# NEWS RELEASE

## George Weston Limited Reports Second Quarter 2022 Results

**Toronto, Ontario July 29, 2022** George Weston Limited (TSX: WN) ("GWL" or the "Company") today announced its consolidated unaudited results for the 12 weeks ended June 18, 2022[2].

GWL's 2022 Second Quarter Report has been filed on SEDAR and is available at sedar.com and in the Investor Centre section of the Company's website at weston.ca.

"Loblaw and Choice Properties delivered strong and consistent operating results during the second quarter and are well-positioned in the current economic environment," said Galen G. Weston, Chairman and CEO, George Weston Limited. "George Weston's strong and stable market-leading businesses continue to drive long-term value as they execute against their strategic agendas."

Loblaw Companies Limited ("Loblaw") delivered strong operational and financial results as it continued to execute on retail excellence in its core businesses, while advancing its growth and efficiencies initiatives. Loblaw's drug retail performance continued to drive overall margin expansion, as sales benefited from growth in higher margin front store categories. Loblaw's positive trend in food retail continued with its conventional stores performing well relative to peers and sales growth in its discount banners, heightened by the strength of No Frills® and Maxi® hard-discount stores and Loblaw's value focused control brand no name®. In the quarter, Loblaw continued to pursue its strategic growth agenda by completing the acquisition of Lifemark Health Group ("Lifemark") and announcing *PC Express* Rapid Delivery, furthering Loblaw's purpose to help Canadians Live Life Well.

Choice Properties Real Estate Investment Trust ("Choice Properties") delivered solid operating results in the second quarter with improved occupancy across its portfolio and advancements in its development initiatives. With a focus on its long-term strategy, Choice Properties continued to execute on its mixed-use and industrial development projects and completed seven property transactions totaling $228 million. Subsequent to the end of the second quarter of 2022, Choice Properties successfully issued $500 million of 10-year term unsecured debentures and redeemed $300 million of debentures coming due, reinforcing its strong and flexible capital structure.

## 2022 SECOND QUARTER HIGHLIGHTS

George Weston Limited's net earnings available to common shareholders of the Company from continuing operations were $640 million in the second quarter of 2022, an increase of $525 million compared to the second quarter of 2021. The increase was due to the favourable year-over-year net impact of adjusting items totaling $472 million and an improvement in the Company's consolidated underlying operating performance of $53 million. Diluted net earnings per common share from continuing operations were $4.36, an increase of $3.62 per common share when compared to the second quarter of 2021.

Adjusted net earnings available to common shareholders of the Company[1] from continuing operations were $328 million in the second quarter of 2022, an increase of $53 million, or 19.3%, compared to the second quarter of 2021. The increase was primarily due to the improvement in the underlying operating performance of Loblaw and lower adjusted net interest expense and other financing charges[1], partially offset by an increase in the adjusted effective tax rate[1].

Adjusted diluted net earnings per common share[1] from continuing operations were $2.23 in the second quarter of 2022, an increase of $0.43 per common share, or 23.9%, compared to the second quarter of 2021. The increase was due to the improvement in adjusted net earnings available to common shareholders of the Company[1] from continuing operations and the favourable impact of share repurchases.

## 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 sold its entire 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.

| (unaudited)<br>($ millions except where otherwise indicated) | 12 Weeks Ended | | | | 24 Weeks Ended | | | |
|---|---|---|---|---|---|---|---|---|
| For the periods ended as indicated | Jun. 18, 2022 | Jun. 19, 2021[3] | $ Change | % Change | Jun. 18, 2022 | Jun. 19, 2021[3] | $ Change | % Change |
| **Revenue** | **$ 12,979** | **$ 12,637** | **$ 342** | **2.7%** | **$ 25,386** | **$ 24,654** | **$ 732** | **3.0%** |
| **Operating income** | **$ 649** | **$ 1,065** | **$ (416)** | **(39.1)%** | **$ 1,815** | **$ 1,893** | **$ (78)** | **(4.1)%** |
| Adjusted EBITDA[1] | **$ 1,588** | $ 1,462 | $ 126 | 8.6% | **$ 3,010** | $ 2,762 | $ 248 | 9.0% |
| Adjusted EBITDA margin[1] | **12.2%** | 11.6% | | | **11.9%** | 11.2% | | |
| **Net earnings attributable to shareholders of the Company from continuing operations** | **$ 650** | **$ 125** | **$ 525** | **420.0%** | **$ 1,023** | **$ 73** | **$ 950** | **1,301.4%** |
| **Net earnings (loss) available to common shareholders of the Company** | **$ 634** | **$ 108** | **$ 526** | **487.0%** | **$ 997** | **$ 46** | **$ 951** | **2,067.4%** |
| **Continuing operations** | **$ 640** | **$ 115** | **$ 525** | **456.5%** | **$ 1,003** | **$ 53** | **$ 950** | **1,792.5%** |
| **Discontinued operations** | **$ (6)** | **$ (7)** | **$ 1** | **14.3%** | **$ (6)** | **$ (7)** | **$ 1** | **14.3%** |
| Adjusted net earnings available to common shareholders of the Company[1] from continuing operations | **$ 328** | $ 275 | $ 53 | 19.3% | **$ 610** | $ 520 | $ 90 | 17.3% |
| **Diluted net earnings (loss) per common share ($)** | **$ 4.32** | **$ 0.70** | **$ 3.62** | **517.1%** | **$ 6.77** | **$ 0.28** | **$ 6.49** | **2,317.9%** |
| **Continuing operations** | **$ 4.36** | **$ 0.74** | **$ 3.62** | **489.2%** | **$ 6.81** | **$ 0.33** | **$ 6.48** | **1,963.6%** |
| **Discontinued operations** | **$ (0.04)** | **$ (0.04)** | **$ –** | **–%** | **$ (0.04)** | **$ (0.05)** | **$ 0.01** | **20.0%** |
| Adjusted diluted net earnings per common share[1] from continuing operation ($) | **$ 2.23** | $ 1.80 | $ 0.43 | 23.9% | **$ 4.13** | $ 3.40 | $ 0.73 | 21.5% |

