Q2 2022
Quarterly Report

24 Weeks Ended June 18, 2022

WESTON GEORGE WESTON LIMITED

ESTABLISHED 1882

Footnote Legend

(1) See Section 8, “Non-GAAP Financial Measures”, of the Company’s 2022 Second Quarter Management’s Discussion and Analysis.

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

(3) 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 Second Quarter Management’s Discussion and Analysis.

Management's Discussion and Analysis

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL" or the "Company") should be read in conjunction with the Company's second quarter 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 second 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 provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise and financial services. Choice Properties owns, manages and develops a high-quality portfolio of commercial retail, industrial, mixed-use and residential properties across Canada.

In 2021, the Company sold its entire interest in 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 July 28, 2022, unless otherwise noted.

At a Glance

Key Financial Highlights

As at or for the 12 weeks ended June 18, 2022, June 19, 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] (%)
$12,979	**$649**	**$1,588**	**12.2%**
+2.7% vs. Q2 2021[3]	**-39.1%** vs. Q2 2021[3]	**+8.6%** vs. Q2 2021[3]	**+60bps** vs. Q2 2021[3]

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 ($)	ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE[1] FROM CONTINUING OPERATIONS ($)
$640	**$328**	**$4.36**	**$2.23**
+456.5% vs. Q2 2021[3]	**+19.3%** vs. Q2 2021[3]	**+489.2%** vs. Q2 2021[3]	**+23.9%** vs. Q2 2021[3]

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
$146	**$377**	**$0.66**	**$1,061**
+2.1% vs. Q2 2021[3]	**+41.7%** vs. Q2 2021[3]	**+20.0%** vs. Q2 2021	**-20.7%** 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.
(3) Comparative figures have been restated to conform with current year presentation.

Key Performance Indicators

For the 12 weeks and 24 weeks ended June 18, 2022 and June 19, 2021
($ millions except where otherwise indicated)

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

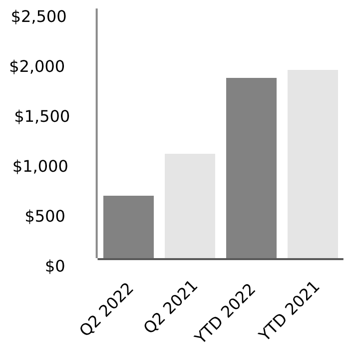
REVENUE

Q2 2022	**$ 12,979**	
Q2 2021[3]	$ 12,637	**+2.7%**
YTD 2022	**$ 25,386**	
YTD 2021[3]	$ 24,654	**+3.0%**

How we performed

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

OPERATING INCOME

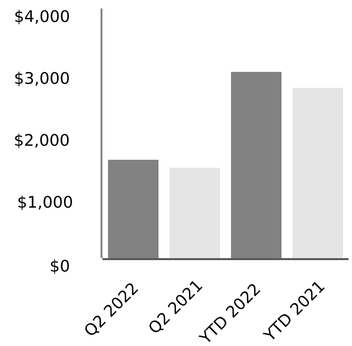


Q2 2022	**$ 649**	
Q2 2021[3]	$ 1,065	**-39.1%**
YTD 2022	**$ 1,815**	
YTD 2021[3]	$ 1,893	**-4.1%**

How we performed

Operating income decreased in the second quarter of 2022 and year-to-date mainly due to the unfavourable year-over-year net impact of adjusting items, which was partially offset by the improvement in the underlying operating performance of the Company driven by Loblaw.

ADJUSTED EBITDA[1]



Q2 2022	**$ 1,588**	
Q2 2021[3]	$ 1,462	**+8.6%**
YTD 2022	**$ 3,010**	
YTD 2021[3]	$ 2,762	**+9.0%**

How we performed

Adjusted EBITDA[1] increased in the second quarter of 2022 and year-to-date mainly due to an increase at Loblaw.

Adjusted EBITDA margin[1] in the second 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 EBITDA MARGIN[1] (%)

12.2%	**+60bps**
Q2 2022	vs. Q2 2021[3]
11.9%	**+70bps**
YTD 2022	vs. 2021[3]

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS[1] FROM CONTINUING OPERATIONS

Q2 2022	**$ 328**	
Q2 2021[3]	$ 275	**+19.3%**
YTD 2022	**$ 610**	
YTD 2021[3]	$ 520	**+17.3%**

How we performed

Adjusted net earnings available to common shareholders[1] from continuing operations increased in the second quarter of 2022 and year-to-date primarily due to the improvement in the underlying operating performance at Loblaw.

Adjusted diluted net earnings per common share[1] from continuing operations increased in the second 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 DILUTED NET EARNINGS PER COMMON SHARE[1] FROM CONTINUING OPERATIONS ($)

$ 2.23	**+23.9%**
Q2 2022	vs. Q2 2021[3]
$ 4.13	**+21.5%**
YTD 2022	vs. 2021[3]

(1) See Section 8, "Non-GAAP Financial Measures", of this MD&A.
(2) GWL Corporate refers to the non-consolidated financial results and metrics of GWL. GWL Corporate is a subset of Other and Intersegment.
(3) Comparative figures have been restated to conform with current year presentation.

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.

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2022**	Jun. 19, 2021[3]	**Jun. 18, 2022**	Jun. 19, 2021[3]
Dividends from Loblaw	**$ 64**	$ 61	**$ 64**	$ 61
Distributions from Choice Properties	**82**	82	**165**	165
GWL Corporate[2] cash flow from operating businesses[1] from Continuing Operations	**$ 146**	$ 143	**$ 229**	$ 226
Proceeds from participation in Loblaw's Normal Course Issuer Bid	**309**	172	**319**	338
GWL Corporate, financing, and other costs[i]	**(44)**	(47)	**(102)**	(71)
Income taxes paid	**(34)**	(2)	**(128)**	(14)
GWL Corporate[2] free cash flow[1] from Continuing Operations	**$ 377**	$ 266	**$ 318**	$ 479

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

As at or for the 12 weeks and 24 weeks ended June 18, 2022, June 19, 2021 and December 31, 2021
($ millions except where otherwise indicated)

GWL CORPORATE[2] CASH FLOW FROM OPERATING BUSINESSES[1] FROM CONTINUING OPERATIONS

$ 146	**+2.1%**	
Q2 2022	vs. Q2 2021[3]	
$ 229	**+1.3%**	
YTD 2022	vs. 2021[3]	

How we performed

Cash flow from operating businesses from continuing operations increased in the second 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

$ 377	**+41.7%**
Q2 2022	vs. Q2 2021[3]
$ 318	**-33.6%**
YTD 2022	vs. 2021[3]

How we performed

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

The decrease year-to-date was primarily due to higher income taxes paid.

