
- Diluted net earnings per common share from continuing operations also included the favourable impact of shares purchased for cancellation over the last 12 months (\$0.12 per common share) pursuant to the Company's Normal Course Issuer Bid ("NCIB") program.

Adjusted net earnings available to common shareholders of the Company⁽¹⁾ from continuing operations were \$453 million, an increase of \$88 million, or 24.1%, compared to the same period in 2021 due to the improvement in the Company's consolidated underlying operating performance described above. Adjusted diluted net earnings per common share⁽¹⁾ from continuing operations were \$3.12 per common share in the third quarter of 2022, an increase of \$0.69 per common share, or 28.4%, compared to the same period in 2021. The increase was due to the favourable performance in adjusted net earnings available to common shareholders⁽¹⁾ from continuing operations and the favourable impact of share repurchases.

Year-to-date net earnings available to common shareholders of the Company from continuing operations were \$1,892 million (\$12.93 per common share) compared to \$291 million (\$1.90 per common share) in the same period in 2021. The increase of \$1,601 million (\$11.03 per common share), was due to the favourable year-over-year net impact of adjusting items totaling \$1,423 million (\$9.62 per common share), and an improvement in the Company's consolidated underlying operating performance of \$178 million (\$1.41 per common share) described below.

- The favourable year-over-year net impact of adjusting items totaling \$1,423 million (\$9.62 per common share) was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$1,239 million (\$8.39 per common share) as a result of the decrease in Choice Properties' unit price during 2022;
 - the favourable year-over-year impact of the fair value adjustment on investment properties of \$222 million (\$1.58 per common share) primarily driven by Choice Properties, net of consolidation adjustments in Other and Intersegment;
 - the favourable year-over-year impact of the prior year fair value adjustment of the forward sale agreement of Loblaw common shares of \$160 million (\$1.06 per common share); and
 - the income tax recovery related to the remeasurement of deferred tax balances for the Choice Properties' disposition of six office assets (the "Office Asset Sale") to Allied of \$46 million (\$0.32 per common share). Refer to Section 2.2 "Choice Properties Operating Results" of this MD&A for more information;partially offset by,
 - the unfavourable impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied of \$210 million (\$1.45 per common share) as a result of a decrease in Allied's Class B Unit price since the closing of the Office Asset Sale on March 31, 2022 to the end of the third quarter of 2022; and
 - the unfavourable impact of the charge related to the commodity tax matter at Loblaw of \$45 million (\$0.31 per common share). Refer to Section 2.1 "Loblaw Operating Results" of this MD&A for more information.

- The improvement in the Company's consolidated underlying operating performance of \$178 million (\$1.41 per common share) was primarily due to the favourable underlying operating performance of Loblaw and a decrease in adjusted net interest expense and other financing charges⁽¹⁾.
- Diluted net earnings per common share from continuing operations also included the favourable impact of shares purchased for cancellation over the last 12 months (\$0.25 per common share) pursuant to the Company's NCIB.

Year-to-date adjusted net earnings available to common shareholders of the Company⁽¹⁾ from continuing operations were \$1,063 million, an increase of \$178 million, or 20.1% compared to the same period of 2021, due to the improvement in the Company's consolidated underlying operating performance described above. Adjusted diluted net earnings per common share⁽¹⁾ from continuing operations were \$7.24 per common share in the third quarter of 2022, an increase of \$1.41 per common share, or 24.2%, compared to the same period in 2021. The increase was due to the favourable performance in adjusted net earnings available to common shareholders⁽¹⁾ from continuing operations and the favourable impact of share repurchases.

REVENUE

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change
Loblaw	\$ 17,388	\$ 16,050	\$ 1,338	8.3%	\$ 42,497	\$ 40,413	\$ 2,084	5.2%
Choice Properties	\$ 309	\$ 316	\$ (7)	(2.2)%	\$ 950	\$ 967	\$ (17)	(1.8)%
Other and Intersegment	\$ (177)	\$ (174)			\$ (541)	\$ (534)		
Consolidated	\$ 17,520	\$ 16,192	\$ 1,328	8.2%	\$ 42,906	\$ 40,846	\$ 2,060	5.0%

Revenue in the third quarter of 2022 was \$17,520 million, an increase of \$1,328 million, or 8.2%, compared to the same period in 2021. The increase in revenue in the third quarter of 2022 was impacted by each of its reportable operating segments as follows:

- Positively by 8.3% due to revenue growth of 8.3% at Loblaw, primarily driven by an increase in retail sales of \$1,299 million, or 8.2%, and an improvement in financial services revenue of \$53 million. The increase in retail sales was due to positive same-store sales growth and Lifemark Health Group ("Lifemark") revenues of \$120 million.
- Negatively by a nominal amount due to a decline in revenue of 2.2% at Choice Properties. The decrease of \$7 million was mainly due to foregone revenue following the Office Asset Sale, as described in Section 2.2 "Choice Properties Operating Results" of this MD&A, partially offset by an increase in rental revenues from the retail and industrial portfolios driven by improved occupancy and higher rental rates, and increased capital recoveries.

Year-to-date revenue was \$42,906 million, an increase of \$2,060 million, or 5.0%, compared to the same period in 2021. The increase in revenue was impacted by each of the Company's reportable operating segments as follows:

- Positively by 5.1% due to revenue growth of 5.2% at Loblaw, primarily driven by an increase in retail sales of \$2,015 million, or 5.1%, and an improvement in financial services revenue of \$99 million. The increase in retail sales was primarily due to positive same-store sales growth in food and drug, and Lifemark revenues since the date of acquisition of \$169 million.
- Negatively by a nominal amount due to a decline in revenue of 1.8% at Choice Properties. The decrease of \$17 million was mainly due to the foregone revenue following the Office Asset Sale, partially offset by an increase in rental revenues from the retail and industrial portfolios driven by improved occupancy and higher rental rates, and increased capital recoveries.

Management's Discussion and Analysis

OPERATING INCOME

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change
Loblaw	\$ 989	\$ 861	\$ 128	14.9%	\$ 2,465	\$ 2,226	\$ 239	10.7%
Choice Properties	\$ 501	\$ 276	\$ 225	81.5%	\$ 679	\$ 1,064	\$ (385)	(36.2)%
Other and Intersegment	\$ (16)	\$ (12)			\$ 145	\$ (272)		
Consolidated	\$ 1,474	\$ 1,125	\$ 349	31.0%	\$ 3,289	\$ 3,018	\$ 271	9.0%

Operating income in the third quarter of 2022 was \$1,474 million compared to \$1,125 million in the same period in 2021, an increase of \$349 million, or 31.0%. The increase was mainly attributable to the favourable year-over-year net impact of adjusting items totaling \$207 million and the improvement in underlying operating performance of \$142 million described below:

- the favourable year-over-year net impact of adjusting items totaling \$207 million was primarily due to:
 - the favourable year-over-year impact of the fair value adjustment of investment properties of \$272 million; partially offset by,
 - the unfavourable impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied of \$69 million.
- the improvement in underlying operating performance of \$142 million was due to:
 - the favourable underlying operating performance of Loblaw due to the improvement in retail; partially offset by,
 - an increase in depreciation and amortization at Loblaw.

Year-to-date operating income was \$3,289 million compared to \$3,018 million in the same period in 2021, an increase of \$271 million, or 9.0%. The increase was mainly attributable to the improvement in underlying operating performance of \$352 million, partially offset by the unfavourable year-over-year net impact of adjusting items totaling \$81 million described below:

- the improvement in underlying operating performance of \$352 million was due to:
 - the favourable underlying operating performance of Loblaw due to the improvement in retail, partially offset by a decline in financial services; partially offset by,
 - an increase in depreciation and amortization at Loblaw.
- the unfavourable year-over-year net impact of adjusting items totaling \$81 million was primarily due to:
 - the unfavourable impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied of \$228 million; and
 - the unfavourable impact of the charge related to the commodity tax matter at Loblaw of \$111 million; partially offset by,
 - the favourable year-over-year impact of the fair value adjustment on investment properties of \$266 million.

ADJUSTED EBITDA⁽¹⁾

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change
Loblaw	\$ 1,844	\$ 1,672	\$ 172	10.3%	\$ 4,682	\$ 4,257	\$ 425	10.0%
Choice Properties	\$ 223	\$ 226	\$ (3)	(1.3)%	\$ 674	\$ 674	\$ –	–%
Other and Intersegment	\$ (116)	\$ (118)			\$ (395)	\$ (389)		
Consolidated	\$ 1,951	\$ 1,780	\$ 171	9.6%	\$ 4,961	\$ 4,542	\$ 419	9.2%

Adjusted EBITDA⁽¹⁾ in the third quarter of 2022 was \$1,951 million compared to \$1,780 million in the same period in 2021, an increase of \$171 million, or 9.6%. The increase in adjusted EBITDA⁽¹⁾ was impacted by each of the Company's reportable operating segments as follows:

- Positively by 9.7% due to an increase of 10.3% in adjusted EBITDA⁽¹⁾ at Loblaw, driven by improvements in retail, partially offset by a decline in financial services. The improvements in Loblaw retail were driven by an increase in retail gross profit, partially offset by an unfavourable increase in retail selling, general and administrative expenses ("SG&A").
- Negatively by 0.2% due to a decrease of 1.3% in adjusted EBITDA⁽¹⁾ at Choice Properties primarily due to the decline in revenue described above and higher general and administrative expenses, partially offset by distribution income from the investment in real estate securities of Allied.

Year-to-date adjusted EBITDA⁽¹⁾ was \$4,961 million compared to \$4,542 million in the same period in 2021, an increase of \$419 million, or 9.2%. The increase in adjusted EBITDA⁽¹⁾ was impacted by each of the Company's reportable operating segments as follows:

- Positively by 9.4% due to an increase of 10.0% in adjusted EBITDA⁽¹⁾ at Loblaw driven by the increase in retail, partially offset by a decrease in financial services. The increase in Loblaw retail adjusted EBITDA⁽¹⁾ was driven by an increase in retail gross profit, partially offset by an unfavourable increase in retail SG&A.
- Choice Properties adjusted EBITDA⁽¹⁾ was flat compared to the same period in 2021 as distribution income from the investment in real estate securities of Allied and a decline in expected credit loss provisions was offset by the decline in revenue described above and an increase in general and administrative expenses.

DEPRECIATION AND AMORTIZATION

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change
Loblaw	\$ 864	\$ 817	\$ 47	5.8%	\$ 2,128	\$ 2,041	\$ 87	4.3%
Choice Properties	\$ –	\$ 1	\$ (1)	(100.0)%	\$ 2	\$ 3	\$ (1)	(33.3)%
Other and Intersegment	\$ (135)	\$ (114)			\$ (300)	\$ (274)		
Consolidated	\$ 729	\$ 704	\$ 25	3.6%	\$ 1,830	\$ 1,770	\$ 60	3.4%

Depreciation and amortization in the third quarter of 2022 was \$729 million, an increase of \$25 million compared to the same period in 2021. Year-to-date depreciation and amortization was \$1,830 million, an increase of \$60 million compared to the same period in 2021.

Depreciation and amortization in the third quarter and year-to-date included \$151 million (2021 – \$155 million) and \$382 million (2021 – \$389 million), respectively, of amortization of intangible assets related to the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and Lifemark recorded by Loblaw. Excluding these amounts, depreciation and amortization increased in the third quarter and year-to-date by \$29 million and \$67 million, respectively, primarily driven by an increase in information technology ("IT") assets and leased assets at Loblaw.

Management's Discussion and Analysis

NET INTEREST EXPENSE (INCOME) AND OTHER FINANCING CHARGES

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change
Net interest expense (income) and other financing charges	\$ 13	\$ 412	\$ (399)	(96.8)%	\$ (3)	\$ 1,460	\$ (1,463)	(100.2)%
Add: Fair value adjustment of the Trust Unit liability	277	(52)	329	632.7%	760	(479)	1,239	258.7%
Fair value adjustment of the forward sale agreement for Loblaw common shares	–	(73)	73	100.0%	–	(184)	184	100.0%
Recovery related to Glenhuron	–	–	–	–%	11	–	11	100.0%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 290	\$ 287	\$ 3	1.0%	\$ 768	\$ 797	\$ (29)	(3.6)%

Net interest expense and other financing charges in the third quarter of 2022 were \$13 million, a decrease of \$399 million compared to the same period in 2021. The decrease was primarily due to the favourable year-over-year impact of adjusting items totaling \$402 million, itemized in the table above, partially offset by an increase in adjusted net interest expense and other financing charges⁽¹⁾ of \$3 million. Year-to-date net interest income and other financing charges were \$3 million compared to net interest expense and other financing charges of \$1,460 million in the same period in 2021. The change of \$1,463 million was primarily due to the favourable year-over-year impact of adjusting items totaling \$1,434 million, itemized in the table above and a decrease in adjusted net interest expense and other financing charges⁽¹⁾ of \$29 million.