In the second quarter of 2022, the Company recorded net earnings available to common shareholders of the Company from continuing operations of $640 million ($4.36 per common share), an increase of $525 million ($3.62 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 $472 million ($3.19 per common share) and an improvement of $53 million ($0.43 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 $472 million ($3.19 per common share) was primarily due to:
  - the favourable year-over-year impact of the fair value adjustment of the Trust Unit liability of $764 million ($5.18 per common share) as a result of the decrease in Choice Properties' unit price in the second quarter of 2022;
  - the favourable year-over-year impact of the prior year fair value adjustment of the forward sale agreement of Loblaw common shares of $50 million ($0.33 per common share). The Company settled the net debt associated with the forward sale agreement in the fourth quarter of 2021; 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 Properties Real Estate Investment Trust ("Allied") of $46 million ($0.31 per common share). See "Choice Properties Other Business Matters" section of this News Release for further information;

  partially offset by,
  - the unfavourable year-over-year impact of the fair value adjustment on investment properties of $210 million ($1.39 per common share) primarily driven by Choice Properties, net of consolidation adjustments in Other and Intersegment;
  - the unfavourable impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied of $146 million ($0.99 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 second 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). See "Loblaw Other Business Matters" section of this News Release for further information.

- The improvement in the Company's consolidated underlying operating performance of $53 million ($0.43 per common share) was due to:
  - the favourable underlying operating performance of Loblaw; and
  - a decrease in adjusted net interest expense and other financing charges[1];

  partially offset by,
  - an increase in the adjusted effective tax rate[1] primarily attributable to an increase in tax expense as a result of GWL's participation in Loblaw's Normal Course Issuer Bid ("NCIB") program.

- Diluted net earnings per common share from continuing operations also included the favourable impact of shares purchased for cancellation over the last 12 months ($0.08 per common share) pursuant to the Company's NCIB.

Adjusted net earnings available to common shareholders of the Company[1] from continuing operations were $328 million, an increase of $53 million, or 19.3%, 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 $2.23 per common share in the second quarter of 2022, an increase of $0.43 per common share, or 23.9%, 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.

## CONSOLIDATED OTHER BUSINESS MATTERS

***GWL CORPORATE[4] 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)<br>($ millions) | 12 Weeks Ended<br>**Jun. 18, 2022** | 12 Weeks Ended<br>Jun. 19, 2021 | 24 Weeks Ended<br>**Jun. 18, 2022** | 24 Weeks Ended<br>Jun. 19, 2021 |
|---|---|---|---|---|
| GWL's NCIB – purchased and cancelled | **$ (278)** | $ (141) | **$ (325)** | $ (166) |
| GWL's participation in Loblaw's NCIB | **309** | 172 | **319** | 338 |
| GWL's credit facility repayment | **–** | – | **(121)** | – |
| Settlement of net debt associated with equity forward sale agreement | **–** | (53) | **–** | (53) |
| Net cash flow from (used in) above activities | **$ 31** | $ (22) | **$ (127)** | $ 119 |

***GWL's NCIB – Purchased and Cancelled Shares*** In the second quarter of 2022, the Company purchased and cancelled 1.8 million shares (2021 – 1.2 million shares) under its NCIB. As at June 18, 2022, the Company had 144.7 million shares outstanding (June 19, 2021 – 150.6 million shares).

In the second 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 the MD&A in the Company's 2022 Second Quarter Report 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 second quarter of 2022, GWL received proceeds of $309 million (2021 – $172 million) from the sale of Loblaw shares.

## REPORTABLE OPERATING SEGMENTS

The Company operates through its two reportable operating segments: Loblaw and 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 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 retail, industrial, mixed-use and residential properties across Canada.

**Excerpt of Segment Information**

The accounting policies of the reportable operating segments are the same as those described in the Company's 2021 audited annual consolidated financial statements. The Company measures each reportable operating segment's performance based on adjusted EBITDA[1] and adjusted operating income[1]. No reportable operating segment is reliant on any single external customer.

| 12 Weeks Ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Jun. 18, 2022** | | | | Jun. 19, 2021[3] | | | |
| (unaudited) ($ millions) | **Loblaw** | **Choice Properties** | **Other and Intersegment** | **Total** | Loblaw | Choice Properties | Other and Intersegment | Total |
| **Revenue** | **$ 12,847** | **$ 313** | **$ (181)** | **$ 12,979** | $ 12,491 | $ 324 | $ (178) | $ 12,637 |
| Operating income (loss) | $ 740 | $ (451) | $ 360 | $ 649 | $ 750 | $ 503 | $ (188) | $ 1,065 |
| Net interest expense (income) and other financing charges | 152 | (439) | (51) | (338) | 161 | 418 | (76) | 503 |
| **Earnings (loss) before income taxes from continuing operations** | **$ 588** | **$ (12)** | **$ 411** | **$ 987** | $ 589 | $ 85 | $ (112) | $ 562 |
| **Operating income (loss)** | **$ 740** | **$ (451)** | **$ 360** | **$ 649** | $ 750 | $ 503 | $ (188) | $ 1,065 |
| Depreciation and amortization | 633 | 1 | (82) | 552 | 614 | 1 | (74) | 541 |
| Adjusting items[i] | 124 | 676 | (413) | 387 | 5 | (281) | 132 | (144) |
| Adjusted EBITDA[i] | $ 1,497 | $ 226 | $ (135) | $ 1,588 | $ 1,369 | $ 223 | $ (130) | $ 1,462 |
| Depreciation and amortization[ii] | 519 | 1 | (82) | 438 | 497 | 1 | (74) | 424 |
| **Adjusted operating income[i]** | **$ 978** | **$ 225** | **$ (53)** | **$ 1,150** | $ 872 | $ 222 | $ (56) | $ 1,038 |

(i) Certain items are excluded from operating income to derive adjusted EBITDA[1]. Adjusted EBITDA[1] is used internally by management when analyzing segment underlying operating performance.
(ii) Excludes $114 million (2021 – $117 million) of amortization of intangible assets acquired with Shoppers Drug Mart Corporation ("Shoppers Drug Mart") and Lifemark, recorded by Loblaw.