GWL CORPORATE[2] CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

$ 1,061	**-20.7%**
Q2 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 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 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.

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 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.

($ 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%		
Depreciation and amortization[i]	**$ 552**	**$ 541**	**$ 11**	**2.0%**	**$ 1,101**	**$ 1,066**	**$ 35**	**3.3%**
Net interest (income) expense and other financing charges	**$ (338)**	**$ 503**	**$ (841)**	**(167.2)%**	**$ (16)**	**$ 1,048**	**$ (1,064)**	**(101.5)%**
Adjusted net interest expense and other financing charges[1]	**$ 238**	$ 257	$ (19)	(7.4)%	**$ 478**	$ 510	$ (32)	(6.3)%
Income taxes	**$ 113**	**$ 201**	**$ (88)**	**(43.8)%**	**$ 342**	**$ 366**	**$ (24)**	**(6.6)%**
Adjusted income taxes[1]	**$ 266**	$ 218	$ 48	22.0%	**$ 471**	$ 395	$ 76	19.2%
Adjusted effective tax rate[1]	**29.2%**	27.9%			**28.3%**	27.8%		
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 operations ($)	**$ 2.23**	$ 1.80	$ 0.43	23.9%	**$ 4.13**	$ 3.40	$ 0.73	21.5%

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

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

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). Refer to Section 2.2 "Choice Properties Operating Results" of this MD&A for more 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). 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 $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.

Year-to-date net earnings available to common shareholders of the Company from continuing operations were $1,003 million ($6.81 per common share) compared to $53 million ($0.33 per common share) in the same period in 2021. The increase of $950 million ($6.48 per common share), was due to the favourable year-over-year net impact of adjusting items totaling $860 million ($5.75 per common share), and an improvement in the Company's consolidated underlying operating performance of $90 million ($0.73 per common share) described below.

- The favourable year-over-year net impact of adjusting items totaling $860 million ($5.75 per common share) was primarily due to:
  - the favourable year-over-year impact of the fair value adjustment of the Trust Unit liability of $910 million ($6.10 per common share) as a result of the decrease in Choice Properties' unit price during 2022;
  - the favourable year-over-year impact of the prior year fair value adjustment of the forward sale agreement of Loblaw common shares of $96 million ($0.63 per common share); and
  - the income tax recovery related to the remeasurement of deferred tax balances for the Office Asset Sale of $46 million ($0.31 per common share);

  partially offset by,
  - 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).

- The improvement in the Company's consolidated underlying operating performance of $90 million ($0.73 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 NCIB program; and
  - an increase in deprecation and amortization at 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 ($0.14 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 $610 million, an increase of $90 million, or 17.3% 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 $4.13 per common share in the second quarter of 2022, an increase of $0.73 per common share, or 21.5%, 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.

Management's Discussion and Analysis

REVENUE

($ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended Jun. 18, 2022	Jun. 19, 2021[3]	$ Change	% Change	24 Weeks Ended Jun. 18, 2022	Jun. 19, 2021[3]	$ Change	% Change
Loblaw	**$ 12,847**	$ 12,491	$ 356	2.9%	**$ 25,109**	$ 24,363	$ 746	3.1%
Choice Properties	**$ 313**	$ 324	$ (11)	(3.4)%	**$ 641**	$ 651	$ (10)	(1.5)%
Other and Intersegment	**$ (181)**	$ (178)			**$ (364)**	$ (360)		
Consolidated	**$ 12,979**	$ 12,637	$ 342	2.7%	**$ 25,386**	$ 24,654	$ 732	3.0%

Revenue in the second quarter of 2022 was $12,979 million, an increase of $342 million, or 2.7%, compared to the same period in 2021. The increase in revenue in the second quarter of 2022 was impacted by each of its reportable operating segments as follows:

- Positively by 2.8% due to revenue growth of 2.9% at Loblaw, primarily driven by an increase in retail sales of $341 million, or 2.8%, and an improvement in financial services revenue of $25 million. The increase in retail sales was due to positive same-store sales growth in food and drug, and Lifemark revenues since the date of acquisition of $49 million.

- Negatively by 0.1% due to a decline in revenue of 3.4% at Choice Properties. The decrease of $11 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 higher rental rates in the retail and industrial portfolio and increased capital recoveries.

Year-to-date revenue was $25,386 million, an increase of $732 million, or 3.0%, 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 3.0% due to revenue growth of 3.1% at Loblaw, primarily driven by an increase in retail sales of $716 million, or 3.0%, and an improvement in financial services revenue of $46 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 $49 million.

- Negatively by a nominal amount due to a decline in revenue of 1.5% at Choice Properties. The decrease of $10 million was mainly due to the to foregone revenue following the Office Asset Sale, partially offset by higher rental rates in the retail and industrial portfolio and increased capital recoveries.

OPERATING INCOME

($ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended Jun. 18, 2022	Jun. 19, 2021[3]	$ Change	% Change	24 Weeks Ended Jun. 18, 2022	Jun. 19, 2021[3]	$ Change	% Change
Loblaw	**$ 740**	$ 750	$ (10)	(1.3)%	**$ 1,476**	$ 1,365	$ 111	8.1%
Choice Properties	**$ (451)**	$ 503	$ (954)	(189.7)%	**$ 178**	$ 788	$ (610)	(77.4)%
Other and Intersegment	**$ 360**	$ (188)			**$ 161**	$ (260)		
Consolidated	**$ 649**	$ 1,065	$ (416)	(39.1)%	**$ 1,815**	$ 1,893	$ (78)	(4.1)%

Operating income in the second quarter of 2022 was $649 million compared to $1,065 million in the same period in 2021, a decrease of $416 million, or 39.1%. The decrease was mainly attributable to the unfavourable year-over-year net impact of adjusting items totaling $528 million, partially offset by the improvement in underlying operating performance of $112 million described below:

- the unfavourable year-over-year net impact of adjusting items totaling $528 million was primarily due to:
  - the unfavourable year-over-year impact of the fair value adjustment of investment properties of $251 million;
  - the unfavourable impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied of $159 million; and
  - the unfavourable impact of the charge related to the commodity tax matter at Loblaw of $111 million.