Included in the adjusting items in the third quarter of 2022 and year-to-date was the favourable year-over-year fair value adjustment of the Trust Unit liability of \$329 million and \$1,239 million, respectively, as a result of the decrease in Choice Properties' unit price during the third quarter of 2022. The Company is exposed to market price fluctuations as a result of units held by unitholders other than the Company which are redeemable for cash at the option of the holder and are presented as a liability on the Company's consolidated balance sheet.

In the third quarter of 2022, adjusted net interest expense and other financing charges⁽¹⁾ increased by \$3 million primarily driven by:

- higher interest expense from long term debt at Loblaw and Choice Properties including an early repayment premium of \$7 million at Loblaw; and
- higher interest expense from borrowings related to credit card receivables at Loblaw;

partially offset by,

- higher interest income due to an increase in interest rates and higher outstanding balance on Choice Properties' mortgages and loans receivable; and
- lower interest expense in Other and Intersegment adjustments, primarily due to the full settlement in the fourth quarter of 2021 of the net debt associated with the equity forward sale agreement.

Year-to-date, adjusted net interest expense and other financing charges⁽¹⁾ decreased by \$29 million primarily driven by:

- higher interest income due to an increase in interest rates and higher outstanding balance on Choice Properties' mortgages and loans receivable;
- lower interest expense in Other and Intersegment adjustments, primarily due to the full settlement in the fourth quarter of 2021 of the net debt associated with the equity forward sale agreement;
- a reduction in interest expense from post-employment and other employee benefits; and
- a reduction in interest expense from lease liabilities at Loblaw, including Other and Intersegment adjustments;

partially offset by,

- higher interest expense from borrowings related to credit card receivables at Loblaw; and
- higher interest expense from long term debt at Loblaw and Choice Properties including an early repayment premium of \$7 million at Loblaw.

INCOME TAXES

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change
Income taxes	\$ 276	\$ 200	\$ 76	38.0%	\$ 618	\$ 566	\$ 52	9.2%
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽¹⁾⁽ⁱ⁾	(11)	43	(54)	(125.6)%	58	88	(30)	(34.1)%
Outside basis difference in certain Loblaw shares	18	9	9	100.0%	(1)	(7)	6	85.7%
Remeasurement of deferred tax balances	–	–	–	–%	46	–	46	100.0%
Recovery related to Glenhuron	–	–	–	–%	33	–	33	100.0%
Adjusted income taxes ⁽¹⁾	\$ 283	\$ 252	\$ 31	12.3%	\$ 754	\$ 647	\$ 107	16.5%
Effective tax rate applicable to earnings before taxes	18.9%	28.1%			18.8%	36.3%		
Adjusted effective tax rate applicable to adjusted earnings before taxes ⁽¹⁾	26.1%	26.7%			27.5%	27.4%		

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

The effective tax rate in the third quarter of 2022 was 18.9%, compared to 28.1% in the same period in 2021. The decrease was primarily attributable to the year-over-year impact of the non-taxable fair value adjustment of the Trust Unit liability, and the impact of certain recoveries realized for prior taxation periods.

The adjusted effective tax rate⁽¹⁾ for the third quarter of 2022 was 26.1%, compared to 26.7% in the same period in 2021. The decrease was primarily attributable to the impact of certain recoveries realized for prior taxation periods, partially offset by an increase in current tax expense related to GWL's participation in Loblaw's NCIB.

The year-to-date effective tax rate was 18.8%, compared to 36.3% in the same period in 2021. The decrease was primarily attributable to the year-over-year impact of the non-taxable fair value adjustment of the Trust Unit liability, the remeasurement of deferred tax balances as a result of the Office Asset Sale, and the recovery of income taxes related to Glenhuron Bank Limited ("Glenhuron") in the first quarter of 2022.

The year-to-date adjusted effective tax rate⁽¹⁾ was 27.5%, compared to 27.4% in the same period in 2021. The increase was primarily attributable to an increase in current tax expense related to GWL's participation in Loblaw's NCIB, partially offset by the impact of certain recoveries realized for prior taxation periods.

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. In 2021, the Supreme Court of Canada ruled in favour of Loblaw on the Glenhuron matter. As a result of related reassessments received during the first quarter of 2022, Loblaw reversed in the year \$35 million of previously recorded charges, of which \$33 million was recorded as income tax recovery and \$2 million was recorded as interest income. In addition, interest of \$9 million, before taxes, was recorded in respect of interest income earned on expected cash tax refunds.

DISCONTINUED OPERATIONS Net loss available to common shareholders of the Company from discontinued operations in 2022 of \$6 million year-to-date pertains to final closing adjustments. For further details of the sale, refer to note 5, "Discontinued Operations" in the Company's unaudited interim period condensed consolidated financial statements and the accompanying notes of this Quarterly Report.

Management's Discussion and Analysis

1.2 Consolidated Other Business Matters

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

(unaudited) (\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 8, 2022	Oct. 9, 2021	Oct. 8, 2022	Oct. 9, 2021
GWL's NCIB – purchased and cancelled	\$ (393)	\$ (411)	\$ (718)	\$ (577)
GWL's participation in Loblaw's NCIB	190	136	509	474
GWL's credit facility repayment	–	–	(121)	–
Settlement of net debt associated with equity forward sale agreement	–	(462)	–	(515)
Net cash flow used in above activities	\$ (203)	\$ (737)	\$ (330)	\$ (618)

GWL's NCIB - Purchased and Cancelled Shares In the third quarter and year-to-date 2022, the Company purchased and cancelled 2.5 million shares (2021 – 3.2 million shares) and 4.7 million shares (2021 – 4.9 million shares), respectively, under its NCIB. As at October 8, 2022, the Company had 142.2 million shares issued and outstanding, net of shares held in trusts (October 9, 2021 – 147.5 million shares).

In the third quarter of 2022, 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.

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

GWL's Participation in Loblaw's NCIB The Company participates in Loblaw's NCIB in order to maintain its proportionate percentage ownership interest. During the third quarter and year-to-date 2022, GWL received proceeds of \$190 million (2021 – \$136 million) and \$509 million (2021 – \$474 million), respectively, from the sale of Loblaw shares.

GWL's Credit Facility In the third quarter of 2021, GWL entered into a \$350 million revolving committed credit facility provided by a syndicate of lenders with a maturity date of September 13, 2024. The credit facility contains certain financial covenants. As at December 31, 2021, \$121 million was drawn on the facility which was repaid in the first quarter of 2022. As at October 8, 2022, no amounts were drawn on the facility.

2. Results of Reportable Operating Segments

The following discussion provides details of the third quarter of 2022 results of operations of each of the Company's reportable operating segments.

2.1 Loblaw Operating Results

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change
	Revenue	\$ 17,388	\$ 16,050	\$ 1,338	8.3%	\$ 42,497	\$ 40,413	\$ 2,084
Operating income	\$ 989	\$ 861	\$ 128	14.9%	\$ 2,465	\$ 2,226	\$ 239	10.7%
Adjusted EBITDA ⁽¹⁾	\$ 1,844	\$ 1,672	\$ 172	10.3%	\$ 4,682	\$ 4,257	\$ 425	10.0%
Adjusted EBITDA margin ⁽¹⁾	10.6%	10.4%			11.0%	10.5%		
Depreciation and amortization ⁽ⁱ⁾	\$ 864	\$ 817	\$ 47	5.8%	\$ 2,128	\$ 2,041	\$ 87	4.3%

(i) Depreciation and amortization in the third quarter of 2022 includes \$151 million (2021 – \$155 million) and \$382 million (2021 – \$389 million) year-to-date of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark.

REVENUE Loblaw revenue in the third quarter of 2022 was \$17,388 million, an increase of \$1,338 million, or 8.3%, compared to the same period in 2021, driven by an increase in retail sales and an improvement in financial services revenue.

Retail sales were \$17,130 million, an increase of \$1,299 million, or 8.2%, compared to the same period in 2021. The increase was primarily driven by the following factors:

- food retail sales were \$12,221 million (2021 – \$11,382 million) and food retail same-store sales grew by 6.9% (2021 – 0.2%) for the quarter:
 - the Consumer Price Index (“CPI”) as measured by The Consumer Price Index for Food Purchased from Stores was 10.7% (2021 – 2.6%) which was generally in line with Loblaw's internal food inflation; and
 - food retail basket size decreased and traffic increased in the quarter when compared to the third quarter of 2021.
- drug retail sales were \$4,909 million (2021 – \$4,449 million) and drug retail same-store sales grew by 7.7% (2021 – 4.4%) for the quarter:
 - pharmacy and healthcare services same-store sales growth was 4.7% (2021 – 4.8%), benefiting from an increase in acute and chronic prescription volumes from the continued economic re-opening. The number of prescriptions dispensed increased by 0.8% (2021 – 2.4%). On a same-store basis, the number of prescriptions dispensed increased by 0.9% (2021 – 2.4%) and the average prescription value increased by 3.3% (2021 – 1.2%);
 - pharmacy and healthcare services sales included Lifemark revenues from the date of acquisition of \$120 million. Lifemark revenues are excluded from same-store sales; and
 - front store same-store sales increased by 10.7% (2021 – 4.1%), benefiting from the continued economic re-opening and higher consumer spending.

In the last 12 months, 11 food and drug stores were opened, and 14 food and drug stores were closed, resulting in a net decrease in retail square footage of 0.3 million square feet, or 0.4%.

Financial services revenue in the third quarter of 2022 increased by \$53 million compared to the same period in 2021. The increase was primarily driven by higher interest income from growth in credit card receivables and higher interchange income and credit card related fees from an increase in customer spending.

On a year-to-date basis, Loblaw revenue was \$42,497 million, an increase of \$2,084 million, or 5.2%, compared to the same period in 2021, primarily driven by an increase in retail sales and in financial services revenue.

Retail sales were \$41,798 million, an increase of \$2,015 million, or 5.1% when compared to the same period in 2021. Food retail sales were \$29,884 million (2021 – \$28,739 million) and food retail same-store sales grew by 3.6% (2021 – 0.1%). Drug retail sales were \$11,914 million (2021 – \$11,044 million) and drug retail same-store sales growth was 6.4% (2021 – 4.1%), with pharmacy and healthcare services same-store sales growth of 5.7% (2021 – 7.8%) and front store same-store sales growth of 6.9% (2021 – 0.7%). Pharmacy and healthcare services sales included Lifemark revenues from the date of acquisition of \$169 million. Lifemark revenues are excluded from same-store sales.

Management's Discussion and Analysis

Year-to-date financial services revenue increased by \$99 million compared to the same period in 2021. The increase was primarily driven by higher interest income from growth in credit card receivables and higher interchange income and credit card related fees from an increase in customer spending, partially offset by lower sales attributable to *The Mobile Shop*.

OPERATING INCOME Loblaw operating income in the third quarter of 2022 was \$989 million, an increase of \$128 million, or 14.9%, compared to the same period in 2021. The increase included improvements in the underlying operating performance of \$121 million and the favourable year-over-year net impact of adjusting items totaling \$7 million, as described below:

- the improvement in underlying operating performance of \$121 million was primarily due to an increase in retail gross profit, partially offset by an increase in retail SG&A and depreciation and amortization;
- the favourable year-over-year net impact of adjusting items totaling \$7 million was primarily due to:
 - the favourable year-over-year impact of restructuring and other related costs of \$9 million; and
 - the favourable year-over-year impact from the amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark of \$4 million;partially offset by,
 - the unfavourable year-over-year impact of gain on sale of non-operating properties of \$4 million; and
 - the unfavourable year-over-year change in fair value adjustments on fuel and foreign currency contracts of \$2 million.

Year-to-date Loblaw operating income was \$2,465 million, an increase of \$239 million, or 10.7%, compared to the same period in 2021. The increase was driven by improvements in underlying operating performance of \$331 million, partially offset by the unfavourable year-over-year net impact of adjusting items totaling \$92 million described below:

- the improvement in underlying operating performance of \$331 million was primarily due to the following:
 - an improvement in the underlying operating performance of retail due to an increase in retail gross profit, partially offset by an increase in retail SG&A and depreciation and amortization;partially offset by,
 - a decline in financial services primarily due to the year-over-year impact of the expected credit loss provision from lapping a larger prior year release versus the current year release, and from lapping a prior year reversal of certain commodity tax accrued.
- the unfavourable year-over-year net impact of adjusting items totaling \$92 million was primarily due to:
 - the unfavourable impact of the charge related to President's Choice Bank ("PC Bank") commodity tax matter of \$111 million; and
 - the unfavourable impact of the Lifemark transaction costs of \$16 million;partially offset by,
 - the favourable year-over-year impact of restructuring and other related costs of \$36 million.