| 24 Weeks Ended | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Jun. 18, 2022** | | | | Jun. 19, 2021[3] | | | |
| (unaudited) ($ millions) | **Loblaw** | **Choice Properties** | **Other and Intersegment** | **Total** | Loblaw | Choice Properties | Other and Intersegment | Total |
| **Revenue** | **$ 25,109** | **$ 641** | **$ (364)** | **$ 25,386** | $ 24,363 | $ 651 | $ (360) | $ 24,654 |
| Operating income | $ 1,476 | $ 178 | $ 161 | $ 1,815 | $ 1,365 | $ 788 | $ (260) | $ 1,893 |
| Net interest expense (income) and other financing charges | 294 | (197) | (113) | (16) | 321 | 765 | (38) | 1,048 |
| **Earnings before income taxes from continuing operations** | **$ 1,182** | **$ 375** | **$ 274** | **$ 1,831** | $ 1,044 | $ 23 | $ (222) | $ 845 |
| **Operating income** | **$ 1,476** | **$ 178** | **$ 161** | **$ 1,815** | $ 1,365 | $ 788 | $ (260) | $ 1,893 |
| Depreciation and amortization | 1,264 | 2 | (165) | 1,101 | 1,224 | 2 | (160) | 1,066 |
| Adjusting items[i] | 98 | 271 | (275) | 94 | (4) | (342) | 149 | (197) |
| Adjusted EBITDA[i] | $ 2,838 | $ 451 | $ (279) | $ 3,010 | $ 2,585 | $ 448 | $ (271) | $ 2,762 |
| Depreciation and amortization[ii] | 1,033 | 2 | (165) | 870 | 990 | 2 | (160) | 832 |
| **Adjusted operating income[i]** | **$ 1,805** | **$ 449** | **$ (114)** | **$ 2,140** | $ 1,595 | $ 446 | $ (111) | $ 1,930 |

(i) Certain items are excluded from operating income to derive adjusted EBITDA[1]. Adjusted EBITDA[1] is used internally by management when analyzing segment underlying operating performance.
(ii) Excludes $231 million (2021 – $234 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

Other and Intersegment includes the following items:

| | 12 Weeks Ended | | | | | |
|---|---|---|---|---|---|---|
| | Jun. 18, 2022 | | | Jun. 19, 2021[3] | | |
| (unaudited) ($ millions) | **Revenue** | **Operating Income** | **Net Interest Expense and Other Financing Charges** | Revenue | Operating Income | Net Interest Expense and Other Financing Charges |
| Elimination of internal lease arrangements | **$ (125)** | **$ (35)** | **$ (23)** | $ (127) | $ (36) | $ (25) |
| Elimination of cost recovery | **(56)** | **–** | **–** | (51) | – | – |
| Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost | **–** | **(12)** | **–** | – | (18) | – |
| Fair value adjustment on investment properties | **–** | **415** | **(5)** | – | (132) | – |
| Fair value adjustment on Choice Properties' Exchangeable Units | **–** | **–** | **570** | – | – | (289) |
| Fair value adjustment on Trust Unit liability | **–** | **–** | **(576)** | – | – | 188 |
| Unit distributions on Exchangeable Units paid by Choice Properties to GWL | **–** | **–** | **(73)** | – | – | (72) |
| Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL | **–** | **–** | **52** | – | – | 51 |
| Fair value adjustment of the forward sale agreement for Loblaw common shares | **–** | **–** | **–** | – | – | 58 |
| Other | **–** | **(8)** | **4** | – | (2) | 13 |
| Total | **$ (181)** | **$ 360** | **$ (51)** | $ (178) | $ (188) | $ (76) |

| | 24 Weeks Ended | | | | | |
|---|---|---|---|---|---|---|
| | Jun. 18, 2022 | | | Jun. 19, 2021[3] | | |
| (unaudited) ($ millions) | **Revenue** | **Operating Income** | **Net Interest Expense and Other Financing Charges** | Revenue | Operating Income | Net Interest Expense and Other Financing Charges |
| Elimination of internal lease arrangements | **$ (253)** | **$ (73)** | **$ (45)** | $ (255) | $ (75) | $ (50) |
| Elimination of cost recovery | **(111)** | **–** | **–** | (105) | – | – |
| Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost | **–** | **(22)** | **–** | – | (24) | – |
| Fair value adjustment on investment properties | **–** | **296** | **(2)** | – | (147) | – |
| Fair value adjustment on Choice Properties' Exchangeable Units | **–** | **–** | **451** | – | – | (507) |
| Fair value adjustment on Trust Unit liability | **–** | **–** | **(483)** | – | – | 427 |
| Unit distributions on Exchangeable Units paid by Choice Properties to GWL | **–** | **–** | **(146)** | – | – | (146) |
| Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL | **–** | **–** | **103** | – | – | 102 |
| Fair value adjustment of the forward sale agreement of Loblaw common shares | **–** | **–** | **–** | – | – | 111 |
| Reversal of Loblaw gain on the sale of disposition of property to Choice Properties | **–** | **(19)** | **–** | – | – | – |
| Other | **–** | **(21)** | **9** | – | (14) | 25 |
| Total | **$ (364)** | **$ 161** | **$ (113)** | $ (360) | $ (260) | $ (38) |

**Loblaw Operating Results**

| (unaudited)<br>($ millions except where otherwise indicated)<br>For the periods ended as indicated | 12 Weeks Ended<br>Jun. 18, 2022 | Jun. 19, 2021 | $ Change | % Change | 24 Weeks Ended<br>Jun. 18, 2022 | Jun. 19, 2021 | $ Change | % Change |
|---|---|---|---|---|---|---|---|---|
| Revenue | **$ 12,847** | $ 12,491 | $ 356 | 2.9% | **$ 25,109** | $ 24,363 | $ 746 | 3.1% |
| Operating income | **$ 740** | $ 750 | $ (10) | (1.3)% | **$ 1,476** | $ 1,365 | $ 111 | 8.1% |
| Adjusted EBITDA[(1)] | **$ 1,497** | $ 1,369 | $ 128 | 9.3% | **$ 2,838** | $ 2,585 | $ 253 | 9.8% |
| Adjusted EBITDA margin[(1)] | **11.7%** | 11.0% | | | **11.3%** | 10.6% | | |
| Depreciation and amortization[(i)] | **$ 633** | $ 614 | $ 19 | 3.1% | **$ 1,264** | $ 1,224 | $ 40 | 3.3% |

(i) Depreciation and amortization in the second quarter of 2022 includes $114 million (2021 – $117 million) and $231 million (2021 – $234 million) year-to-date of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark.