- the improvement in underlying operating performance of $112 million was due to:
  - the favourable underlying operating performance of Loblaw mainly due to the improvement in retail;

  partially offset by,
  - an increase in depreciation and amortization at Loblaw.

Year-to-date operating income was $1,815 million compared to $1,893 million in the same period in 2021, a decrease of $78 million, or 4.1%. The decrease was mainly attributable to the unfavourable year-over-year net impact of adjusting items totaling $288 million, partially offset by the improvement in underlying operating performance of $210 million described below:

- the unfavourable year-over-year net impact of adjusting items totaling $288 million was primarily due to:
    - the unfavourable impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied of $159 million;
    - the unfavourable impact of the charge related to the commodity tax matter at Loblaw of $111 million; and
    - the unfavourable impact of transaction costs and other related expenses of $21 million;

  partially offset by,
    - the favourable year-over-year impact of the fair value adjustment on investment properties of $6 million.

- the improvement in underlying operating performance of $210 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.

ADJUSTED EBITDA[1]

($ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended Jun. 18, 2022	Jun. 19, 2021[3]	$ Change	% Change	24 Weeks Ended Jun. 18, 2022	Jun. 19, 2021[3]	$ Change	% Change
Loblaw	**$ 1,497**	$ 1,369	$ 128	9.3%	**$ 2,838**	$ 2,585	$ 253	9.8%
Choice Properties	**$ 226**	$ 223	$ 3	1.3%	**$ 451**	$ 448	$ 3	0.7%
Other and Intersegment	**$ (135)**	$ (130)			**$ (279)**	$ (271)		
Consolidated	**$ 1,588**	$ 1,462	$ 126	8.6%	**$ 3,010**	$ 2,762	$ 248	9.0%

Adjusted EBITDA[1] in the second quarter of 2022 was $1,588 million compared to $1,462 million in the same period in 2021, an increase of $126 million, or 8.6%. The increase in adjusted EBITDA[1] was impacted by each of the Company's reportable operating segments as follows:

- Positively by 8.8% due to an increase of 9.3% 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").

- Positively by 0.2% due to an increase of 1.3% in adjusted EBITDA[1] at Choice Properties primarily due to distribution income from the investment in real estate securities of Allied and a decline in expected credit loss provisions, partially offset by the decline in revenue described above.

Year-to-date adjusted EBITDA[1] was $3,010 million compared to $2,762 million in the same period in 2021, an increase of $248 million, or 9.0%. The increase in adjusted EBITDA[1] was impacted by each of the Company's reportable operating segments as follows:

- Positively by 9.2% due to an increase of 9.8% 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.

- Positively by 0.1% due to an increase of 0.7% in adjusted EBITDA[1] at Choice Properties, primarily due to distribution income from the investment in real estate securities of Allied and a decline in expected credit loss provisions, partially offset by the decline in revenue described above.

DEPRECIATION AND AMORTIZATION

($ 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
Loblaw	**$ 633**	$ 614	$ 19	3.1%	**$ 1,264**	$ 1,224	$ 40	3.3%
Choice Properties	**$ 1**	$ 1	$ –	–%	**$ 2**	$ 2	$ –	–%
Other and Intersegment	**$ (82)**	$ (74)			**$ (165)**	$ (160)		
Consolidated	**$ 552**	$ 541	$ 11	2.0%	**$ 1,101**	$ 1,066	$ 35	3.3%

Depreciation and amortization in the second quarter of 2022 was $552 million, an increase of $11 million compared to the same period in 2021. Year-to-date depreciation and amortization was $1,101 million, an increase of $35 million compared to the same period in 2021.

Depreciation and amortization in the second quarter and year-to-date included $114 million (2021 – $117 million) and $231 million (2021 – $234 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 second quarter and year-to-date by $14 million and $38 million, respectively, primarily driven by an increase in depreciation of information technology ("IT") and leased assets at Loblaw.

NET INTEREST (INCOME) EXPENSE AND OTHER FINANCING CHARGES

($ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended **Jun. 18, 2022**	Jun. 19, 2021[3]	$ Change	% Change	24 Weeks Ended **Jun. 18, 2022**	Jun. 19, 2021[3]	$ Change	% Change
Net interest (income) expense and other financing charges	**$ (338)**	$ 503	$ (841)	(167.2)%	**$ (16)**	$ 1,048	$ (1,064)	(101.5)%
Add: Fair value adjustment of the Trust Unit liability	**576**	(188)	764	406.4%	**483**	(427)	910	213.1%
Recovery related to Glenhuron	**–**	–	–	–%	**11**	–	11	100.0%
Fair value adjustment of the forward sale agreement for Loblaw common shares	**–**	(58)	58	100.0%	**–**	(111)	111	100.0%
Adjusted net interest expense and other financing charges[1]	**$ 238**	$ 257	$ (19)	(7.4)%	**$ 478**	$ 510	$ (32)	(6.3)%

Net interest income and other financing charges in the second quarter of 2022 were $338 million compared to net interest expense and other financing charges of $503 million in the same period in 2021. The change of $841 million was primarily due to the favourable year-over-year impact of adjusting items totaling $822 million, itemized in the table above and a decrease in adjusted net interest expense and other financing charges[1] of $19 million. Year-to-date net interest income and other financing charges were $16 million compared to net interest expense and other financing charges of $1,048 million in the same period in 2021. The change of $1,064 million was primarily due to the favourable year-over-year impact of adjusting items totaling $1,032 million, itemized in the table above and a decrease in adjusted net interest expense and other financing charges[1] of $32 million.

Included in the adjusting items in the second quarter of 2022 and year-to-date was the favourable year-over-year fair value adjustment of the Trust Unit liability of $764 million and $910 million, respectively, as a result of the decrease in Choice Properties' unit price during the second 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 second quarter of 2022 and year-to-date, adjusted net interest expense and other financing charges[1] decreased by $19 million and $32 million, respectively, primarily driven by:

- 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;
- higher interest income due to an increase in interest rates;
- a reduction in interest expense from lease liabilities at Loblaw, including Other and Intersegment adjustments;
- a reduction in interest expense from post-employment and other employee benefits; and
- a decrease in interest expense in Choice Properties primarily due to refinancing over the past year at lower interest rates and an increase in interest income from a higher outstanding balance in mortgages and loans receivable.