ADJUSTED EBITDA⁽¹⁾ Loblaw adjusted EBITDA⁽¹⁾ in the third quarter of 2022 was \$1,844 million, an increase of \$172 million, or 10.3%, compared to the same period in 2021. The increase was primarily due to an increase in retail of \$174 million, partially offset by a decrease in financial services of \$2 million.

Retail adjusted EBITDA⁽¹⁾ in the third quarter of 2022 increased by \$174 million driven by an increase in retail gross profit of \$416 million, partially offset by an unfavourable increase in retail SG&A of \$242 million.

- Retail gross profit percentage of 30.8% increased by 10 basis points compared to the same period in 2021, primarily driven from growth in higher margin drug retail front store categories. Compared to the third quarter of 2021, when inflation started to accelerate, food retail gross margins were flat.
- Retail SG&A as a percentage of sales was 20.3%, a favourable decrease of 20 basis points compared to the same period in 2021. The favourable decrease was primarily due to operating leverage from higher sales and lower COVID-19 related expenses.

Financial services adjusted EBITDA⁽¹⁾ decreased by \$2 million compared to the same period in 2021, primarily driven by higher contractual charge-off and an increase in the expected credit loss provision attributable to the increase in unemployment rate forecasts, higher loyalty program costs and operating costs, higher customer acquisition costs and higher IT costs, partially offset by higher revenue described above.

Year-to-date Loblaw adjusted EBITDA⁽¹⁾ was \$4,682 million, an increase of \$425 million, or 10.0%, compared to the same period in 2021. The increase was primarily due to an increase in retail of \$443 million, partially offset by a decrease in financial services of \$18 million.

Year-to-date retail adjusted EBITDA⁽¹⁾ increased by \$443 million, driven by an increase in retail gross profit of \$795 million, partially offset by an unfavourable increase in retail SG&A of \$352 million.

- Retail gross profit percentage of 31.0% increased by 40 basis points compared to the same period in 2021, primarily driven by favourable changes in drug retail sales mix. Food retail margins were flat.
- Retail SG&A as a percentage of sales was 20.2%, a favourable decrease of 20 basis points compared to the same period in 2021. The favourable decrease was primarily due to lower COVID-19 related expenses, partially offset by higher costs from the normalization of post-lockdown expenses.

Year-to-date financial services adjusted EBITDA⁽¹⁾ decreased by \$18 million compared to the same period in 2021, primarily driven by the year-over-year impact of the expected credit loss provision from lapping a larger prior year release of \$32 million versus the current year release of \$3 million, prior year reversal of certain commodity tax accrued, higher loyalty program costs and operating costs, higher customer acquisition costs, higher IT costs and higher contractual charge-off, partially offset by higher revenue described above.

DEPRECIATION AND AMORTIZATION Loblaw depreciation and amortization in the third quarter of 2022 was \$864 million, an increase of \$47 million compared to the same period in 2021. Year-to-date depreciation and amortization was \$2,128 million, an increase of \$87 million compared to the same period in 2021. The increase in depreciation and amortization in the third quarter of 2022 and year-to-date was primarily driven by an increase in IT assets, leased assets and accelerated depreciation of \$14 million (2021 – nil) due to the reassessment of the estimated useful life of certain IT assets. Depreciation and amortization in the third quarter of 2022 and year-to-date included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of \$151 million (2021 – \$155 million) and \$382 million (2021 – \$389 million), respectively.

CONSOLIDATION OF FRANCHISES Loblaw has more than 500 franchise food retail stores in its network. Non-controlling interests at Loblaw represent the share of earnings that relates to Loblaw's food retail franchisees and is impacted by the timing of when profit sharing with franchisees is agreed and finalized under the terms of the agreements. Loblaw's net earnings attributable to non-controlling interests were \$16 million in the third quarter of 2022, a decrease of \$38 million, or 70.4% when compared to the same period in 2021. Year-to-date net earnings attributable to non-controlling interests were \$87 million, a decrease of \$42 million, or 32.6% compared to the same period in 2021. The decreases in non-controlling interests were primarily driven by a decline in franchisee earnings after profit sharing.

LOBLAW OTHER BUSINESS MATTERS

Lifemark Health Group On May 10, 2022, Loblaw acquired Lifemark for \$829 million. Lifemark is the leading provider of outpatient physiotherapy, massage therapy, occupational therapy, chiropractic, mental health, and other ancillary rehabilitation services through its more than 300 clinics across Canada. Revenue of \$120 million and nominal net earnings were contributed by Lifemark in the third quarter of 2022. Net earnings includes amortization related to the acquired intangible assets of \$3 million. Year-to-date revenue of \$169 million and nominal net earnings were contributed by Lifemark from the date of acquisition. Year-to-date net earnings includes amortization related to acquired intangible assets of \$5 million.

PC Bank Commodity Tax Matter In July 2022, the Tax Court of Canada ("Tax Court") released a decision relating to PC Bank, a subsidiary of Loblaw. The Tax Court ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaw's Inc. in respect of redemptions of loyalty points. On September 29th, 2022, PC Bank filed a Notice of Appeal with the Federal Court of Appeal. Although, Loblaw believes in the merits of its position, it recorded a charge of \$111 million, inclusive of interest, in the second quarter of 2022. Loblaw believes that this provision is sufficient to cover its liability, if the appeal is ultimately unsuccessful.

Management's Discussion and Analysis

2.2 Choice Properties Operating Results

(\$ millions except where otherwise indicated) For the periods ended as indicated	16 Weeks Ended				40 Weeks Ended			
	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change	Oct. 8, 2022	Oct. 9, 2021	\$ Change	% Change
Revenue	\$ 309	\$ 316	\$ (7)	(2.2)%	\$ 950	\$ 967	\$ (17)	(1.8)%
Net interest (income) expense and other financing charges ⁽ⁱ⁾	\$ (447)	\$ 113	\$ (560)	(495.6)%	\$ (644)	\$ 878	\$ (1,522)	(173.3)%
Net income	\$ 948	\$ 163	\$ 785	481.6%	\$ 1,323	\$ 186	\$ 1,137	611.3%
Funds from Operations ⁽¹⁾	\$ 173	\$ 173	\$ –	– %	\$ 524	\$ 515	\$ 9	1.7%

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

REVENUE Revenue in the third quarter of 2022 was \$309 million, a decrease of \$7 million, or 2.2%, compared to the same period in 2021. Revenue included \$180 million (2021 – \$176 million) generated from tenants within Loblaw.

On a year-to-date basis, revenue was \$950 million, a decrease of \$17 million, or 1.8%, compared to the same period in 2021. Revenue included \$547 million (2021 – \$539 million) generated from tenants within Loblaw.

The decrease in revenue in the third quarter of 2022 and year-to-date was primarily driven by:

- foregone revenue following the Office Asset Sale as described below in Choice Properties Other Business Matters; partially offset by,
- an increase in rental revenues from the retail and industrial portfolios driven by improved occupancy and higher rental rates; and
- increased capital recoveries.

NET INTEREST (INCOME) EXPENSE AND OTHER FINANCING CHARGES Net interest income and other financing charges in the third quarter of 2022 were \$447 million compared to net interest expense and other financing charges of \$113 million in the same period in 2021. The change of \$560 million was primarily driven by the favourable year-over-year impact of the fair value adjustment on the Class B LP units ("Exchangeable Units") of \$562 million.

Year-to-date, net interest income and other financing charges were \$644 million compared to net interest expense and other financing charges of \$878 million in the same period in 2021. The change of \$1,522 million was primarily driven by the favourable year-over-year impact of the fair value adjustment on the Exchangeable Units of \$1,520 million.

NET INCOME Net income in the third quarter of 2022 was \$948 million, compared to net income of \$163 million in the same period in 2021. The change of \$785 million was primarily driven by:

- lower net interest expense and other financing charges as described above; and
 - the favourable change in the adjustment to fair value of investment properties, including those held within equity accounted joint ventures, primarily driven by achieved milestones in development and leasing and cash flow growth in the industrial portfolios;
- partially offset by,
- the unfavourable change in the adjustment to fair value of investment in real estate securities due to the change in Allied's unit price.

Year-to-date, net income was \$1,323 million, compared to \$186 million in the same period in 2021. The change of \$1,137 million was primarily driven by:

- lower net interest expense and other financing charges as described above;
- partially offset by,
- the unfavourable change in the adjustment to fair value of investment properties, due to capitalization rate expansion in the retail portfolio as a result of rising interest rates, partially offset by the favourable impact of achieved milestones in development and leasing and cash flow growth in the industrial portfolios including those held within equity accounted joint ventures; and
 - the unfavourable change in the adjustment to fair value of investment in real estate securities, due to the change in Allied's unit price.

FUNDS FROM OPERATIONS⁽¹⁾ Funds from Operations⁽¹⁾ in the third quarter of 2022 was \$173 million, flat compared to the same period in 2021 due to an increase in rental revenue from the retail and industrial portfolios, largely offset by higher net interest and other expenses and the impact of the Office Asset Sale. The impact of the Office Asset Sale includes foregone rental income, partially offset by the distributions from Choice Properties' investment in real estate securities of Allied and interest income from the consideration received in exchange for assets sold.

Fund from Operations⁽¹⁾ year-to-date was \$524 million, an increase of \$9 million, compared to the same period in 2021. The increase was primarily due to an increase in rental revenues from the retail and industrial portfolios, which was partially offset by an increase in general and administrative expenses and the impact of the Office Asset Sale.

CHOICE PROPERTIES OTHER BUSINESS MATTERS

Strategic Disposition On March 31, 2022, Choice Properties completed the Office Asset Sale. The consideration received consisted of 11,809,145 exchangeable Class B limited partnership units of Allied Properties Exchangeable Limited Partnership ("Allied Class B Units"), an affiliated entity of Allied, with a fair value of \$551 million on the transaction date, and a promissory note with a fair value of \$193 million (face value of \$200 million). See note 13, "Other Assets" in the Company's unaudited interim period condensed consolidated financial statements and the accompanying notes of this Quarterly Report.

3. Liquidity and Capital Resources

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

3.1 Cash Flows

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

MAJOR CASH FLOW COMPONENTS

(\$ millions) For the periods ended as indicated	16 Weeks Ended			40 Weeks Ended		
	Oct. 8, 2022	Oct. 9, 2021	\$ Change	Oct. 8, 2022	Oct. 9, 2021 ⁽⁵⁾	\$ Change
Cash and cash equivalents, beginning of period	\$ 2,281	\$ 2,795	\$ (514)	\$ 2,984	\$ 2,581	\$ 403
Cash flows from operating activities	\$ 1,578	\$ 1,339	\$ 239	\$ 3,453	\$ 3,952	\$ (499)
Cash flows used in investing activities	\$ (815)	\$ (376)	\$ (439)	\$ (1,830)	\$ (966)	\$ (864)
Cash flows used in financing activities	\$ (854)	\$ (1,746)	\$ 892	\$ (2,419)	\$ (3,554)	\$ 1,135
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ (2)	\$ 1	\$ (3)	\$ -	\$ -	\$ -
Cash and cash equivalents, end of period	\$ 2,188	\$ 2,013	\$ 175	\$ 2,188	\$ 2,013	\$ 175

CASH FLOWS FROM OPERATING ACTIVITIES Cash flows from operating activities were \$1,578 million in the third quarter of 2022, an increase of \$239 million compared to the same period in 2021. The increase in cash flows from operating activities for the third quarter of 2022 was primarily driven by higher cash earnings, a favourable change in non-cash working capital and a favourable change in credit card receivables due to a lower increase in customer spending during the current quarter, partially offset by a cash payment made in relation to the PC Bank commodity tax matter.

Year-to-date cash flows from operating activities were \$3,453 million in 2022, a decrease of \$499 million compared to the same period in 2021. The decrease in cash flows from operating activities was primarily driven by an unfavourable change in non-cash working capital and an unfavourable change in credit card receivables from a rise in customer spending, partially offset by higher cash earnings and net lower income taxes paid due to the recovery of cash taxes related to Glenhuron.