**Revenue** Loblaw revenue in the second quarter of 2022 was $12,847 million, an increase of $356 million, or 2.9%, compared to the same period in 2021, driven by an increase in retail sales and an improvement in financial services revenue.

Retail sales were $12,623 million, an increase of $341 million, or 2.8%, compared to the same period in 2021. The increase was primarily driven by the following factors:

- food retail sales were $8,981 million (2021 – $8,878 million) and food retail same-store sales grew by 0.9% (2021 – declined by 0.1%) for the quarter;
    - the Consumer Price Index as measured by The Consumer Price Index for Food Purchased from Stores was 9.6% (2021 – 0.5%) 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 second quarter of 2021.
- drug retail sales were $3,642 million (2021 – $3,404 million) and drug retail same-store sales grew by 5.6% (2021 – 9.6%) for the quarter;
    - pharmacy and healthcare services same-store sales growth was 6.1% (2021 – 17.2%), benefiting from an increase in acute and chronic prescription volumes from the continued economic re-opening. The number of prescriptions dispensed increased by 2.3% (2021 – 1.9%). On a same-store basis, the number of prescriptions dispensed increased by 2.3% (2021 – 0.3%) and the average prescription value increased by 3.6% (2021 – 15.9%);
    - pharmacy and healthcare services sales included Lifemark revenues from the date of acquisition of $49 million. Lifemark revenues are excluded from same-store sales; and
    - front store same-store sales increased by 5.2% (2021 – 3.6%), benefiting from the continued economic re-opening.

During the second quarter of 2022, one food and drug store was opened, and one food and drug store was closed, resulting in a net increase in retail square footage of 0.1 million square feet, or 0.1%.

Financial services revenue in the second quarter of 2022 increased by $25 million compared to the same period in 2021. The increase was primarily driven by higher interest income and credit card related fees from normalizing credit card receivable balances and higher interchange income from an increase in customer spending, partially offset by lower sales attributable to *The Mobile Shop*.

**Operating Income** Loblaw operating income in the second quarter of 2022 was $740 million, a decrease of $10 million, or 1.3%, compared to the same period in 2021. The decrease included the unfavourable year-over-year net impact of adjusting items totaling $116 million, partially offset by the improvements in underlying operating performance of $106 million described below:

- the unfavourable year-over-year net impact of adjusting items totaling $116 million was primarily due to:
    - the unfavourable impact of the charge related to the President's Choice Bank ("PC Bank") commodity tax matter of $111 million;
    - the unfavourable impact of the Lifemark transaction costs of $13 million; and
    - the unfavourable year-over-year impact of the fair value adjustment of derivatives of $7 million;

    partially offset by,
    - the favourable year-over-year impact of restructuring and other related costs of $8 million; and
    - the favourable year-over-year impact of gain on sale of non-operating properties of $4 million.

- the improvement in underlying operating performance of $106 million was primarily due to an increase in retail gross profit, partially offset by an increase in retail selling, general and administrative expenses ("SG&A") and depreciation and amortization.

**Adjusted EBITDA[1]** Loblaw adjusted EBITDA[1] in the second quarter of 2022 was $1,497 million, an increase of $128 million, or 9.3%, compared to the same period in 2021. The increase was primarily due to an increase in retail of $129 million, partially offset by a decrease in financial services of $1 million.

Retail adjusted EBITDA[1] in the second quarter of 2022 increased by $129 million driven by an increase in retail gross profit of $169 million, partially offset by an unfavourable increase in retail SG&A of $40 million.

- Retail gross profit percentage of 31.4% increased by 50 basis points compared to the same period in 2021, driven by favourable changes in drug retail sales mix. Food retail margins were stable.

- Retail SG&A as a percentage of sales was 19.9%, a favourable decrease of 30 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.

Financial services adjusted EBITDA[1] decreased by $1 million compared to the same period in 2021. Financial services continues to benefit from the economic re-opening, but earnings have decreased due to the year-over-year impact of the expected credit loss provision from lapping a larger prior year release of $12 million versus the current quarter release of $4 million.

**Depreciation and Amortization** Loblaw depreciation and amortization in the second quarter of 2022 was $633 million, an increase of $19 million compared to the same period in 2021, primarily driven by an increase in depreciation of information technology ("IT") and leased assets. Included in depreciation and amortization is the amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark of $114 million (2021 – $117 million).

**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 $38 million in the second quarter of 2022. When compared to the second quarter of 2021, this represented a decrease of $18 million, or 32.1%. The decrease in non-controlling interests was primarily driven by a decline in franchisee earnings.

**Loblaw Other Business Matters**

**Lifemark Health Group** On May 10, 2022, Loblaw acquired Lifemark for $832 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 $49 million and nominal net earnings were contributed by Lifemark from the date of acquisition. Net earnings includes amortization related to the acquired intangible assets of $3 million.

**PC Bank Commodity Tax Matter** On July 19, 2022, the Tax Court of Canada ("Tax Court") released its 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 Loblaws Inc. in respect of redemptions of loyalty points. PC Bank is planning to appeal the decision.

Although Loblaw believes in the merits of its position, it recorded a charge during the second quarter of $111 million, inclusive of interest. Loblaw believes that this provision is sufficient to cover its liability from the initial reassessment period in 2009 through to the end of the second quarter of 2022, if the appeal is ultimately unsuccessful.