INCOME TAXES

($ 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
Income taxes	**$ 113**	$ 201	$ (88)	(43.8)%	**$ 342**	$ 366	$ (24)	(6.6)%
Add: Tax impact of items excluded from adjusted earnings before taxes[1](i)	**89**	17	72	423.5%	**69**	45	24	53.3%
Remeasurement of deferred tax balances	**46**	–	46	100.0%	**46**	–	46	100.0%
Outside basis difference in certain Loblaw shares	**18**	–	18	100.0%	**(19)**	(16)	(3)	(18.8)%
Recovery related to Glenhuron	**–**	–	–	–%	**33**	–	33	100.0%
Adjusted income taxes[1]	**$ 266**	$ 218	$ 48	22.0%	**$ 471**	$ 395	$ 76	19.2%
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[1]	**29.2%**	27.9%			**28.3%**	27.8%		

(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 second quarter of 2022 was 11.4%, compared to 35.8% 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 impact of certain non-deductible items.

The adjusted effective tax rate[1] for the second quarter of 2022 was 29.2%, compared to 27.9% 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 and the impact of certain other non-deductible items.

The year-to-date effective tax rate was 18.7%, compared to 43.3% 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, the recovery of income taxes related to Glenhuron Bank Limited ("Glenhuron") in the first quarter of 2022, and the impact of certain other non-deductible items.

The year-to-date adjusted effective tax rate[1] was 28.3%, compared to 27.8% 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 and the impact of certain other non-deductible items.

Loblaw has been reassessed by the Canada Revenue Agency and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, 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 assessments 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 the second quarter of 2022 and year-to-date of $6 million 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.

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)	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	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 and year-to-date 2022, the Company purchased and cancelled 1.8 million shares (2021 – 1.2 million shares) and 2.2 million shares (2021 – 1.7 million shares), respectively, 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 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 second quarter and year-to-date 2022, GWL received proceeds of $309 million (2021 – $172 million) and $319 million (2021 – $338 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 June 18, 2022, no amounts were drawn on the facility.

2. Results of Reportable Operating Segments

The following discussion provides details of the second 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	12 Weeks Ended				24 Weeks Ended			
	Jun. 18, 2022	Jun. 19, 2021	$ Change	% Change	**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 ("CPI") 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.

In the last 12 months, 12 food and drug stores were opened, and 17 food and drug stores were closed, keeping the retail square footage consistent at 71.2 million square feet.

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*.

On a year-to-date basis, Loblaw revenue was $25,109 million, an increase of $746 million, or 3.1%, compared to the same period in 2021, primarily driven by an increase in retail sales and in financial services revenue.

Retail sales were $24,668 million, an increase of $716 million, or 3.0% when compared to the same period in 2021. Food retail sales were $17,663 million (2021 – $17,357 million) and food retail same-store sales grew by 1.5% (2021 – remained flat). Drug retail sales were $7,005 million (2021 – $6,595 million) and drug retail same-store sales growth was 5.4% (2021 – 3.8%), with pharmacy and healthcare services same-store sales growth of 6.4% (2021 – 10.0%) and front store same-store sales growth of 4.5% (2021 – decline of 1.4%). Pharmacy and healthcare services sales included Lifemark revenues from the date of acquisition of $49 million. Lifemark revenues are excluded from same-store sales.

Year-to-date financial services revenue increased by $46 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, as 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 SG&A and depreciation and amortization.

Year-to-date Loblaw operating income was $1,476 million, an increase of $111 million, or 8.1%, compared to the same period in 2021. The increase was driven by improvements in underlying operating performance of $210 million, partially offset by the unfavourable year-over-year net impact of adjusting items totaling $99 million described below:

- the improvement in underlying operating performance of $210 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 $99 million was primarily due to:
    - the unfavourable impact of the charge related to 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 $27 million.

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, primarily driven by 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, higher customer acquisition costs, higher loyalty program costs and operating costs and higher IT costs, partially offset by higher revenue described above.

Year-to-date Loblaw adjusted EBITDA[1] was $2,838 million, an increase of $253 million, or 9.8%, compared to the same period in 2021. The increase was primarily due to an increase in retail of $269 million, partially offset by a decrease in financial services of $16 million.

Year-to-date retail adjusted EBITDA[(1)] increased by $269 million, driven by an increase in retail gross profit of $379 million, partially offset by an unfavourable increase in retail SG&A of $110 million.

- Retail gross profit percentage of 31.2% increased by 60 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 20.2%, a favourable decrease of 10 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 $16 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 $9 million, prior year reversal of certain commodity tax accrued, higher loyalty program costs and operating costs, higher customer acquisition costs and higher IT costs, partially offset by higher revenue described above.

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. Year-to-date depreciation and amortization was $1,264 million, an increase of $40 million compared to the same period in 2021. The increase in depreciation and amortization in the second quarter of 2022 and year-to-date was primarily driven by an increase in depreciation of IT and leased assets. Depreciation and amortization in the second quarter of 2022 and year-to-date included the amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark of $114 million (2021 – $117 million) and $231 million (2021 – $234 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 $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%. Year-to-date net earnings attributable to non-controlling interests were $71 million, a decrease of $4 million, or 5.3% compared to the same period in 2021. The decreases in non-controlling interests were 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.

2.2 Choice Properties Operating Results

($ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended				24 Weeks Ended			
	Jun. 18, 2022	Jun. 19, 2021	$ Change	% Change	**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. Revenue included $183 million (2021 – $181 million) generated from tenants within Loblaw.

On a year-to-date basis, revenue was $641 million, a decrease of $10 million, or 1.5%, compared to the same period in 2021. Revenue included $367 million (2021 – $363 million) generated from tenants within Loblaw.

The decrease in revenue in the second quarter of 2022 and year-to-date 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.

Year-to-date, net interest income and other financing charges were $197 million compared to net interest expense and other financing charges of $765 million in the same period in 2021. The change of $962 million was primarily driven by the favourable year-over-year impact of the fair value adjustment on the Exchangeable Units of $958 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.

Year-to-date, net income was $375 million, compared to $23 million in the same period in 2021. The change of $352 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, 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.