CASH FLOWS USED IN INVESTING ACTIVITIES Cash flows used in investing activities were \$815 million in the third quarter of 2022, an increase of \$439 million compared to the same period in 2021. The increase in cash flows used in investing activities was primarily driven by an increase in security deposits due to an upcoming maturity of *Eagle Credit Card Trust*® ("*Eagle*") notes and an increase in capital investments, partially offset by higher proceeds received from the sale of assets.

Year-to-date cash flows used in investing activities were \$1,830 million in 2022, an increase of \$864 million compared to the same period in 2021. The increase in year-to-date cash flows used in investing activities was primarily driven by Loblaw's acquisition of Lifemark, an increase in security deposits due to an upcoming maturity of *Eagle* notes and an increase in capital investments, partially offset by a decrease in short-term investments.

Management's Discussion and Analysis

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

(\$ millions) For the periods ended as indicated	16 Weeks Ended			40 Weeks Ended		
	Oct. 8, 2022	Oct. 9, 2021	\$ Change	Oct. 8, 2022	Oct. 9, 2021	\$ Change
Loblaw ⁽ⁱ⁾	\$ 432	\$ 330	\$ 102	\$ 920	\$ 791	\$ 129
Choice Properties	92	63	29	172	101	71
Other and Intersegment	–	–	–	1	2	(1)
Capital Investments from Continuing Operations	524	393	131	1,093	894	199
Discontinued Operations	–	37	(37)	–	76	(76)
Total Capital Investments	\$ 524	\$ 430	\$ 94	\$ 1,093	\$ 970	\$ 123

(i) During 2022, there were no additions to Loblaw fixed assets related to prepayments that were made in 2021 and transferred from other assets. During 2021, additions to Loblaw fixed assets included prepayments that were made in 2020 and transferred from other assets of nil in the third quarter of 2021 and \$1 million year-to-date 2021.

CASH FLOWS USED IN FINANCING ACTIVITIES Cash flows used in financing activities were \$854 million in the third quarter of 2022, a decrease of \$892 million compared to the same period in 2021. The decrease in cash flows used in financing activities was primarily driven by higher net issuances of long-term debt, the settlement of net debt associated with the equity forward sale agreement in the prior year and an increase in short-term debt, partially offset by higher repurchases of Loblaw common shares in the current year.

Year-to-date cash flows used in financing activities were \$2,419 million in 2022, a decrease of \$1,135 million compared to the same period in 2021. The decrease in cash flows used in financing activities was primarily driven by higher net issuances of long-term debt in the current year, the settlement of net debt associated with the equity forward sale agreement in the prior year, an increase in short term debt and lower interest paid, partially offset by higher GWL and Loblaw repurchases of common shares under their respective NCIB programs in the current year.

FREE CASH FLOW⁽¹⁾

The following Free Cash Flow⁽¹⁾ is presented on a Continuing Operations basis.

(\$ millions) For the periods ended as indicated	16 Weeks Ended			40 Weeks Ended		
	Oct. 8, 2022	Oct. 9, 2021	\$ Change	Oct. 8, 2022	Oct. 9, 2021 ⁽³⁾	\$ Change
Cash flows from operating activities	\$ 1,578	\$ 1,339	\$ 239	\$ 3,453	\$ 3,952	\$ (499)
Less: Cash flows used in operating activities from Discontinued Operations	–	(28)	28	–	(12)	12
Cash flows from operating activities from Continuing Operations	\$ 1,578	\$ 1,367	\$ 211	\$ 3,453	\$ 3,964	\$ (511)
Less: Interest paid	225	241	(16)	623	680	(57)
Capital investments	524	393	131	1,093	894	199
Lease payments, net	264	255	9	610	593	17
Free cash flow ⁽¹⁾ from Continuing Operations	\$ 565	\$ 478	\$ 87	\$ 1,127	\$ 1,797	\$ (670)

Free cash flow⁽¹⁾ from continuing operations in the third quarter 2022 was \$565 million, an increase of \$87 million compared to the same period in 2021. The increase in free cash flow⁽¹⁾ was primarily driven by higher cash earnings, a favourable change in non-cash working capital and a favourable change in credit card receivables from lapping of prior year increase in customer spending, partially offset by higher capital investments and a cash payment made in relation to the PC Bank commodity tax matter.

On a year-to-date basis, free cash flow⁽¹⁾ from continuing operations was \$1,127 million, a decrease of \$670 million compared to the same period in 2021. The decrease in free cash flow⁽¹⁾ was primarily driven by an unfavourable change in non-cash working capital, an unfavourable increase in credit card receivables from an increase in the active customer base and a rise in customer spending and higher capital investments, partially offset by higher cash earnings, net lower income taxes paid due to the recovery of cash taxes related to Glenhuron.

3.2 Liquidity

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

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

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

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

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

(\$ millions)	Oct. 8, 2022				As at Oct. 9, 2021				Dec. 31, 2021			
	Loblaw	Choice Properties	Other and Intersegment	Total	Loblaw	Choice Properties	Other and Intersegment	Total	Loblaw	Choice Properties	Other and Intersegment	Total
	Bank indebtedness	\$ 16	\$ –	\$ –	\$ 16	\$ 166	\$ –	\$ –	\$ 166	\$ 52	\$ –	\$ –
Demand deposits from customers	109	–	–	109	59	–	–	59	75	–	–	75
Short-term debt	600	–	–	600	300	–	249	549	450	–	–	450
Long-term debt due within one year	798	618	–	1,416	881	846	147	1,874	1,002	518	–	1,520
Long-term debt	6,978	5,817	449	13,244	6,290	5,489	449	12,228	6,211	5,709	570	12,490
Certain other liabilities ⁽ⁱ⁾	80	668	–	748	70	664	–	734	74	664	–	738
Fair value of financial derivatives related to the above debt	–	–	–	–	–	–	(126)	(126)	–	–	–	–
Total debt excluding lease liabilities	\$ 8,581	\$ 7,103	\$ 449	\$ 16,133	\$ 7,766	\$ 6,999	\$ 719	\$ 15,484	\$ 7,864	\$ 6,891	\$ 570	\$ 15,325
Lease liabilities due within one year ⁽ⁱⁱ⁾	\$ 1,391	\$ 2	\$ (563)	\$ 830	\$ 1,366	\$ 1	\$ (554)	\$ 813	\$ 1,297	\$ 1	\$ (556)	\$ 742
Lease liabilities ⁽ⁱⁱ⁾	\$ 7,678	\$ 2	\$ (3,363)	\$ 4,317	\$ 7,490	\$ 3	\$ (3,331)	\$ 4,162	\$ 7,542	\$ 1	\$ (3,301)	\$ 4,242
Total debt including lease liabilities	\$ 17,650	\$ 7,107	\$ (3,477)	\$ 21,280	\$ 16,622	\$ 7,003	\$ (3,166)	\$ 20,459	\$ 16,703	\$ 6,893	\$ (3,287)	\$ 20,309

(i) Includes financial liabilities of \$668 million (October 9, 2021 – \$664 million; December 31, 2021 – \$664 million) recorded primarily as a result of Choice Properties' transactions.

(ii) Lease liabilities due within one year of \$2 million (October 9, 2021 – \$3 million; December 31, 2021 – \$2 million) and lease liabilities of \$5 million (October 9, 2021 – \$6 million; December 31, 2021 – \$7 million) relating to GWL Corporate are included in Other and Intersegment.

Management targets credit metrics consistent with those of an investment grade profile. GWL Corporate⁽²⁾ holds cash and cash equivalents and short-term investments and as a result monitors its leverage on a net debt basis. GWL Corporate⁽²⁾ has total debt including lease liabilities of \$456 million (October 9, 2021 – \$728 million; December 31, 2021 – \$579 million) and cash and cash equivalents and short-term investments of \$888 million (October 9, 2021 – \$267 million; December 31, 2021 – \$1,338 million), resulting in a net cash position of \$432 million (October 9, 2021 – net debt of \$461 million; December 31, 2021 – net cash of \$759 million).

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

- Loblaw targets maintaining retail segment credit metrics consistent with those of investment grade retailers. Loblaw monitors the retail segment's debt to rolling year retail adjusted EBITDA⁽¹⁾ ratio as a measure of the leverage being employed. Loblaw retail segment debt to rolling year retail adjusted EBITDA⁽¹⁾ ratio decreased compared to the third quarter of 2021 and year end 2021 primarily due to an improvement in rolling year adjusted EBITDA⁽¹⁾.
- PC Bank's capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory requirements as defined by the Office of the Superintendent of Financial Institutions.

Choice Properties targets maintaining credit metrics consistent with those of investment grade Real Estate Investment Trusts ("REIT"). Choice Properties monitors metrics relevant to the REIT industry including targeting an appropriate debt to total assets ratio.

Management's Discussion and Analysis

COVENANTS AND REGULATORY REQUIREMENTS The Company, Loblaw and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at the end of and throughout the third quarter of 2022, the Company, Loblaw and Choice Properties were in compliance with their respective covenants.

As at the end of and throughout the third quarter of 2022, PC Bank and Choice Properties met all applicable regulatory requirements.

3.3 Components of Total Debt

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

(\$ millions)	Interest Rate	Maturity Date	16 Weeks Ended		40 Weeks Ended	
			Oct. 8, 2022	Oct. 9, 2021	Oct. 8, 2022	Oct. 9, 2021
			Principal Amount	Principal Amount	Principal Amount	Principal Amount
Loblaw						
- Senior Unsecured Note	5.008%	September 13, 2032	\$ 400	\$ -	\$ 400	\$ -
- Senior Unsecured Note	5.336%	September 13, 2052	400	-	400	-
Choice Properties senior unsecured debenture						
- Series R	6.003%	June 24, 2032	500	-	500	-
Total debentures issued			\$ 1,300	\$ -	\$ 1,300	\$ -

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

(\$ millions)	Interest Rate	Maturity Date	16 Weeks Ended		40 Weeks Ended	
			Oct. 8, 2022	Oct. 9, 2021	Oct. 8, 2022	Oct. 9, 2021
			Principal Amount	Principal Amount	Principal Amount	Principal Amount
George Weston debenture - Series A	7.00%	November 10, 2031 ⁽ⁱ⁾	\$ -	\$ 283	\$ -	\$ 319
Loblaw senior unsecured note	4.86%	September 12, 2023 ⁽ⁱⁱ⁾	800	-	800	-
Choice Properties senior unsecured debentures						
- Series 9	3.60%	September 20, 2021	-	200	-	200
- Series 10	3.84%	September 20, 2022 ⁽ⁱⁱⁱ⁾	300	-	300	-
Total debentures repaid			\$ 1,100	\$ 483	\$ 1,100	\$ 519

(i) In the second quarter of 2021, the Company began to settle the net debt associated with the equity forward sale agreement, which was fully settled in the fourth quarter of 2021. In the third quarter of 2021 (year-to-date 2021), the Company paid \$462 million (\$515 million), net of the \$298 million gain (\$341 million gain) on the settlement of 5.83 million (6.58 million) of the 9.6 million shares under the agreement, to redeem \$283 million (\$319 million) of the Series A Debentures and \$475 million (\$535 million) of the Series B Debentures, plus accrued interest.

(ii) Loblaw senior unsecured debenture was redeemed on September 21, 2022.

(iii) Choice Properties senior unsecured Series 10 debenture was redeemed on June 26, 2022.

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

(\$ millions)	Maturity Date	Oct. 8, 2022		As at			
		Available Credit	Drawn	Oct. 9, 2021		Dec. 31, 2021	
		Available Credit	Drawn	Available Credit	Drawn	Available Credit	Drawn
George Weston	September 13, 2024	\$ 350	\$ –	\$ 350	\$ –	\$ 350	\$ 121
Loblaw	July 15, 2027	1,000	–	1,000	–	1,000	–
Choice Properties ⁽ⁱ⁾	September 1, 2027	1,500	150	1,500	100	1,500	–
Total committed credit facilities		\$ 2,850	\$ 150	\$ 2,850	\$ 100	\$ 2,850	\$ 121

(i) Choice Properties repaid \$45 million of its committed credit facility on October 3, 2022.

These facilities contain certain financial covenants.

George Weston In the third quarter of 2021, GWL entered into a \$350 million revolving committed credit facility provided by a syndicate of lenders with a maturity date of September 13, 2024. As at December 31, 2021, \$121 million was drawn on the facility which was repaid in the first quarter of 2022. As at October 8, 2022, no amounts were drawn on the facility.