**Choice Properties Operating Results**

| (unaudited) ($ millions except where otherwise indicated) For the periods ended as indicated | 12 Weeks Ended Jun. 18, 2022 | Jun. 19, 2021 | $ Change | % Change | 24 Weeks Ended Jun. 18, 2022 | Jun. 19, 2021 | $ Change | % Change |
|---|---|---|---|---|---|---|---|---|
| Revenue | **$ 313** | $ 324 | $ (11) | (3.4)% | **$ 641** | $ 651 | $ (10) | (1.5)% |
| Net interest (income) expense and other financing charges(i) | **$ (439)** | $ 418 | $ (857) | (205.0)% | **$ (197)** | $ 765 | $ (962) | (125.8)% |
| Net (loss) income | **$ (12)** | $ 85 | $ (97) | (114.1)% | **$ 375** | $ 23 | $ 352 | 1,530.4% |
| Funds from Operations(1) | **$ 175** | $ 172 | $ 3 | 1.7% | **$ 350** | $ 342 | $ 8 | 2.3% |

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

**Revenue** Revenue in the second quarter of 2022 was $313 million, a decrease of $11 million, or 3.4%, compared to the same period in 2021, and included $183 million (2021 – $181 million) generated from tenants within Loblaw.

The decrease in revenue in the second quarter of 2022 was primarily driven by:
- foregone revenue following the Office Asset Sale as described below;

partially offset by,
- higher rental rates in the retail and industrial portfolio; and
- increased capital recoveries.

**Net Interest (Income) Expense and Other Financing Charges** Net interest income and other financing charges in the second quarter of 2022 were $439 million compared to net interest expense and other financing charges of $418 million in the same period in 2021. The change of $857 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 $859 million.

**Net (Loss) Income** Net loss in the second quarter of 2022 was $12 million, compared to net income of $85 million in the same period in 2021. The change of $97 million was primarily driven by:
- the unfavourable change in the adjustment to fair value of investment properties, including those held within equity accounted joint ventures, due to capitalization rate expansion in the retail portfolio as a result of rising interest rates;
- the unfavourable change in the adjustment to fair value of investment in real estate securities due to the change in Allied's unit price; and
- a decrease in rental revenue as described above;

partially offset by,
- lower net interest expense and other financing charges as described above.

**Funds from Operations(1)** Funds from Operations(1) in the second quarter of 2022 was $175 million, an increase of $3 million compared to the same period in 2021. The increase was primarily due to distributions from Choice Properties' investment in real estate securities of Allied and higher interest income from the consideration received as part of the Office Asset Sale on March 31, 2022, partially offset by the decrease in rental revenue as described above.

**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).

## OUTLOOK[2]

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 second quarter, Loblaw expects full year adjusted net earnings per common share[1] growth in the mid-to-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 second quarter of 2022, Choice Properties' diversified portfolio of retail, industrial, residential and mixed-use properties was 97.6% 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 will no longer be focusing its reporting on office as a stand-alone asset class.

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 ("BoC") already raising the overnight rate by 200 basis points, with further rate hikes anticipated for the remainder of 2022. Choice Properties anticipates that rising interest rates may put further downward pressure on the fair value of its properties in the second half of 2022. In light of the current economic environment, Choice Properties continues to monitor the impact of the rising rate environment, and has taken proactive steps to ensure it maintains its financial strength and stability.

## DECLARATION OF QUARTERLY DIVIDENDS

Subsequent to the end of the second quarter of 2022, the Company's Board of Directors declared a quarterly dividend on GWL Common Shares, Preferred Shares, Series I, Preferred Shares, Series III, Preferred Shares, Series IV and Preferred Shares, Series V payable as follows:

| | |
|---|---|
| Common Shares | \$0.660 per share payable October 1, 2022, to shareholders of record September 15, 2022; |
| Preferred Shares, Series I | \$0.3625 per share payable September 15, 2022, to shareholders of record August 31, 2022; |
| Preferred Shares, Series III | \$0.3250 per share payable October 1, 2022, to shareholders of record September 15, 2022; |
| Preferred Shares, Series IV | \$0.3250 per share payable October 1, 2022, to shareholders of record September 15, 2022; |
| Preferred Shares, Series V | \$0.296875 per share payable October 1, 2022, to shareholders of record September 15, 2022. |

## NON-GAAP FINANCIAL MEASURES

The Company uses non-GAAP financial measures and ratios as it believes these measures and ratios provide useful information to both management and investors with regard to accurately assessing the Company's financial performance and financial condition.

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

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

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with GAAP. 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.

| | 12 Weeks Ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Jun. 18, 2022 | | | | Jun. 19, 2021[3] | | | |
| (unaudited)<br>($ millions) | Loblaw | Choice Properties | Other & Intersegment | Consolidated | Loblaw | Choice Properties | Other & Intersegment | Consolidated |
| Net earnings attributable to shareholders of the Company from continuing operations | | | | **$ 650** | | | | $ 125 |
| Add impact of the following: | | | | | | | | |
| Non-controlling interests | | | | **224** | | | | 236 |
| Income taxes | | | | **113** | | | | 201 |
| Net interest (income) expense and other financing charges | | | | **(338)** | | | | 503 |
| Operating income (loss) | **$ 740** | **$ (451)** | **$ 360** | **$ 649** | $ 750 | $ 503 | $ (188) | $ 1,065 |
| Add (deduct) impact of the following: | | | | | | | | |
| Amortization of intangible assets acquired with Shoppers Drug Mart | **$ 111** | **$ –** | **$ –** | **$ 111** | $ 117 | $ – | $ – | $ 117 |
| Amortization of intangible assets acquired with Lifemark | **3** | **–** | **–** | **3** | – | – | – | – |
| Fair value adjustment of investment in real estate securities | **–** | **159** | **–** | **159** | – | – | – | – |
| Charge related to PC Bank commodity tax matter | **111** | **–** | **–** | **111** | – | – | – | – |
| Fair value adjustment on investment properties | **–** | **517** | **(415)** | **102** | – | (281) | 132 | (149) |
| Transaction costs and other related expenses | **13** | **–** | **–** | **13** | – | – | – | – |
| Fair value adjustment of derivatives | **4** | **–** | **–** | **4** | (3) | – | – | (3) |
| Restructuring and other related costs | **–** | **–** | **–** | **–** | 8 | – | – | 8 |
| Gain on sale of non-operating properties | **(4)** | **–** | **–** | **(4)** | – | – | – | – |
| Foreign currency translation and other company level activities | **–** | **–** | **2** | **2** | – | – | – | – |
| Adjusting items | **$ 238** | **$ 676** | **$ (413)** | **$ 501** | $ 122 | $ (281) | $ 132 | $ (27) |
| Adjusted operating income | **$ 978** | **$ 225** | **$ (53)** | **$ 1,150** | $ 872 | $ 222 | $ (56) | $ 1,038 |
| Depreciation and amortization excluding the impact of the above adjustments[(i)] | **519** | **1** | **(82)** | **438** | 497 | 1 | (74) | 424 |
| Adjusted EBITDA | **$ 1,497** | **$ 226** | **$ (135)** | **$ 1,588** | $ 1,369 | $ 223 | $ (130) | $ 1,462 |