Management's Discussion and Analysis

FUNDS FROM OPERATIONS[1] Funds from Operations[1] in the second quarter of 2022 and year-to-date was $175 million and $350 million, an increase of $3 million and $8 million, respectively 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). 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)	12 Weeks Ended			24 Weeks Ended		
For the periods ended as indicated	**Jun. 18, 2022**	Jun. 19, 2021	$ Change	**Jun. 18, 2022**	Jun. 19, 2021	$ Change
Cash and cash equivalents, beginning of period	**$ 2,828**	$ 2,827	$ 1	**$ 2,984**	$ 2,581	$ 403
Cash flows from operating activities	**$ 1,118**	$ 1,702	$ (584)	**$ 1,875**	$ 2,613	$ (738)
Cash flows used in investing activities	**$ (669)**	$ (713)	$ 44	**$ (1,015)**	$ (590)	$ (425)
Cash flows used in financing activities	**$ (997)**	$ (1,020)	$ 23	**$ (1,565)**	$ (1,808)	$ 243
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 1**	$ (1)	$ 2	**$ 2**	$ (1)	$ 3
Cash and cash equivalents, end of period	**$ 2,281**	$ 2,795	$ (514)	**$ 2,281**	$ 2,795	$ (514)

CASH FLOWS FROM OPERATING ACTIVITIES Cash flows from operating activities were $1,118 million in the second quarter of 2022, a decrease of $584 million compared to the same period in 2021. The decrease in cash flows from operating activities for the second quarter of 2022 was primarily driven by an unfavourable change in non-cash working capital and an increase in credit card receivables from a rise in customer spending, partially offset by net lower income taxes paid due to the recovery of cash taxes related to Glenhuron.

Year-to-date cash flows from operating activities were $1,875 million in 2022, a decrease of $738 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 increase in credit card receivables from a rise in customer spending, partially offset by net lower income taxes paid due to the recovery of cash taxes related to Glenhuron and higher cash earnings.

CASH FLOWS USED IN INVESTING ACTIVITIES Cash flows used in investing activities were $669 million in the second quarter of 2022, a decrease of $44 million compared to the same period in 2021. The decrease in cash flows used in investing activities was primarily driven by a decrease in short-term investments, partially offset by Loblaw's acquisition of Lifemark.

Year-to-date cash flows used in investing activities were $1,015 million in 2022, an increase of $425 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, partially offset by a decrease in short-term investments.

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

($ millions)	12 Weeks Ended			24 Weeks Ended		
For the periods ended as indicated	**Jun. 18, 2022**	Jun. 19, 2021[3]	$ Change	**Jun. 18, 2022**	Jun. 19, 2021[3]	$ Change
Loblaw[i]	**$ 302**	$ 258	$ 44	**$ 488**	$ 461	$ 27
Choice Properties	**60**	20	40	**80**	38	42
Other and Intersegment	**–**	–	–	**1**	2	(1)
Capital Investments from Continuing Operations	**362**	278	84	**569**	501	68
Discontinued Operations	**–**	26	(26)	**–**	39	(39)
Total Capital Investments	**$ 362**	$ 304	$ 58	**$ 569**	$ 540	$ 29

(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.

CASH FLOWS USED IN FINANCING ACTIVITIES Cash flows used in financing activities were $997 million in the second quarter of 2022, a decrease of $23 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 and an increase in short-term debt in the current quarter, partially offset by higher GWL and Loblaw repurchases of common shares under their respective NCIB programs in the current period.

Year-to-date cash flows used in financing activities were $1,565 million in 2022, a decrease of $243 million compared to the same period in 2021. The decrease in cash flows used in financing activities was primarily driven by an increase in short-term debt and higher net issuances of long-term debt in the current year, partially offset by higher GWL and Loblaw repurchases of common shares under their respective NCIB programs in the current period.

FREE CASH FLOW[1]

The following Free Cash Flow[1] is presented on a Continuing Operations basis.

($ millions)	12 Weeks Ended			24 Weeks Ended		
For the periods ended as indicated	Jun. 18, 2022	Jun. 19 2021[3]	$ Change	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 used in 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	**362**	278	84	**569**	501	68
Lease payments, net	**203**	198	5	**346**	338	8
Free cash flow[1] from Continuing Operations	**$ 369**	$ 1,012	$ (643)	**$ 562**	$ 1,319	$ (757)

Free cash flow[1] from continuing operations in the second quarter 2022 was $369 million, a decrease of $643 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 and an increase in credit card receivables from a rise in customer spending, partially offset by net lower income taxes paid due to the recovery of cash taxes related to Glenhuron.

On a year-to-date basis, free cash flow[1] from continuing operations was $562 million, a decrease of $757 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 and an increase in credit card receivables from a rise in customer spending, partially offset by net lower income taxes paid due to the recovery of cash taxes related to Glenhuron and higher cash earnings.

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 Credit Card Trust***® ***("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:

	As at											
	Jun. 18, 2022				Jun. 19, 2021[3]				Dec. 31, 2021			
($ millions)	Loblaw	Choice Properties	Other and Intersegment	Total	Loblaw	Choice Properties	Other and Intersegment	Total	Loblaw	Choice Properties	Other and Intersegment	Total
Bank indebtedness	$ 23	$ –	$ –	$ 23	$ 138	$ –	$ –	$ 138	$ 52	$ –	$ –	$ 52
Demand deposits from customers	99	–	–	99	50	–	–	50	75	–	–	75
Short-term debt	500	–	–	500	300	–	719	1,019	450	–	–	450
Long-term debt due within one year	485	733	–	1,218	984	753	229	1,966	1,002	518	–	1,520
Long-term debt	6,820	5,696	449	12,965	5,994	5,776	649	12,419	6,211	5,709	570	12,490
Certain other liabilities[i]	81	670	–	751	69	665	–	734	74	664	–	738
Fair value of financial derivatives related to the above debt	–	–	–	–	–	–	(491)	(491)	–	–	–	–
Total debt excluding lease liabilities	$ 8,008	$ 7,099	$ 449	$ 15,556	$ 7,535	$ 7,194	$ 1,106	$ 15,835	$ 7,864	$ 6,891	$ 570	$ 15,325
Lease liabilities due within one year[ii]	$ 1,387	$ 2	$ (564)	$ 825	$ 1,345	$ 1	$ (560)	$ 786	$ 1,297	$ 1	$ (556)	$ 742
Lease liabilities[ii]	$ 7,530	$ 2	$ (3,215)	$ 4,317	$ 7,443	$ 3	$ (3,343)	$ 4,103	$ 7,542	$ 1	$ (3,301)	$ 4,242
Total debt including lease liabilities	$ 16,925	$ 7,103	$ (3,330)	$ 20,698	$ 16,323	$ 7,198	$ (2,797)	$ 20,724	$ 16,703	$ 6,893	$ (3,287)	$ 20,309

(i) Includes financial liabilities of $670 million (June 19, 2021 – $665 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 (June 19, 2021 – $3 million; December 31, 2021 – $2 million) and lease liabilities of $6 million (June 19, 2021 – $7 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 $457 million (June 19, 2021 – $1,116 million; December 31, 2021 – $579 million) and cash and cash equivalents and short-term investments of $1,061 million (June 19, 2021 – $1,083 million; December 31, 2021 – $1,338 million), resulting in a net cash position of $604 million (June 19, 2021 – net debt of $33 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 second quarter of 2021 and year end 2021 primarily due to an improvement in 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.