Loblaw Loblaw has a \$1 billion committed credit facility with a maturity date of July 15, 2027, provided by a syndicate of lenders. In the third quarter of 2022, Loblaw extended the maturity date with all other terms and conditions remaining substantially the same. As at October 8, 2022, there were no amounts drawn under this facility (October 9, 2021 and December 31, 2021 – no amounts were drawn).

Choice Properties On June 30, 2022, Choice Properties completed an irrevocable defeasance payment of \$180 million against its outstanding credit facility balance. The credit facility balance outstanding at June 30, 2022, included \$180 million of banker's acceptances maturing on July 4, 2022. The administrative agent for the credit facility distributed the defeasance payment to the lenders on July 4, 2022. During the third quarter of 2022, the maturity for the credit facility was extended to September 1, 2027 with all other terms and conditions remaining substantially the same. As at October 8, 2022, \$150 million was drawn under the facility.

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

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

(\$ millions)	Oct. 8, 2022	As at	
		Oct. 9, 2021	Dec. 31, 2021
Securitized to independent securitization trusts:			
Securitized to <i>Eagle Credit Card Trust</i> [®]	\$ 1,600	\$ 1,350	\$ 1,350
Securitized to Other Independent Securitization Trusts	600	300	450
Total securitized to independent securitization trusts	\$ 2,200	\$ 1,650	\$ 1,800

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 October 8, 2022 and throughout the first three quarters of 2022.

INDEPENDENT FUNDING TRUSTS As at the end of the third quarter of 2022, the independent funding trusts had drawn \$573 million (October 9, 2021 – \$574 million; December 31, 2021 – \$570 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts. As at the end of the third quarter of 2022, Loblaw provided a credit enhancement of \$64 million (October 9, 2021 and December 31, 2021 – \$64 million) for the benefit of the independent funding trusts representing not less than 10% (October 9, 2021 and December 31, 2021 – not less than 10%) of the principal amount of loans outstanding.

Management's Discussion and Analysis

The revolving committed credit facility that is the source of funding to the independent funding trusts has a maturity date of April 14, 2025. Loblaw extended the maturity date during the second quarter of 2022 with all other terms and conditions remaining substantially the same.

GUARANTEED INVESTMENT CERTIFICATES The following table summarizes PC Bank's GIC activity, before commissions, for the periods ended as follows:

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 8, 2022	Oct. 9, 2021	Oct. 8, 2022	Oct. 9, 2021
Balance, beginning of period	\$ 1,075	\$ 1,048	\$ 996	\$ 1,185
GICs issued	282	40	461	196
GICs matured	(46)	(139)	(146)	(432)
Balance, end of period	\$ 1,311	\$ 949	\$ 1,311	\$ 949

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

(\$ millions)	Maturity Date	As at		
		Oct. 8, 2022	Oct. 9, 2021	Dec. 31, 2021
Debentures	2024 - 2033	\$ 450	\$ 450	\$ 450
George Weston credit facility	2024	–	–	121
Transaction costs and other	n/a	(1)	(1)	(1)
		\$ 449	\$ 449	\$ 570
Series A	2031	\$ –	\$ 147	\$ –
Series B	On demand	–	249	–
Fair value of financial derivatives related to the above debt	n/a	–	(126)	–
Debt associated with equity forward sale agreement ⁽ⁱ⁾		\$ –	\$ 270	\$ –
Other and Intersegment debt		\$ 449	\$ 719	\$ 570

- (i) In 2001, Weston Holdings Limited ("WHL"), a subsidiary of GWL, issued \$466 million of 7.00% Series A Debentures due 2031, which were serviced by the issuance of Series B Debentures. In addition, WHL entered into an equity forward sale agreement with the lender to sell 9.6 million Loblaw common shares at an initial forward sale price of \$48.50 which increases by the interest rates on Series A Debentures and Series B Debentures.

In the second quarter of 2021, the Company began to settle the net debt associated with the equity forward sale agreement, which was fully settled in the fourth quarter of 2021. The 9.6 million Loblaw shares have been released to the Company such that its economic interest in Loblaw is now equal to its voting interest. In aggregate, \$790 million was paid throughout 2021 to extinguish the net debt associated with the equity forward sale agreement.

3.4 Financial Condition

	As at		
	Oct. 8, 2022	Oct. 9, 2021	Dec. 31, 2021
Rolling year adjusted return on average equity attributable to common shareholders of the Company ⁽¹⁾	22.2%	17.5%	18.7%
Rolling year adjusted return on capital ⁽¹⁾	13.2%	12.0%	12.6%

The rolling year adjusted return on average equity attributable to common shareholders of the Company⁽¹⁾ increased as at the end of the third quarter of 2022 compared to the end of the third quarter of 2021 and year end 2021, primarily due to an increase in adjusted net earnings⁽¹⁾ as a result of an improvement in the Company's consolidated underlying performance.

The rolling year adjusted return on capital⁽¹⁾ increased as at the end of the third quarter of 2022 compared to the end of the third quarter of 2021 and year end 2021, primarily due to an increase in adjusted operating income⁽¹⁾ as a result of an improvement in the Company's consolidated underlying performance.

3.5 Credit Ratings

The following table sets out the current credit ratings of GWL:

Credit Ratings (Canadian Standards)	DBRS		S&P	
	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Stable	BBB	Stable
Medium term notes	BBB	Stable	BBB-	n/a
Other notes and debentures	BBB	Stable	BBB	n/a
Preferred shares	Pfd-3	Stable	P-3 (high)	n/a

During the third quarter of 2022, S&P Global Ratings ("S&P") confirmed the above ratings and outlook of GWL, and DBRS Morningstar ("DBRS") confirmed the above ratings and trend of GWL.

The following table sets out the current credit ratings of Loblaw:

Credit Ratings (Canadian Standards)	DBRS		S&P	
	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB (high)	Stable	BBB	Stable
Medium term notes	BBB (high)	Stable	BBB	n/a
Other notes and debentures	BBB (high)	Stable	BBB	n/a
Second Preferred shares, Series B	Pfd-3 (high)	Stable	P-3 (high)	n/a

During the third quarter of 2022, S&P confirmed the above ratings and outlook of Loblaw, and DBRS confirmed the above ratings and trend of Loblaw.

The following table sets out the current credit ratings of Choice Properties:

Credit Ratings (Canadian Standards)	DBRS		S&P	
	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB (high)	Stable	BBB	Stable
Senior unsecured debentures	BBB (high)	Stable	BBB	n/a

During the third quarter of 2022, S&P confirmed the above ratings and outlook of Choice Properties, and DBRS confirmed the above ratings and trend of Choice Properties.

Management's Discussion and Analysis

3.6 Share Capital

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

(\$ millions except where otherwise indicated)	16 Weeks Ended				40 Weeks Ended			
	Oct. 8, 2022		Oct. 9, 2021		Oct. 8, 2022		Oct. 9, 2021	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	144,746,752	\$ 2,671	150,781,841	\$ 2,742	146,789,503	\$ 2,714	152,374,416	\$ 2,786
Issued for settlement of stock options	47,921	5	111,384	13	216,096	25	215,929	24
Purchased and cancelled ⁽ⁱ⁾⁽ⁱⁱ⁾	(2,472,575)	(47)	(3,203,339)	(45)	(4,683,501)	(110)	(4,900,459)	(100)
Issued and outstanding, end of period	142,322,098	\$ 2,629	147,689,886	\$ 2,710	142,322,098	\$ 2,629	147,689,886	\$ 2,710
Shares held in trusts, beginning of period	(64,263)	\$ (1)	(181,099)	\$ (3)	(141,106)	\$ (2)	(254,525)	\$ (4)
Purchased for future settlement of RSUs and PSUs	(99,000)	(2)	–	–	(99,000)	(2)	–	–
Released for settlement of RSUs and PSUs	2,500	–	158	–	79,343	1	73,584	1
Shares held in trusts, end of period	(160,763)	\$ (3)	(180,941)	\$ (3)	(160,763)	\$ (3)	(180,941)	\$ (3)
Issued and outstanding, net of shares held in trusts, end of period	142,161,335	\$ 2,626	147,508,945	\$ 2,707	142,161,335	\$ 2,626	147,508,945	\$ 2,707
Weighted average outstanding, net of shares held in trusts	143,540,343		149,194,965		145,138,574		150,755,363	

- (i) Number of common shares repurchased and cancelled as at October 8, 2022, does not include shares that may be repurchased subsequent to the end of the quarter under the automatic share purchase plan ("ASPP"), as described below.
- (ii) Includes 1,930 shares cancelled during the third quarter of 2021 in a private transaction and are excluded from the Company's Normal Course Issuer Bid.

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

(\$ millions except where otherwise indicated)	16 Weeks Ended		40 Weeks Ended	
	Oct. 8, 2022	Oct. 9, 2021	Oct. 8, 2022	Oct. 9, 2021
Purchased for future settlement of RSUs and PSUs (number of shares)	99,000	–	99,000	–
Purchased for current settlement of RSUs and DSUs (number of shares)	–	–	15,716	1,588
Purchased and cancelled (number of shares)	2,472,575	3,201,409	4,683,501	4,898,529
Cash consideration paid				
Purchased and held in trusts	\$ (14)	\$ –	\$ (14)	\$ –
Purchased and settled	\$ –	\$ –	\$ (2)	\$ –
Purchased and cancelled ⁽ⁱ⁾	\$ (393)	\$ (411)	\$ (718)	\$ (577)
Premium charged to retained earnings				
Purchased and held in trusts	\$ 12	\$ –	\$ 12	\$ –
Purchased and settled	\$ –	\$ –	\$ 1	\$ –
Purchased and cancelled ⁽ⁱⁱ⁾	\$ 335	\$ 286	\$ 781	\$ 578
Reduction in share capital ⁽ⁱⁱⁱ⁾	\$ 49	\$ 45	\$ 112	\$ 100

(i) Included in the third quarter of 2022 and year-to-date is a net cash timing adjustment of \$17 million (2021 – \$(5) million) and a nominal amount (2021 – \$(31) million), respectively, of common shares repurchased under the NCIB for cancellation.

(ii) Includes \$152 million (2021 – \$60 million) related to the ASPP, as described below.

(iii) Includes \$23 million (2021 – \$10 million) related to the ASPP, as described below.

In the second quarter of 2022, GWL renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 7,304,927 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.

The Company participates in an ASPP with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at October 8, 2022, an obligation to repurchase shares of \$175 million (2021 – \$70 million) was recognized under the ASPP in trade payables and other liabilities.

As of October 8, 2022, 3,081,117 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:

(\$)	16 Weeks Ended		40 Weeks Ended	
	Oct. 8, 2022	Oct. 9, 2021	Oct. 8, 2022	Oct. 9, 2021
Dividends declared per share ⁽ⁱ⁾ :				
Common share	\$ 0.660	\$ 0.600	\$ 1.920	\$ 1.700
Preferred share:				
Series I	\$ 0.3625	\$ 0.3625	\$ 1.0875	\$ 1.0875
Series III	\$ 0.3250	\$ 0.3250	\$ 0.9750	\$ 0.9750
Series IV	\$ 0.3250	\$ 0.3250	\$ 0.9750	\$ 0.9750
Series V	\$ 0.296875	\$ 0.296875	\$ 0.890625	\$ 0.890625

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on October 1, 2022. Dividends declared on Preferred Shares, Series I were paid on September 15, 2022.

Management's Discussion and Analysis

The following table summarizes the Company's cash dividends declared subsequent to the end of the third quarter of 2022:

(\$)	
Dividends declared per share ⁽ⁱ⁾ – Common share	\$ 0.660
– Preferred share:	
Series I	\$ 0.3625
Series III	\$ 0.3250
Series IV	\$ 0.3250
Series V	\$ 0.296875

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V are payable on January 1, 2023. Dividends declared on Preferred Shares, Series I are payable on December 15, 2022.

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

3.7 Off-Balance Sheet Arrangements

The Company uses off-balance sheet arrangements including letters of credit, guarantees and cash collateralization in connection with certain obligations. There were no significant changes to these off-balance sheet arrangements during 2022. For a discussion of the Company's significant off-balance sheet arrangements see Section 3.7, "Off-Balance Sheet Arrangements", of the Company's 2021 Annual Report.

4. Quarterly Results of Operations

The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. The years ended December 31, 2021 and December 31, 2020 contained 52 weeks and 53 weeks, respectively. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. When a fiscal year such as 2020 contains 53 weeks, the fourth quarter is 13 weeks in duration.

Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

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

SELECTED QUARTERLY INFORMATION

(\$ millions except where otherwise indicated)	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
	2022 (16 weeks)	2021 (16 weeks)	2022 (12 weeks)	2021 ⁽³⁾ (12 weeks)	2022 (12 weeks)	2021 ⁽³⁾ (12 weeks)	2021 (12 weeks)	2020 ⁽³⁾ (13 weeks)
Revenue	\$ 17,520	\$ 16,192	\$ 12,979	\$ 12,637	\$ 12,407	\$ 12,017	\$ 12,902	\$ 13,430
Operating income	1,474	1,125	649	1,065	1,166	828	1,009	869
Adjusted EBITDA ⁽¹⁾	1,951	1,780	1,588	1,462	1,422	1,300	1,453	1,396
Depreciation and amortization ⁽ⁱ⁾	729	704	552	541	549	525	537	532
Net earnings from continuing operations	1,185	513	874	361	615	118	755	488
Net earnings (loss) attributable to shareholders of the Company from continuing operations	903	252	650	125	373	(52)	428	274
Net earnings (loss) available to common shareholders of the Company	889	124	634	108	363	(62)	217	289
Continuing operations	889	238	640	115	363	(62)	418	264
Discontinued operations	–	(114)	(6)	(7)	–	–	(201)	25
Net earnings (loss) per common share (\$) - basic	\$ 6.20	\$ 0.83	\$ 4.35	\$ 0.71	\$ 2.47	\$ (0.41)	\$ 1.48	\$ 1.89
Continuing operations	6.20	1.59	4.39	0.75	2.47	(0.41)	2.84	1.73
Discontinued operations	–	(0.76)	(0.04)	(0.04)	–	–	(1.36)	0.16
Net earnings (loss) per common share (\$) - diluted	\$ 6.14	\$ 0.82	\$ 4.32	\$ 0.70	\$ 2.45	\$ (0.41)	\$ 1.44	\$ 1.88
Continuing operations	6.14	1.58	4.36	0.74	2.45	(0.41)	2.80	1.72
Discontinued operations	–	(0.76)	(0.04)	(0.04)	–	–	(1.36)	0.16
Adjusted diluted net earnings per common share ⁽¹⁾ from continuing operations (\$)	\$ 3.12	\$ 2.43	\$ 2.23	\$ 1.80	\$ 1.90	\$ 1.60	\$ 2.32	\$ 1.74

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

REVENUE Over the last eight quarters, consolidated revenue has been impacted by each of the Company's reportable operating segments as follows:

- Loblaw's revenue was impacted by various factors including the following:
 - COVID-19 pandemic related impacts;
 - seasonality, which was greatest in the fourth quarter and least in the first quarter;
 - the impact of the 53rd week in the fourth quarter of fiscal year 2020;
 - the timing of holidays;
 - macro-economic conditions impacting food and drug retail prices; and
 - changes in net retail square footage. Over the past eight quarters, net retail square footage remained constant at 70.9 million square feet.
- Choice Properties revenue was impacted by the following:
 - foregone revenue from dispositions;
 - increased capital recoveries;
 - higher rental rates on renewals in the retail and industrial portfolio;
 - contribution from acquisitions, and development transfers;
 - vacancies in select office assets; and
 - increase in lease surrender revenue.

Management's Discussion and Analysis

NET EARNINGS (LOSS) AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY FROM CONTINUING OPERATIONS AND DILUTED NET EARNINGS (LOSS) PER COMMON SHARE FROM CONTINUING OPERATIONS Net earnings (loss) available to common shareholders of the Company from continuing operations and diluted net earnings (loss) per common share from continuing operations for the last eight quarters were impacted by the underlying operating performance of each of the Company's reportable operating segments and certain adjusting items as described in Section 8.1 "Non-GAAP Financial Measures - Selected Comparative Reconciliation", of this MD&A.

The Company's underlying operating performance for the last eight quarters included the following:

- change in Loblaw's underlying operating performance was driven by:
 - COVID-19 pandemic related impacts;
 - seasonality, which was greatest in the fourth quarter and least in the first quarter;
 - the impact of the 53rd week in the fourth quarter of fiscal year 2020;
 - the timing of holidays; and
 - cost savings from operating efficiencies and benefits from strategic initiatives.
- change in Choice Properties' underlying operating performance was driven by:
 - distributions from the investment in real estate securities of Allied;
 - the change in revenue as described above; and
 - a decline in expected credit loss provisions.
- the impact of asset impairments, net of recoveries and certain one-time gains related to Choice Properties' transactions recorded on consolidation in Other and Intersegment;
- diluted net earnings per common share included the favourable impact of shares purchased for cancellation.

5. Internal Control Over Financial Reporting

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

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

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

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING There were no changes in the Company's internal control over financial reporting in the third quarter of 2022 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

6. Enterprise Risks and Risk Management

A detailed full set of risks inherent in the Company's business are included in the Company's Annual Information Form ("AIF") for the year ended December 31, 2021 and the MD&A included in the Company's 2021 Annual Report, which are hereby incorporated by reference. The Company's 2021 Annual Report and AIF are available at www.sedar.com. Those risks and risk management strategies remain unchanged.

7. Outlook⁽⁴⁾

For 2022, the Company expects adjusted net earnings⁽¹⁾ from continuing operations to increase due to the results from its operating segments, and to use excess cash to repurchase shares.

Loblaw Loblaw will continue to execute on retail excellence in its core grocery and pharmacy businesses while advancing its growth initiatives in 2022. In the third year of the pandemic, Loblaw's businesses remain well placed to service the everyday needs of Canadians. However, Loblaw cannot predict the precise impacts of COVID-19, the related industry volatility and inflationary environment on its 2022 financial results.

On a full year basis, Loblaw continues to expect:

- its retail business to grow earnings faster than sales;
- to invest approximately \$1.4 billion in capital expenditures, net of proceeds from property disposals, reflecting incremental store and distribution network investments; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

Based on its year to date operating and financial performance and momentum exiting the third quarter, Loblaw expects full year adjusted net earnings per common share⁽¹⁾ growth in the high teens.

Choice Properties Choice Properties' goal is to provide net asset value appreciation through stable net operating income growth and capital preservation, all with a long-term focus. Choice Properties' business model, stable tenant base, strong balance sheet, and disciplined approach to financial management will continue to position it well for future success.

At the end of the third quarter of 2022, Choice Properties' diversified portfolio of retail, industrial, residential and mixed-use properties was 97.7% occupied and leased to high-quality tenants across Canada. Choice Properties' portfolio is primarily leased to necessity-based tenants and logistics providers, who are less sensitive to economic volatility and therefore provide stability to Choice Properties' overall portfolio. This stability is evident in Choice Properties' ability to consistently deliver strong financial and operating results. Choice Properties continues to experience positive leasing momentum across its portfolio and expects occupancy to remain stable for the remainder of the year as it has substantially addressed its 2022 lease renewal exposure.

In 2021, Choice Properties made the strategic decision to focus its time and capital on the opportunities available in its core business of essential retail and industrial, its growing residential platform and its robust development pipeline. This decision led to Choice Properties' strategic sale of six high-quality office properties to Allied on March 31, 2022.

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

Since the start of the year, concerns over inflation have resulted in a significant increase in interest rates with the Bank of Canada already raising the overnight rate by 350 basis points, with further rate hikes possible for the remainder of 2022. Further elevated interest rates may put further downward pressure on the fair value of properties in the remainder of 2022. In addition, market volatility and uncertainty around future interest rates continues to slow transaction volumes.

Management's Discussion and Analysis

8. Non-GAAP Financial Measures

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

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

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

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP. Unless otherwise indicated, all financial information represents the Company's results from continuing operations.

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

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

(unaudited) (\$ millions)	16 Weeks Ended							
	Oct. 8, 2022				Oct. 9, 2021			
	Loblaw	Choice Properties	Other & Intersegment	Consolidated	Loblaw	Choice Properties	Other & Intersegment	Consolidated
Net earnings attributable to shareholders of the Company from continuing operations				\$ 903				\$ 252
Add impact of the following:								
Non-controlling interests				282				261
Income taxes				276				200
Net interest expense and other financing charges				13				412
Operating income (loss)	\$ 989	\$ 501	\$ (16)	\$ 1,474	\$ 861	\$ 276	\$ (12)	\$ 1,125
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 147	\$ –	\$ –	\$ 147	\$ 155	\$ –	\$ –	\$ 155
Amortization of intangible assets acquired with Lifemark	4	–	–	4	–	–	–	–
Fair value adjustment of investment in real estate securities	–	69	–	69	–	–	–	–
Restructuring and other related costs	–	–	–	–	9	–	–	9
Fair value adjustment on investment properties	–	(347)	34	(313)	–	(51)	10	(41)
Fair value adjustment of derivatives	(6)	–	–	(6)	(8)	–	–	(8)
Gain on sale of non-operating properties	(3)	–	–	(3)	(7)	–	(2)	(9)
Foreign currency translation and other company level activities	–	–	1	1	–	–	–	–
Adjusting items	\$ 142	\$ (278)	\$ 35	\$ (101)	\$ 149	\$ (51)	\$ 8	\$ 106
Adjusted operating income	\$ 1,131	\$ 223	\$ 19	\$ 1,373	\$ 1,010	\$ 225	\$ (4)	\$ 1,231
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱ⁾	713	–	(135)	578	662	1	(114)	549
Adjusted EBITDA	\$ 1,844	\$ 223	\$ (116)	\$ 1,951	\$ 1,672	\$ 226	\$ (118)	\$ 1,780

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes \$151 million (2021 – \$155 million) of amortization of intangible assets, acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

Management's Discussion and Analysis

(unaudited) (\$ millions)	40 Weeks Ended							
	Oct. 8, 2022				Oct. 9, 2021			
	Loblaw	Choice Properties	Other & Intersegment	Consolidated	Loblaw	Choice Properties	Other & Intersegment	Consolidated
Net earnings attributable to shareholders of the Company from continuing operations				\$ 1,926				\$ 325
Add impact of the following:								
Non-controlling interests				748				667
Income taxes				618				566
Net interest (income) expense and other financing charges				(3)				1,460
Operating income	\$ 2,465	\$ 679	\$ 145	\$ 3,289	\$ 2,226	\$ 1,064	\$ (272)	\$ 3,018
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 375	\$ –	\$ –	\$ 375	\$ 389	\$ –	\$ –	\$ 389
Amortization of intangible assets acquired with Lifemark	7	–	–	7	–	–	–	–
Fair value adjustment of investment in real estate securities	–	228	–	228	–	–	–	–
Charge related to PC Bank commodity tax matter	111	–	–	111	–	–	–	–
Transaction costs and other related expenses	16	5	–	21	–	–	–	–
Restructuring and other related (recoveries) costs	(15)	–	19	4	21	–	–	21
Fair value adjustment on investment properties	–	(240)	(262)	(502)	–	(393)	157	(236)
Fair value adjustment of derivatives	(16)	–	–	(16)	(19)	–	–	(19)
Gain on sale of non-operating properties	(7)	–	–	(7)	(12)	–	–	(12)
Foreign currency translation and other company level activities	–	–	3	3	–	–	–	–
Adjusting items	\$ 471	\$ (7)	\$ (240)	\$ 224	\$ 379	\$ (393)	\$ 157	\$ 143
Adjusted operating income	\$ 2,936	\$ 672	\$ (95)	\$ 3,513	\$ 2,605	\$ 671	\$ (115)	\$ 3,161
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱ⁾	1,746	2	(300)	1,448	1,652	3	(274)	1,381
Adjusted EBITDA	\$ 4,682	\$ 674	\$ (395)	\$ 4,961	\$ 4,257	\$ 674	\$ (389)	\$ 4,542

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes \$382 million (2021 – \$389 million) of amortization of intangible assets, acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

The following items impacted adjusted EBITDA in 2022 and 2021:

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

Amortization of intangible assets acquired with Lifemark The acquisition of Lifemark in the second quarter of 2022 included approximately \$299 million of definite life intangible assets, which are being amortized over their estimated useful lives.

Fair value adjustment of investment in real estate securities Choice Properties received Allied Class B Units as part of the consideration for the Office Asset Sale on March 31, 2022. Choice Properties recognized these units as investments in real estate securities. The investment in real estate securities is exposed to market price fluctuations of Allied trust units. An increase (decrease) in the market price of Allied trust units results in income (a charge) to operating income.

Charge related to PC Bank commodity tax matter In the second quarter of 2022, Loblaw recorded a charge of \$111 million, inclusive of interest. On July 19, 2022, the Tax Court released its decision and ruled that PC Bank is not entitled to claim notional input tax credits for certain payments it made to Loblaw's Inc. in respect of redemptions of loyalty points. On September 29, 2022, PC Bank filed a Notice of Appeal with the Federal Court of the Appeal.