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes $114 million (2021 – $117 million) of amortization of intangible assets, acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

| (unaudited) ($ millions) | 24 Weeks Ended Jun. 18, 2022 Loblaw | Choice Properties | Other & Intersegment | Consolidated | Jun. 19, 2021[3] Loblaw | Choice Properties | Other & Intersegment | Consolidated |
|---|---|---|---|---|---|---|---|---|
| Net earnings attributable to shareholders of the Company from continuing operations | | | | **$ 1,023** | | | | $ 73 |
| Add impact of the following: | | | | | | | | |
| Non-controlling interests | | | | **466** | | | | 406 |
| Income taxes | | | | **342** | | | | 366 |
| Net interest (income) expense and other financing charges | | | | **(16)** | | | | 1,048 |
| Operating income | **$ 1,476** | **$ 178** | **$ 161** | **$ 1,815** | $ 1,365 | $ 788 | $ (260) | $ 1,893 |
| Add (deduct) impact of the following: | | | | | | | | |
| Amortization of intangible assets acquired with Shoppers Drug Mart | **$ 228** | **$ –** | **$ –** | **$ 228** | $ 234 | $ – | $ – | $ 234 |
| Amortization of intangible assets acquired with Lifemark | **3** | **–** | **–** | **3** | – | – | – | – |
| Fair value adjustment of investment in real estate securities | **–** | **159** | **–** | **159** | – | – | – | – |
| Charge related to PC Bank commodity tax matter | **111** | **–** | **–** | **111** | – | – | – | – |
| Fair value adjustment on investment properties | **–** | **107** | **(296)** | **(189)** | – | (342) | 147 | (195) |
| Transaction costs and other related expenses | **16** | **5** | **–** | **21** | – | – | – | – |
| Fair value adjustment of derivatives | **(10)** | **–** | **–** | **(10)** | (11) | – | – | (11) |
| Restructuring and other related (recoveries) costs | **(15)** | **–** | **19** | **4** | 12 | – | – | 12 |
| Gain on sale of non-operating properties | **(4)** | **–** | **–** | **(4)** | (5) | – | 2 | (3) |
| Foreign currency translation and other company level activities | **–** | **–** | **2** | **2** | – | – | – | – |
| Adjusting items | **$ 329** | **$ 271** | **$ (275)** | **$ 325** | $ 230 | $ (342) | $ 149 | $ 37 |
| Adjusted operating income | **$ 1,805** | **$ 449** | **$ (114)** | **$ 2,140** | $ 1,595 | $ 446 | $ (111) | $ 1,930 |
| Depreciation and amortization excluding the impact of the above adjustments[(i)] | **1,033** | **2** | **(165)** | **870** | 990 | 2 | (160) | 832 |
| Adjusted EBITDA | **$ 2,838** | **$ 451** | **$ (279)** | **$ 3,010** | $ 2,585 | $ 448 | $ (271) | $ 2,762 |

(i) Depreciation and amortization for the calculation of adjusted EBITDA excludes $231 million (2021 – $234 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 Loblaws Inc. in respect of redemptions of loyalty points. PC Bank is planning to appeal the decision.

**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.

**Transaction costs and other related expenses** In connection with the acquisition of Lifemark, in the second quarter of 2022 and year-to-date Loblaw recorded $13 million and $16 million, respectively, of acquisition costs.

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.

**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 related 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.

**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 second quarter of 2022, Loblaw did not record any restructuring and other related recoveries or charges (2021 – a charge of $8 million). Year-to-date, Loblaw recorded approximately $15 million (2021 – charges of $12 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.

**Gain on sale of non-operating properties** In the second quarter of 2022 and year-to-date, Loblaw disposed of non-operating properties to a third party and recorded a gain of $4 million (2021 – nil and $5 million year-to-date).

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

**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) | 12 Weeks Ended | | 24 Weeks Ended | |
|---|---|---|---|---|
| | **Jun. 18, 2022** | Jun. 19, 2021[3] | **Jun. 18, 2022** | Jun. 19, 2021[3] |
| Net interest (income) expense and other financing charges | **$ (338)** | $ 503 | **$ (16)** | $ 1,048 |
| Add: Fair value adjustment of the Trust Unit liability | **576** | (188) | **483** | (427) |
| Recovery related to Glenhuron | **–** | – | **11** | – |
| Fair value adjustment of the forward sale agreement for Loblaw common shares | **–** | (58) | **–** | (111) |
| Adjusted net interest expense and other financing charges | **$ 238** | $ 257 | **$ 478** | $ 510 |