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

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

3.3 Components of Total Debt

DEBENTURES There were no debentures issued on a year-to-date basis in 2022 and 2021. The following table summarizes the debentures repaid in the periods ended as indicated:

			12 Weeks Ended		24 Weeks Ended	
			Jun. 18, 2022	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
($ millions)	Interest Rate	Maturity Date	**Principal Amount**	Principal Amount	**Principal Amount**	Principal Amount
George Weston debenture - Series A	7.00%	November 10, 2031 (i)	**$ –**	$ 36	**$ –**	$ 36
Total debentures repaid			**$ –**	$ 36	**$ –**	$ 36

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

Subsequent to the end of the second quarter of 2022, Choice Properties completed a $500 million offering on a private placement basis of the Series R senior unsecured debentures bearing interest at 6.003% per annum and maturing on June 24, 2032. Choice Properties used the net proceeds of the issuance to repay existing indebtedness, including the early redemption of Choice Properties $300 million aggregate principal amount of 3.60% Series 10 senior unsecured debentures on June 26, 2022, with an original maturity date of September 20, 2022. Choice Properties also used the proceeds to repay a portion of the balance drawn on its credit facility.

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

		As at					
		Jun. 18, 2022		Jun. 19, 2021		Dec. 31, 2021	
($ millions)	Maturity Date	**Available Credit**	**Drawn**	Available Credit	Drawn	Available Credit	Drawn
George Weston	September 13, 2024	**$ 350**	**$ –**	$ –	$ –	$ 350	$ 121
Loblaw	October 7, 2023	**1,000**	**–**	1,000	–	1,000	–
Choice Properties	June 24, 2026	**1,500**	**335**	1,500	55	1,500	–
Total committed credit facilities		**$ 2,850**	**$ 335**	$ 2,500	$ 55	$ 2,850	$ 121

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 June 18, 2022, no amounts were drawn on the facility.

Loblaw Loblaw has a $1 billion committed credit facility with a maturity date of October 7, 2023, provided by a syndicate of lenders. Subsequent to the end of the second quarter of 2022, Loblaw extended the maturity date to July 15, 2027 with all other terms and conditions remaining substantially the same. This committed credit facility contains certain financial covenants. As at June 18, 2022, there were no amounts drawn under this facility (June 19, 2021 and December 31, 2021 – no amounts were drawn).

Choice Properties Subsequent to the end of the second quarter of 2022, on June 30, 2022, Choice Properties completed an irrevocable defeasance payment of $180 million against its outstanding credit facility balance. The balance outstanding at June 30, 2022, comprised of banker's acceptances maturing on July 4, 2022. The administrative agent for the credit facility will distribute the payment to the lenders on the maturity date at which point the liability will be extinguished.

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:

	As at		
($ millions)	**Jun. 18, 2022**	Jun. 19, 2021	Dec. 31, 2021
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust*®	**$ 1,350**	$ 1,050	$ 1,350
Securitized to Other Independent Securitization Trusts	**500**	300	450
Total securitized to independent securitization trusts	**$ 1,850**	$ 1,350	$ 1,800

During the second quarter of 2022, *Eagle* filed a Short Form Base Shelf Prospectus, which allows for the issuance of up to $1.25 billion of notes over a 25-month period.

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at the end of the second quarter of 2022 and throughout the first half of the year.

INDEPENDENT FUNDING TRUSTS As at the end of the second quarter of 2022, the independent funding trusts had drawn $582 million (June 19, 2021 – $582 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 second quarter of 2022, Loblaw provided a credit enhancement of $64 million (June 19, 2021 and December 31, 2021 – $64 million) for the benefit of the independent funding trusts representing not less than 10% (June 19, 2021 and December 31, 2021 – not less than 10%) of the principal amount of loans outstanding.

The revolving committed credit facility that is the source of funding to the independent funding trusts has a maturity date of April 14, 2025. The Company 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:

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Balance, beginning of period	**$ 1,023**	$ 1,159	**$ 996**	$ 1,185
GICs issued	**145**	155	**179**	156
GICs matured	**(93)**	(266)	**(100)**	(293)
Balance, end of period	**$ 1,075**	$ 1,048	**$ 1,075**	$ 1,048

As at June 18, 2022, $235 million in GICs were recorded as long term debt due within one year (June 19, 2021 – $402 million; December 31, 2021 – $182 million).

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

		As at		
($ millions)	Maturity Date	**Jun. 18, 2022**	Jun. 19, 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	**$ –**	$ 429	$ –
Series B	On demand	**–**	719	–
Fair value of financial derivatives related to the above debt	n/a	**–**	(491)	–
Debt associated with equity forward sale agreement[i]		**$ –**	$ 657	$ –
Other and Intersegment debt		**$ 449**	$ 1,106	$ 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		
	Jun. 18, 2022	Jun. 19, 2021[3]	Dec. 31, 2021
Rolling year adjusted return on average equity attributable to common shareholders of the Company[1]	**20.9%**	16.9%	18.7%
Rolling year adjusted return on capital[1]	**12.5%**	11.5%	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 second quarter of 2022 compared to the end of the second 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 and a decrease in the average equity to common shareholders of the Company.

The rolling year adjusted return on capital[1] increased as at the end of the second quarter of 2022 compared to the end of the second quarter of 2021, primarily due to an increase in adjusted operating income[1] as a result of an improvement in the Company's consolidated underlying performance. The rolling year adjusted return on capital[1] decreased as at the end of the second quarter of 2022 compared to year end 2021, as a result of lower cash and cash equivalent and lower short-term investment levels.

3.5 Credit Ratings

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

	DBRS		S&P	
Credit Ratings (Canadian Standards)	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

Subsequent to the end of the second quarter of 2022, S&P confirmed the credit ratings and outlook of GWL, and DBRS confirmed the credit ratings and trend of GWL.