Transaction costs and other related expenses In connection with the acquisition of Lifemark, Loblaw recorded \$16 million of acquisition costs year-to-date.

During the first quarter of 2022 and year-to-date, Choice Properties recorded advisory, legal, personnel, and other costs related to the Office Asset Sale totaling \$5 million.

Restructuring and other related costs The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Only restructuring activities that are publicly announced related to these initiatives are considered adjusting items.

In the third quarter of 2022, Loblaw did not record any restructuring and other related recoveries or charges (2021 – charges of \$9 million). Year-to-date, Loblaw recorded approximately \$15 million (2021 – charges of \$21 million) of restructuring and other related recoveries mainly in connection with the previously announced closure of two distribution centres in Laval and Ottawa. In the first quarter of 2022, Loblaw disposed of one of its distribution centres for proceeds of \$26 million and recognized a gain of \$19 million, which was partially offset by \$4 million of restructuring and other related costs. Loblaw invested to build a modern and efficient expansion to its Cornwall distribution centre to serve its food and drug retail businesses in Ontario and Quebec and volumes have been transferred.

Included in Loblaw's restructuring and other related recoveries was a gain of \$19 million related to the disposition of a property to Choice Properties. On consolidation, the \$19 million recovery recorded by Loblaw was reversed as it was an intercompany transaction.

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

Fair value adjustment of derivatives Loblaw is exposed to commodity price and U.S. dollar exchange rate fluctuations. In accordance with Loblaw's commodity risk management policy, Loblaw enters into exchange traded futures contracts and forward contracts to minimize cost volatility relating to fuel prices and the U.S. dollar exchange rate. These derivatives are not acquired for trading or speculative purposes. Pursuant to Loblaw's derivative instruments accounting policy, changes in the fair value of these instruments, which include realized and unrealized gains and losses, are recorded in operating income. Despite the impact of accounting for these commodity and foreign currency derivatives on Loblaw's reported results, the derivatives have the economic impact of largely mitigating the associated risks arising from price and exchange rate fluctuations in the underlying commodities and U.S. dollar commitments.

Gain on sale of non-operating properties In the third quarter of 2022 and year-to-date, Loblaw disposed of non-operating properties to a third party and recorded a gain of \$3 million (2021 – \$7 million) and \$7 million (2021 – \$12 million), respectively.

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

Management's Discussion and Analysis

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

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

(unaudited) (\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 8, 2022	Oct. 9, 2021	Oct. 8, 2022	Oct. 9, 2021
Net interest expense (income) and other financing charges	\$ 13	\$ 412	\$ (3)	\$ 1,460
Add: Fair value adjustment of the Trust Unit liability	277	(52)	760	(479)
Recovery related to Glenhuron	–	–	11	–
Fair value adjustment of the forward sale agreement for Loblaw common shares	–	(73)	–	(184)
Adjusted net interest expense and other financing charges	\$ 290	\$ 287	\$ 768	\$ 797

In addition to certain items described in the "Adjusted EBITDA" section above, the following items impacted adjusted net interest expense and other financing charges in 2022 and 2021:

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

Recovery related to Glenhuron In the first quarter of 2022, Loblaw reversed \$35 million of previously recorded charges, of which \$33 million was recorded as income tax recovery and \$2 million was recorded as interest income. In addition, interest of \$9 million, before taxes was recorded in respect of interest income earned on expected cash tax refunds.

Fair value adjustment of the forward sale agreement for Loblaw common shares The fair value adjustment of the forward sale agreement for Loblaw common shares is included in net interest expense and other financing charges. The adjustment is determined by changes in the value of the underlying Loblaw common shares. An increase (decrease) in the market price of Loblaw common shares results in a charge (income) to net interest expense and other financing charges. The Company settled the net debt associated with the forward sale agreement in the fourth quarter of 2021.

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

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

(unaudited) (\$ millions except where otherwise indicated)	16 Weeks Ended		40 Weeks Ended	
	Oct. 8, 2022	Oct. 9, 2021	Oct. 8, 2022	Oct. 9, 2021
Adjusted operating income ⁽ⁱ⁾	\$ 1,373	\$ 1,231	\$ 3,513	\$ 3,161
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	290	287	768	797
Adjusted earnings before taxes	\$ 1,083	\$ 944	\$ 2,745	\$ 2,364
Income taxes	\$ 276	\$ 200	\$ 618	\$ 566
Add: Tax impact of items excluded from adjusted earnings before taxes ⁽ⁱⁱ⁾	(11)	43	58	88
Outside basis difference in certain Loblaw shares	18	9	(1)	(7)
Remeasurement of deferred tax balances	–	–	46	–
Recovery related to Glenhuron	–	–	33	–
Adjusted income taxes	\$ 283	\$ 252	\$ 754	\$ 647
Effective tax rate applicable to earnings before taxes	18.9%	28.1%	18.8%	36.3%
Adjusted effective tax rate applicable to adjusted earnings before taxes	26.1%	26.7%	27.5%	27.4%

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

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

In addition to certain items described in the “Adjusted EBITDA” and “Adjusted Net Interest Expense and Other Financing Charges” sections above, the following items impacted adjusted income taxes and the adjusted effective tax rate in 2022 and 2021:

Outside basis difference in certain Loblaw shares The Company recorded a deferred tax recovery of \$18 million quarter-to-date (2021 – \$9 million) and a deferred tax expense of \$1 million year-to-date (2021 – \$7 million) on temporary differences in respect of GWL’s investment in certain Loblaw shares that are expected to reverse in the foreseeable future as a result of GWL’s participation in Loblaw’s NCIB.

Remeasurement of deferred tax balances In the second quarter of 2022, the Company revalued certain deferred tax balances as a result of the Office Asset Sale which resulted in an income tax recovery of \$46 million.

Recovery related to Glenhuron In the first quarter of 2022, Loblaw reversed \$35 million of previously recorded charges, of which \$33 million was recorded as income tax recovery and \$2 million was recorded as interest income. In addition, interest of \$9 million, before taxes was recorded in respect of interest income earned on expected cash tax refunds.

Management's Discussion and Analysis

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

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

(unaudited) (\$ millions except where otherwise indicated)	16 Weeks Ended		40 Weeks Ended	
	Oct. 8, 2022	Oct. 9, 2021	Oct. 8, 2022	Oct. 9, 2021
Net earnings attributable to shareholders of the Company	\$ 903	\$ 138	\$ 1,920	\$ 204
Less: Net loss from discontinued operations	–	(114)	(6)	(121)
Net earnings attributable to shareholders of the Company from continuing operations	\$ 903	\$ 252	\$ 1,926	\$ 325
Less: Prescribed dividends on preferred shares in share capital	(14)	(14)	(34)	(34)
Net earnings available to common shareholders of the Company from continuing operations	\$ 889	\$ 238	\$ 1,892	\$ 291
Less: Reduction in net earnings due to dilution at Loblaw	(4)	(1)	(8)	(4)
Net earnings available to common shareholders from continuing operations for diluted earnings per share	\$ 885	\$ 237	\$ 1,884	\$ 287
Net earnings attributable to shareholders of the Company from continuing operations	\$ 903	\$ 252	\$ 1,926	\$ 325
Adjusting items (refer to the following table)	(436)	127	(829)	594
Adjusted net earnings attributable to shareholders of the Company from continuing operations	\$ 467	\$ 379	\$ 1,097	\$ 919
Less: Prescribed dividends on preferred shares in share capital	(14)	(14)	(34)	(34)
Adjusted net earnings available to common shareholders of the Company from continuing operations	\$ 453	\$ 365	\$ 1,063	\$ 885
Less: Reduction in net earnings due to dilution at Loblaw	(4)	(1)	(8)	(4)
Adjusted net earnings available to common shareholders for diluted earnings per share from continuing operations	\$ 449	\$ 364	\$ 1,055	\$ 881
Diluted weighted average common shares outstanding (in millions)	144.1	149.7	145.7	151.0

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

	16 Weeks Ended			
	Oct. 8, 2022		Oct. 9, 2021	
(unaudited) (\$ except where otherwise indicated)	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share
Continuing Operations	\$ 889	\$ 6.14	\$ 238	\$ 1.58
Add (deduct) impact of the following ⁽ⁱ⁾ :				
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 58	\$ 0.41	\$ 58	\$ 0.39
Amortization of intangible assets acquired with Lifemark	2	0.01	–	–
Fair value adjustment of investment in real estate securities	64	0.45	–	–
Restructuring and other related costs	–	–	5	0.03
Fair value adjustment on investment properties	(262)	(1.82)	(35)	(0.24)
Fair value adjustment of derivatives	(3)	(0.02)	(3)	(0.02)
Gain on sale of non-operating properties	(1)	(0.01)	(5)	(0.03)
Fair value adjustment of the Trust Unit liability	(277)	(1.92)	52	0.35
Fair value adjustment of the forward sale agreement for Loblaw common shares	–	–	64	0.43
Outside basis difference in certain Loblaw shares	(18)	(0.13)	(9)	(0.06)
Foreign currency translation and other company level activities	1	0.01	–	–
Adjusting items Continuing Operations	\$ (436)	\$ (3.02)	\$ 127	\$ 0.85
Adjusted Continuing Operations	\$ 453	\$ 3.12	\$ 365	\$ 2.43

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

Management's Discussion and Analysis

	40 Weeks Ended			
	Oct. 8, 2022		Oct. 9, 2021	
(unaudited) (\$ except where otherwise indicated)	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share	Net Earnings Available to Common Shareholders of the Company (\$ millions)	Diluted Net Earnings Per Common Share
Continuing Operations	\$ 1,892	\$ 12.93	\$ 291	\$ 1.90
Add (deduct) impact of the following ⁽ⁱ⁾ :				
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 147	\$ 1.01	\$ 149	\$ 0.98
Amortization of intangible assets acquired with Lifemark	3	0.02	–	–
Fair value adjustment of investment in real estate securities	210	1.45	–	–
Charge related to PC Bank commodity tax matter	45	0.31	–	–
Transaction costs and other related expenses	12	0.08	–	–
Restructuring and other related costs	10	0.08	9	0.06
Fair value adjustment on investment properties	(420)	(2.89)	(198)	(1.31)
Fair value adjustment of derivatives	(7)	(0.05)	(7)	(0.05)
Gain on sale of non-operating properties	(3)	(0.02)	(5)	(0.03)
Fair value adjustment of the Trust Unit liability	(760)	(5.22)	479	3.17
Fair value adjustment of the forward sale agreement for Loblaw common shares	–	–	160	1.06
Outside basis difference in certain Loblaw shares	1	0.01	7	0.05
Remeasurement of deferred tax balances	(46)	(0.32)	–	–
Recovery related to Glenhuron	(23)	(0.16)	–	–
Foreign currency translation and other company level activities	2	0.01	–	–
Adjusting items Continuing Operations	\$ (829)	\$ (5.69)	\$ 594	\$ 3.93
Adjusted Continuing Operations	\$ 1,063	\$ 7.24	\$ 885	\$ 5.83

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

FREE CASH FLOW FROM CONTINUING OPERATIONS The Company believes free cash flow is useful in assessing the Company's cash available for additional financing and investing activities.

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

(unaudited) (\$ millions)	16 Weeks Ended			40 Weeks Ended		
	Oct. 8, 2022	Oct. 9, 2021	\$ Change	Oct. 8, 2022	Oct. 9, 2021 ⁽ⁱ⁾	\$ Change
Cash flows from operating activities	\$ 1,578	\$ 1,339	\$ 239	\$ 3,453	\$ 3,952	\$ (499)
Less: Cash flows from operating activities from discontinued operations	–	(28)	28	–	(12)	12
Cash flows from operating activities from continuing operations	\$ 1,578	\$ 1,367	\$ 211	\$ 3,453	\$ 3,964	\$ (511)
Less: Interest paid	225	241	(16)	623	680	(57)
Capital investments ⁽ⁱ⁾	524	393	131	1,093	894	199
Lease payments, net	264	255	9	610	593	17
Free cash flow from continuing operations	\$ 565	\$ 478	\$ 87	\$ 1,127	\$ 1,797	\$ (670)

(i) During 2022, there were no additions to Loblaw fixed assets related to prepayments that were made in 2021 and transferred from other assets. During 2021, additions to Loblaw fixed assets included prepayments that were made in 2020 and transferred from other assets of nil in the third quarter of 2021 and \$1 million year-to-date 2021.