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) | 12 Weeks Ended | | 24 Weeks Ended | |
|---|---|---|---|---|
| ($ millions except where otherwise indicated) | **Jun. 18, 2022** | Jun. 19, 2021(3) | **Jun. 18, 2022** | Jun. 19, 2021(3) |
| Adjusted operating income(i) | **$ 1,150** | $ 1,038 | **$ 2,140** | $ 1,930 |
| Adjusted net interest expense and other financing charges(i) | **238** | 257 | **478** | 510 |
| Adjusted earnings before taxes | **$ 912** | $ 781 | **$ 1,662** | $ 1,420 |
| Income taxes | **$ 113** | $ 201 | **$ 342** | $ 366 |
| Add: Tax impact of items excluded from adjusted earnings before taxes(ii) | **89** | 17 | **69** | 45 |
| Remeasurement of deferred tax balances | **46** | – | **46** | – |
| Outside basis difference in certain Loblaw shares | **18** | – | **(19)** | (16) |
| Recovery related to Glenhuron | **–** | – | **33** | – |
| Adjusted income taxes | **$ 266** | $ 218 | **$ 471** | $ 395 |
| Effective tax rate applicable to earnings before taxes | **11.4%** | 35.8% | **18.7%** | 43.3% |
| Adjusted effective tax rate applicable to adjusted earnings before taxes | **29.2%** | 27.9% | **28.3%** | 27.8% |

(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:

**Remeasurement of deferred tax balances** As a result of the Office Asset Sale, the Company revalued certain deferred tax balances which resulted in an income tax recovery of $46 million.

**Outside basis difference in certain Loblaw shares** The Company recorded a deferred tax recovery of $18 million quarter-to-date (2021 – nil) and a deferred tax expense of $19 million year-to-date (2021 – $16 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.

**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.

**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)<br>($ millions except where otherwise indicated) | 12 Weeks Ended<br>Jun. 18, 2022 | 12 Weeks Ended<br>Jun. 19, 2021[3] | 24 Weeks Ended<br>Jun. 18, 2022 | 24 Weeks Ended<br>Jun. 19, 2021[3] |
|---|---|---|---|---|
| Net earnings attributable to shareholders of the Company | **$ 644** | $ 118 | **$ 1,017** | $ 66 |
| Less: Net loss from discontinued operations | **(6)** | (7) | **(6)** | (7) |
| Net earnings attributable to shareholders of the Company from continuing operations | **$ 650** | $ 125 | **$ 1,023** | $ 73 |
| Less: Prescribed dividends on preferred shares in share capital | **(10)** | (10) | **(20)** | (20) |
| Net earnings available to common shareholders of the Company from continuing operations | **$ 640** | $ 115 | **$ 1,003** | $ 53 |
| Less: Reduction in net earnings due to dilution at Loblaw | **(2)** | (2) | **(4)** | (3) |
| Net earnings available to common shareholders from continuing operations for diluted earnings per share | **$ 638** | $ 113 | **$ 999** | $ 50 |
| | | | | |
| Net earnings attributable to shareholders of the Company from continuing operations | **$ 650** | $ 125 | **$ 1,023** | $ 73 |
| Adjusting items (refer to the following table) | **(312)** | 160 | **(393)** | 467 |
| Adjusted net earnings attributable to shareholders of the Company from continuing operations | **$ 338** | $ 285 | **$ 630** | $ 540 |
| Less: Prescribed dividends on preferred shares in share capital | **(10)** | (10) | **(20)** | (20) |
| Adjusted net earnings available to common shareholders of the Company from continuing operations | **$ 328** | $ 275 | **$ 610** | $ 520 |
| Less: Reduction in net earnings due to dilution at Loblaw | **(2)** | (2) | **(4)** | (3) |
| Adjusted net earnings available to common shareholders for diluted earnings per share from continuing operations | **$ 326** | $ 273 | **$ 606** | $ 517 |
| | | | | |
| Diluted weighted average common shares outstanding (in millions) | **146.3** | 151.8 | **146.8** | 152.0 |

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.

| | 12 Weeks Ended | | | |
|---|---|---|---|---|
| | Jun. 18, 2022 | | Jun. 19, 2021[3] | |
| (unaudited)<br>($ 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** | **$ 640** | **$ 4.36** | $ 115 | $ 0.74 |
| Add (deduct) impact of the following[i]: | | | | |
| Amortization of intangible assets acquired with Shoppers Drug Mart | **$ 43** | **$ 0.30** | $ 46 | $ 0.30 |
| Amortization of intangible assets acquired with Lifemark | **1** | **0.01** | – | – |
| Fair value adjustment of investment in real estate securities | **146** | **0.99** | – | – |
| Charge related to PC Bank commodity tax matter | **45** | **0.31** | – | – |
| Fair value adjustment on investment properties | **85** | **0.58** | (125) | (0.81) |
| Transaction costs and other related expenses | **7** | **0.05** | – | – |
| Fair value adjustment of derivatives | **2** | **0.01** | (1) | (0.01) |
| Restructuring and other related costs | **–** | **–** | 2 | 0.01 |
| Gain on sale of non-operating properties | **(2)** | **(0.02)** | – | – |
| Fair value adjustment of the Trust Unit liability | **(576)** | **(3.94)** | 188 | 1.24 |
| Fair value adjustment of the forward sale agreement for Loblaw | **–** | **–** | 50 | 0.33 |
| Remeasurement of deferred tax balances | **(46)** | **(0.31)** | – | – |
| Outside basis difference in certain Loblaw shares | **(18)** | **(0.12)** | – | – |
| Foreign currency translation and other company level activities | **1** | **0.01** | – | – |
| Adjusting items Continuing Operations | **$ (312)** | **$ (2.13)** | $ 160 | $ 1.06 |
| **Adjusted Continuing Operations** | **$ 328** | **$ 2.23** | $ 275 | $ 1.80 |