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

	DBRS		S&P	
Credit Ratings (Canadian Standards)	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

Subsequent to the end of the second quarter of 2022, S&P confirmed the credit ratings and outlook of Loblaw, and DBRS confirmed the credit ratings and trend of Loblaw.

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

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

Subsequent to the end of the second quarter of 2022, S&P confirmed the credit ratings and outlook of Choice Properties, and DBRS confirmed the credit 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:

	12 Weeks Ended				24 Weeks Ended			
	Jun. 18, 2022		Jun. 19, 2021		**Jun. 18, 2022**		Jun. 19, 2021	
($ millions except where otherwise indicated)	**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	**146,588,055**	**$ 2,702**	151,933,747	$ 2,785	**146,789,503**	**$ 2,714**	152,374,416	$ 2,786
Issued for settlement of stock options	**123**	**–**	14,050	3	**168,175**	**20**	104,545	11
Purchased and cancelled(i)	**(1,841,426)**	**(31)**	(1,165,956)	(46)	**(2,210,926)**	**(63)**	(1,697,120)	(55)
Issued and outstanding, end of period	**144,746,752**	**$ 2,671**	150,781,841	$ 2,742	**144,746,752**	**$ 2,671**	150,781,841	$ 2,742
Shares held in trusts, beginning of period	**(65,366)**	**$ (1)**	(181,625)	$ (3)	**(141,106)**	**$ (2)**	(254,525)	$ (4)
Released for settlement of RSUs and PSUs	**1,103**	**–**	526	–	**76,843**	**1**	73,426	1
Shares held in trusts, end of period	**(64,263)**	**$ (1)**	(181,099)	$ (3)	**(64,263)**	**$ (1)**	(181,099)	$ (3)
Issued and outstanding, net of shares held in trusts, end of period	**144,682,489**	**$ 2,670**	150,600,742	$ 2,739	**144,682,489**	**$ 2,670**	150,600,742	$ 2,739
Weighted average outstanding, net of shares held in trusts	**145,686,457**		151,498,459		**146,204,062**		151,795,628	

(i) Number of common shares repurchased and cancelled as at June 18, 2022, does not include shares that may be repurchased subsequent to the end of the quarter under the ASPP, as described below.

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

	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Purchased for current settlement of RSUs and DSUs (number of shares)	**15,716**	–	**15,716**	1,588
Purchased and cancelled (number of shares)	**1,841,426**	1,165,956	**2,210,926**	1,697,120
Cash consideration paid				
Purchased and cancelled(i)	**$ (278)**	$ (141)	**$ (325)**	$ (166)
Premium charged to retained earnings				
Purchased and cancelled(ii)	**$ 221**	$ 246	**$ 446**	$ 292
Reduction in share capital(iii)	**$ 31**	$ 46	**$ 63**	$ 55

(i) Included in the second quarter of 2022 and year-to-date is a net cash timing adjustment of $(6) million (2021 – $4 million) and $(17) million (2021 – $(26) million), respectively, of common shares repurchased under the NCIB for cancellation.
(ii) Includes $144 million (2021 – $131 million) related to the ASPP, as described below.
(iii) Includes $22 million (2021 – $24 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.

In the second quarter of 2022 and 2021, the Company entered into an ASPP with a broker in order to facilitate the repurchase of the Company's common shares under its NCIB. During the effective period of the ASPP, the Company's broker may purchase common shares at times when the Company would not be active in the market. As at June 18, 2022, an obligation to repurchase shares of $166 million (2021 – $155 million) was recognized under the ASPP in trade payables and other liabilities.

As of June 18, 2022, 509,542 common shares were purchased under the Company's current NCIB.

DIVIDENDS The following table summarizes the Company's cash dividends declared for the periods ended as indicated:

	12 Weeks Ended		24 Weeks Ended	
($)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Dividends declared per share(i):				
Common share	**$ 0.660**	$ 0.550	**$ 1.260**	$ 1.100
Preferred share:				
Series I	**$ 0.3625**	$ 0.3625	**$ 0.7250**	$ 0.7250
Series III	**$ 0.3250**	$ 0.3250	**$ 0.6500**	$ 0.6500
Series IV	**$ 0.3250**	$ 0.3250	**$ 0.6500**	$ 0.6500
Series V	**$ 0.296875**	$ 0.296875	**$ 0.593750**	$ 0.593750

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

The following table summarizes the Company's cash dividends declared subsequent to the end of the second 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 October 1, 2022. Dividends declared on Preferred Shares, Series I are payable on September 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)	Second Quarter 2022 (12 weeks)	Second Quarter 2021[3] (12 weeks)	First Quarter 2022 (12 weeks)	First Quarter 2021[3] (12 weeks)	Fourth Quarter 2021 (12 weeks)	Fourth Quarter 2020[3] (13 weeks)	Third Quarter 2021 (16 weeks)	Third Quarter 2020[3] (16 weeks)
Revenue	**$ 12,979**	$ 12,637	$ 12,407	$ 12,017	$ 12,902	$ 13,430	$ 16,192	$ 15,806
Operating income	**649**	1,065	1,166	828	1,009	869	1,125	964
Adjusted EBITDA[1]	**1,588**	1,462	1,422	1,300	1,453	1,396	1,780	1,644
Depreciation and amortization[i]	**552**	541	549	525	537	532	704	682
Net earnings from continuing operations	**874**	361	615	118	755	488	513	484
Net earnings (loss) attributable to shareholders of the Company from continuing operations	**650**	125	373	(52)	428	274	252	303
Net earnings (loss) available to common shareholders of the Company	**634**	108	363	(62)	217	289	124	303
Continuing operations	**640**	115	363	(62)	418	264	238	289
Discontinued operations	**(6)**	(7)	–	–	(201)	25	(114)	14
Net earnings (loss) per common share ($) - basic	**$ 4.35**	$ 0.71	$ 2.47	$ (0.41)	$ 1.48	$ 1.89	$ 0.83	$ 1.98
Continuing operations	**4.39**	0.75	2.47	(0.41)	2.84	1.73	1.59	1.89
Discontinued operations	**(0.04)**	(0.04)	–	–	(1.36)	0.16	(0.76)	0.09
Net earnings (loss) per common share ($) - diluted	**$ 4.32**	$ 0.70	$ 2.45	$ (0.41)	$ 1.44	$ 1.88	$ 0.82	$ 1.96
Continuing operations	**4.36**	0.74	2.45	(0.41)	2.80	1.72	1.58	1.87
Discontinued operations	**(0.04)**	(0.04)	–	–	(1.36)	0.16	(0.76)	0.09
Adjusted diluted net earnings per common share[1] from continuing operations ($)	**2.23**	1.80	1.90	1.60	2.32	1.74	2.43	2.22

(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 increased by 0.5 million square feet to 71.2 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.