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

Funds from operations is calculated in accordance with the Real Property Association of Canada's Funds from Operations & Adjusted Funds from Operations for IFRS issued in January 2022.

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

(unaudited) (\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 8, 2022	Oct. 9, 2021	Oct. 8, 2022	Oct. 9, 2021
Net income	\$ 948	\$ 163	\$ 1,323	\$ 186
Add (deduct) impact of the following:				
Amortization of intangible assets	–	–	1	1
Transaction costs and other related expenses	–	–	5	–
Other fair value gains, net	–	–	(1)	2
Fair value adjustment on Exchangeable Units	(578)	(16)	(1,029)	491
Fair value adjustment on investment properties	(141)	(35)	80	(363)
Fair value adjustment on investment property held in equity accounted joint ventures	(203)	(16)	(315)	(30)
Fair value adjustment of investment in real estate securities	69	–	228	–
Capitalized interest on equity accounted joint ventures	3	1	6	3
Unit distributions on Exchangeable Units	73	74	220	220
Internal expenses for leasing	2	2	6	5
Income taxes	–	–	–	–
Foreign exchange gain	–	–	–	–
Funds from Operations	\$ 173	\$ 173	\$ 524	\$ 515

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8.1 Non-GAAP Financial Measures - Selected Comparative Reconciliation

The following table provides a reconciliation of adjusted EBITDA to operating income, which is reconciled to GAAP net earnings (loss) attributable to shareholders of the Company from continuing operations reported for the periods ended as indicated.

(unaudited) (\$ millions)	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
	2022 (16 weeks)	2021 (16 weeks)	2022 (12 weeks)	2021 ⁽³⁾ (12 weeks)	2022 (12 weeks)	2021 ⁽³⁾ (12 weeks)	2021 (12 weeks)	2020 ⁽³⁾ (13 weeks)
Net earnings (loss) attributable to shareholders of the Company from continuing operations	\$ 903	\$ 252	\$ 650	\$ 125	\$ 373	\$ (52)	\$ 428	\$ 274
Add impact of the following:								
Non-controlling interests	\$ 282	\$ 261	\$ 224	\$ 236	\$ 242	\$ 170	\$ 327	\$ 214
Income taxes	\$ 276	\$ 200	\$ 113	\$ 201	\$ 229	\$ 165	\$ 64	\$ 137
Net interest expense (income) and other financing charges	\$ 13	\$ 412	\$ (338)	\$ 503	\$ 322	\$ 545	\$ 190	\$ 244
Operating income	\$ 1,474	\$ 1,125	\$ 649	\$ 1,065	\$ 1,166	\$ 828	\$ 1,009	\$ 869
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 147	\$ 155	\$ 111	\$ 117	\$ 117	\$ 117	\$ 117	\$ 117
Amortization of intangible assets acquired with Lifemark	4	–	3	–	–	–	–	–
Fair value adjustment of investment in real estate securities	69	–	159	–	–	–	–	–
Charge related to PC Bank commodity tax matter	–	–	111	–	–	–	–	–
Transaction costs and other related expenses	–	–	13	–	8	–	–	–
Restructuring and other related costs (recoveries)	–	9	–	8	4	4	(8)	8
Fair value adjustment on investment properties	(313)	(41)	102	(149)	(291)	(46)	(87)	(3)
Fair value adjustment of derivatives	(6)	(8)	4	(3)	(14)	(8)	6	(7)
Fair value adjustment on non-operating properties	–	–	–	–	–	–	(2)	9
Gain on sale of non-operating properties	(3)	(9)	(4)	–	–	(3)	(2)	(8)
Foreign currency translation and other company level activities	1	–	2	–	–	–	–	(4)
Adjusting items	\$ (101)	\$ 106	\$ 501	\$ (27)	\$ (176)	\$ 64	\$ 24	\$ 112
Adjusted operating income	\$ 1,373	\$ 1,231	\$ 1,150	\$ 1,038	\$ 990	\$ 892	\$ 1,033	\$ 981
Depreciation and amortization excluding the impact of the above adjustments ⁽ⁱ⁾	\$ 578	\$ 549	\$ 438	\$ 424	\$ 432	\$ 408	\$ 420	\$ 415
Adjusted EBITDA	\$ 1,951	\$ 1,780	\$ 1,588	\$ 1,462	\$ 1,422	\$ 1,300	\$ 1,453	\$ 1,396

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes the amortization of intangible assets, acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

The following tables reconcile adjusted net earnings available to common shareholders of the Company from continuing operations and adjusted diluted net earnings per common share from continuing operations to GAAP net earnings (loss) available to common shareholders of the Company from continuing operations and diluted net earnings (loss) per common share from continuing operations as reported for the periods ended as indicated.

(unaudited) (\$ millions)	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
	2022 (16 weeks)	2021 (16 weeks)	2022 (12 weeks)	2021 ⁽³⁾ (12 weeks)	2022 (12 weeks)	2021 ⁽³⁾ (12 weeks)	2021 (12 weeks)	2020 ⁽³⁾ (13 weeks)
Continuing Operations	\$ 889	\$ 238	\$ 640	\$ 115	\$ 363	\$ (62)	\$ 418	\$ 264
Add (deduct) impact of the following ⁽ⁱ⁾ :								
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 58	\$ 58	\$ 43	\$ 46	\$ 46	\$ 45	\$ 47	\$ 45
Amortization of intangible assets acquired with Lifemark	2	–	1	–	–	–	–	–
Fair value adjustment of investment in real estate securities	64	–	146	–	–	–	–	–
Charge related to PC Bank commodity tax matter	–	–	45	–	–	–	–	–
Transaction costs and other related expenses	–	–	7	–	5	–	–	–
Restructuring and other related costs (recoveries)	–	5	–	2	10	2	(4)	3
Fair value adjustment on investment properties	(262)	(35)	85	(125)	(243)	(38)	(72)	(3)
Fair value adjustment of derivatives	(3)	(3)	2	(1)	(6)	(3)	1	(3)
Fair value adjustment on non-operating properties	–	–	–	–	–	–	–	4
Gain on sale of non-operating properties	(1)	(5)	(2)	–	–	–	(2)	(3)
Fair value adjustment of the Trust Unit liability	(277)	52	(576)	188	93	239	122	20
Fair value adjustment of the forward sale agreement for Loblaw common shares	–	64	–	50	–	46	3	(53)
Outside basis difference in certain Loblaw shares	(18)	(9)	(18)	–	37	16	(1)	(4)
Remeasurement of deferred tax balances	–	–	(46)	–	–	–	–	2
Recovery related to Glenhuron	–	–	–	–	(23)	–	(165)	–
Foreign currency translation and other company level activities	1	–	1	–	–	–	–	(4)
Adjusting items Continuing Operations	\$ (436)	\$ 127	\$ (312)	\$ 160	\$ (81)	\$ 307	\$ (71)	\$ 4
Adjusted Continuing Operations	\$ 453	\$ 365	\$ 328	\$ 275	\$ 282	\$ 245	\$ 347	\$ 268

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

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(unaudited) (\$ except where otherwise indicated)	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
	2022 (16 weeks)	2021 (16 weeks)	2022 (12 weeks)	2021 ⁽³⁾ (12 weeks)	2022 (12 weeks)	2021 ⁽³⁾ (12 weeks)	2021 (12 weeks)	2020 ⁽³⁾ (13 weeks)
Continuing Operations	\$ 6.14	\$ 1.58	\$ 4.36	\$ 0.74	\$ 2.45	\$ (0.41)	\$ 2.80	\$ 1.72
Add (deduct) impact of the following ⁽ⁱ⁾ :								
Amortization of intangible assets acquired with Shoppers Drug Mart	\$ 0.41	\$ 0.39	\$ 0.30	\$ 0.30	\$ 0.31	\$ 0.29	\$ 0.31	\$ 0.29
Amortization of intangible assets acquired with Lifemark	0.01	–	0.01	–	–	–	–	–
Fair value adjustment of investment in real estate securities	0.45	–	0.99	–	–	–	–	–
Charge related to PC Bank commodity tax matter	–	–	0.31	–	–	–	–	–
Transaction costs and other related expenses	–	–	0.05	–	0.03	–	–	–
Restructuring and other related costs (recoveries)	–	0.03	–	0.01	0.08	0.01	(0.03)	0.02
Fair value adjustment on investment properties	(1.82)	(0.24)	0.58	(0.81)	(1.65)	(0.25)	(0.48)	(0.02)
Fair value adjustment of derivatives	(0.02)	(0.02)	0.01	(0.01)	(0.04)	(0.02)	0.01	(0.02)
Fair value adjustment on non-operating properties	–	–	–	–	–	–	–	0.03
Gain on sale of non-operating properties	(0.01)	(0.03)	(0.02)	–	–	–	(0.01)	(0.02)
Fair value adjustment of the Trust Unit liability	(1.92)	0.35	(3.94)	1.24	0.63	1.57	0.83	0.13
Fair value adjustment of the forward sale agreement for Loblaw common shares	–	0.43	–	0.33	–	0.30	0.02	(0.34)
Outside basis difference in certain Loblaw shares	(0.13)	(0.06)	(0.12)	–	0.25	0.11	(0.01)	(0.03)
Remeasurement of deferred tax balances	–	–	(0.31)	–	–	–	–	0.01
Recovery related to Glenhuron	–	–	–	–	(0.16)	–	(1.12)	–
Foreign currency translation and other company level activities	0.01	–	0.01	–	–	–	–	(0.03)
Adjusting items Continuing Operations	\$ (3.02)	\$ 0.85	\$ (2.13)	\$ 1.06	\$ (0.55)	\$ 2.01	\$ (0.48)	\$ 0.02
Adjusted Continuing Operations	\$ 3.12	\$ 2.43	\$ 2.23	\$ 1.80	\$ 1.90	\$ 1.60	\$ 2.32	\$ 1.74
Diluted Weighted Average Common Shares	144.1	149.7	146.3	151.8	147.3	152.1	147.6	153.3

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

9. Forward-Looking Statements

This Quarterly Report, including this MD&A, contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Quarterly Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes, and economic conditions. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, in Section 3, "Liquidity and Capital Resources", Section 7, "Outlook", and Section 8, "Non-GAAP Financial Measures" of this MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events, and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in the "Enterprise Risks and Risk Management" of the Company's 2021 Annual Report and the Company's AIF for the year ended December 31, 2021. Such risks and uncertainties include:

- inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to maintain an effective supply chain and consequently an appropriate assortment of available product at the store and digital retail level;
- failure to attract and retain talent for key roles that may impact the Company's ability to effectively operate and achieve financial performance goals;
- failure to execute the Company's e-commerce initiatives or to adapt its business model to shifts in the retail landscape caused by digital advances;
- failure to realize benefits from investments in the Company's new IT systems and related processes;
- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace;
- public health events including those related to food and drug safety;
- errors made through medication dispensing or errors related to patient services or consultation;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- adverse outcomes of legal and regulatory proceedings and related matters;
- failure by Choice Properties to realize the anticipated benefits associated with its strategic priorities and major initiatives, including failure to develop quality assets and effectively manage development, redevelopment, and renovation initiatives and the timelines and costs related to such initiatives;
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates and household debt, political uncertainty, interest rates, currency exchange rates or derivative and commodity prices;
- duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the Company, as well as on vendor operations, consumer behaviour and the economy in general;
- failure to adapt to environmental and social risks, including failure to execute against the Company's climate change and social equity initiatives;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- reliance on the performance and retention of third party service providers, including those associated with the Company's supply chain and apparel business and located in both advanced and developing markets;
- failure to realize the anticipated benefits associated with the Company's strategic priorities and major initiatives, including revenue growth, anticipated cost savings and operating efficiencies, or organizational changes that may impact the relationships with franchisees and Associates;
- the inability of the Company to effectively develop and execute its strategy; and
- changes to any of the laws, rules, regulations or policies applicable to the Company's business.

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This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including without limitation, the section entitled "Operating and Financial Risks and Risk Management" in the Company's AIF for the year ended December 31, 2021. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

10. Additional Information

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

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

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

Toronto, Canada
November 21, 2022

Footnote Legend

- (1) See Section 8, "Non-GAAP Financial Measures", of the Company's 2022 Third Quarter Management's Discussion and Analysis.
 - (2) GWL Corporate refers to the non-consolidated financial results and metrics of George Weston Limited. GWL Corporate is a subset of Other and Intersegment.
 - (3) Comparative figures have been restated to conform with current year presentation.
 - (4) To be read in conjunction with Section 9, "Forward-Looking Statements", of the Company's 2022 Third Quarter Management's Discussion and Analysis.
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