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

| (unaudited)<br>($ except where otherwise indicated) | 24 Weeks Ended Jun. 18, 2022<br>Net Earnings Available to Common Shareholders of the Company ($ millions) | Jun. 18, 2022<br>Diluted Net Earnings Per Common Share | Jun. 19, 2021[3]<br>Net Earnings Available to Common Shareholders of the Company ($ millions) | Jun. 19, 2021[3]<br>Diluted Net Earnings Per Common Share |
|---|---|---|---|---|
| **Continuing Operations** | **$ 1,003** | **$ 6.81** | $ 53 | $ 0.33 |
| Add (deduct) impact of the following[i]: | | | | |
| Amortization of intangible assets acquired with Shoppers Drug Mart | **$ 89** | **$ 0.60** | $ 91 | $ 0.59 |
| Amortization of intangible assets acquired with Lifemark | **1** | **0.01** | – | – |
| Fair value adjustment of investment in real estate securities | **146** | **0.99** | – | – |
| Charge related to PC Bank commodity tax matter | **45** | **0.31** | – | – |
| Fair value adjustment on investment properties | **(158)** | **(1.08)** | (163) | (1.07) |
| Transaction costs and other related expenses | **12** | **0.08** | – | – |
| Fair value adjustment of derivatives | **(4)** | **(0.03)** | (4) | (0.03) |
| Restructuring and other related costs | **10** | **0.08** | 4 | 0.03 |
| Gain on sale of non-operating properties | **(2)** | **(0.02)** | – | – |
| Fair value adjustment of the Trust Unit liability | **(483)** | **(3.29)** | 427 | 2.81 |
| Fair value adjustment of the forward sale agreement for Loblaw common shares | **–** | **–** | 96 | 0.63 |
| Remeasurement of deferred tax balances | **(46)** | **(0.31)** | – | – |
| Outside basis difference in certain Loblaw shares | **19** | **0.13** | 16 | 0.11 |
| Recovery related to Glenhuron | **(23)** | **(0.16)** | – | – |
| Foreign currency translation and other company level activities | **1** | **0.01** | – | – |
| Adjusting items Continuing Operations | **$ (393)** | **$ (2.68)** | $ 467 | $ 3.07 |
| **Adjusted Continuing Operations** | **$ 610** | **$ 4.13** | $ 520 | $ 3.40 |

(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)<br>($ millions) | 12 Weeks Ended<br>Jun. 18, 2022 | Jun. 19, 2021[3] | $ Change | 24 Weeks Ended<br>Jun. 18, 2022 | Jun. 19, 2021[3] | $ Change |
|---|---|---|---|---|---|---|
| Cash flows from operating activities | **$ 1,118** | $ 1,702 | $ (584) | **$ 1,875** | $ 2,613 | $ (738) |
| Less: Cash flows from operating activities from discontinued operations | **–** | 19 | (19) | **–** | 16 | (16) |
| Cash flows from operating activities from continuing operations | **$ 1,118** | $ 1,683 | $ (565) | **$ 1,875** | $ 2,597 | $ (722) |
| Less: Interest paid | **184** | 195 | (11) | **398** | 439 | (41) |
| Capital investments[i] | **362** | 278 | 84 | **569** | 501 | 68 |
| Lease payments, net | **203** | 198 | 5 | **346** | 338 | 8 |
| Free cash flow from continuing operations | **$ 369** | $ 1,012 | $ (643) | **$ 562** | $ 1,319 | $ (757) |

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

**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 International Financial Reporting Standards ("IFRS") issued in January 2022.

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

| (unaudited) | 12 Weeks Ended | | 24 Weeks Ended | |
|---|---|---|---|---|
| ($ millions) | **Jun. 18, 2022** | Jun. 19, 2021 | **Jun. 18, 2022** | Jun. 19, 2021 |
| **Net (loss) income** | **$ (12)** | $ 85 | **$ 375** | $ 22 |
| Add (deduct) impact of the following: | | | | |
| Amortization of intangible assets | **–** | – | **1** | 1 |
| Transaction costs and other related expenses | **–** | – | **5** | – |
| Other fair value gains, net | **(2)** | 3 | **(1)** | 2 |
| Fair value adjustment on Exchangeable Units | **(570)** | 289 | **(451)** | 507 |
| Fair value adjustment on investment properties | **524** | (269) | **221** | (328) |
| Fair value adjustment on investment property held in equity accounted joint ventures | **(1)** | (12) | **(112)** | (14) |
| Fair value adjustment of investment in real estate securities | **159** | – | **159** | – |
| Capitalized interest on equity accounted joint ventures | **2** | 1 | **3** | 2 |
| Unit distributions on Exchangeable Units | **73** | 73 | **146** | 146 |
| Internal expenses for leasing | **2** | 2 | **4** | 4 |
| Funds from Operations | **$ 175** | $ 172 | **$ 350** | $ 342 |

## FORWARD-LOOKING STATEMENTS

This News Release 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 News Release 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 News Release including, without limitation, in the "Outlook" section of this News Release. 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" section, of the MD&A in the Company's 2021 Annual Report and the Company's Annual Information Form 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 News Release. 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.

## 2022 SECOND QUARTER REPORT

The Company's 2021 Annual Report and 2022 Second Quarter Report are available in the Investor Centre section of the Company's website at www.weston.ca and have been filed on SEDAR and are available at www.sedar.com.

## INVESTOR RELATIONS

Shareholders, security analysts and investment professionals should direct their requests to Roy MacDonald, Group Vice-President, Investor Relations, at the Company's Executive Office or by e-mail at investor@weston.ca.

Additional financial information has been filed electronically with various securities regulators in Canada through SEDAR. This News Release includes selected information on Loblaw, a public company with shares trading on the Toronto Stock Exchange ("TSX"). For information regarding Loblaw, readers should refer to the materials filed by Loblaw on SEDAR from time to time. These filings are also maintained on Loblaw's corporate website at www.loblaw.ca.

This News Release 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 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.

Ce rapport est disponible en français.

**Endnotes**

(1) See the "Non-GAAP Financial Measures" section of this News Release, which includes the reconciliation of such non-GAAP measures to the most directly comparable GAAP measures.

(2) This News Release contains forward-looking information. See "Forward-Looking Statements" section of this News Release and the Company's 2022 Second Quarter Report for a discussion of material factors that could cause actual results to differ materially from the forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This News Release should be read in conjunction with GWL's filings with securities regulators made from time to time, all of which can be found at www.weston.ca and www.sedar.com.

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

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