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 second 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 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.

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 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.

Management's Discussion and Analysis

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

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

	12 Weeks Ended							
				Jun. 18, 2022				Jun. 19, 2021[3]
(unaudited) ($ 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) ($ millions except where otherwise indicated)	12 Weeks Ended **Jun. 18, 2022**	 Jun. 19, 2021[3]	24 Weeks Ended **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) ($ millions except where otherwise indicated)	12 Weeks Ended Jun. 18, 2022	12 Weeks Ended Jun. 19, 2021[3]	24 Weeks Ended Jun. 18, 2022	24 Weeks Ended 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) ($ 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) ($ except where otherwise indicated)	24 Weeks Ended Jun. 18, 2022 Net Earnings Available to Common Shareholders of the Company ($ millions)	Jun. 18, 2022 Diluted Net Earnings Per Common Share	Jun. 19, 2021(3) Net Earnings Available to Common Shareholders of the Company ($ millions)	Jun. 19, 2021(3) 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) ($ millions)	12 Weeks Ended Jun. 18, 2022	Jun. 19, 2021[3]	$ Change	24 Weeks Ended 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 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)	12 Weeks Ended Jun. 18, 2022	Jun. 19, 2021	24 Weeks Ended 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

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)	Second Quarter 2022 (12 weeks)	Second Quarter 2021[3] (12 weeks)	First Quarter 2022 (12 weeks)	First Quarter 2021[3] (12 weeks)	Fourth Quarter 2021 (12 weeks)	Fourth Quarter 2020[3] (13 weeks)	Third Quarter 2021 (16 weeks)	Third Quarter 2020[3] (16 weeks)
Net earnings (loss) attributable to shareholders of the Company from continuing operations	**$ 650**	$ 125	$ 373	$ (52)	$ 428	$ 274	$ 252	$ 303
Add impact of the following:								
Non-controlling interests	**$ 224**	$ 236	$ 242	$ 170	$ 327	$ 214	$ 261	$ 181
Income taxes	**$ 113**	$ 201	$ 229	$ 165	$ 64	$ 137	$ 200	$ 157
Net interest (income) expense and other financing charges	**$ (338)**	$ 503	$ 322	$ 545	$ 190	$ 244	$ 412	$ 323
Operating income	**$ 649**	$ 1,065	$ 1,166	$ 828	$ 1,009	$ 869	$ 1,125	$ 964
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 111**	$ 117	$ 117	$ 117	$ 117	$ 117	$ 155	$ 155
Amortization of intangible assets acquired with Lifemark	**3**	–	–	–	–	–	–	–
Fair value adjustment of investment in real estate securities	**159**	–	–	–	–	–	–	–
Charge related to PC Bank commodity tax matter	**111**	–	–	–	–	–	–	–
Fair value adjustment on investment properties	**102**	(149)	(291)	(46)	(87)	(3)	(41)	(7)
Transaction costs and other related expenses	**13**	–	8	–	–	–	–	–
Fair value adjustment of derivatives	**4**	(3)	(14)	(8)	6	(7)	(8)	–
Fair value adjustment on non-operating properties	**–**	–	–	–	(2)	9	–	–
Restructuring and other related costs (recoveries)	**–**	8	4	4	(8)	8	9	6
Gain on sale of non-operating properties	**(4)**	–	–	(3)	(2)	(8)	(9)	(1)
Foreign currency translation and other company level activities	**2**	–	–	–	–	(4)	–	–
Adjusting items	**$ 501**	$ (27)	$ (176)	$ 64	$ 24	$ 112	$ 106	$ 153
Adjusted operating income	**$ 1,150**	$ 1,038	$ 990	$ 892	$ 1,033	$ 981	$ 1,231	$ 1,117
Depreciation and amortization excluding the impact of the above adjustments[(i)]	**$ 438**	$ 424	$ 432	$ 408	$ 420	$ 415	$ 549	$ 527
Adjusted EBITDA	**$ 1,588**	$ 1,462	$ 1,422	$ 1,300	$ 1,453	$ 1,396	$ 1,780	$ 1,644

(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.

Management's Discussion and Analysis

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.

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
(unaudited)	**2022**	2021[3]	2022	2021[3]	2021	2020[3]	2021	2020[3]
($ millions)	**(12 weeks)**	(12 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(13 weeks)	(16 weeks)	(16 weeks)
Continuing Operations	**$ 640**	**$ 115**	**$ 363**	**$ (62)**	**$ 418**	**$ 264**	**$ 238**	**$ 289**
Add (deduct) impact of the following[i]:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 43**	$ 46	$ 46	$ 45	$ 47	$ 45	$ 58	$ 59
Amortization of intangible assets acquired with Lifemark	**1**	–	–	–	–	–	–	–
Fair value adjustment of investment in real estate securities	**146**	–	–	–	–	–	–	–
Charge related to PC Bank commodity tax matter	**45**	–	–	–	–	–	–	–
Fair value adjustment on investment properties	**85**	(125)	(243)	(38)	(72)	(3)	(35)	(5)
Transaction costs and other related expenses	**7**	–	5	–	–	–	–	–
Fair value adjustment of derivatives	**2**	(1)	(6)	(3)	1	(3)	(3)	–
Fair value adjustment on non-operating properties	**–**	–	–	–	–	4	–	–
Restructuring and other related costs (recoveries)	**–**	2	10	2	(4)	3	5	3
Gain on sale of non-operating properties	**(2)**	–	–	–	(2)	(3)	(5)	(1)
Fair value adjustment of the Trust Unit liability	**(576)**	188	93	239	122	20	52	(12)
Fair value adjustment of the forward sale agreement for Loblaw common shares	**–**	50	–	46	3	(53)	64	23
Remeasurement of deferred tax balances	**(46)**	–	–	–	–	2	–	(9)
Outside basis difference in certain Loblaw shares	**(18)**	–	37	16	(1)	(4)	(9)	(4)
Recovery related to Glenhuron	**–**	–	(23)	–	(165)	–	–	–
Foreign currency translation and other company level activities	**1**	–	–	–	–	(4)	–	–
Adjusting items Continuing Operations	**$ (312)**	$ 160	$ (81)	$ 307	$ (71)	$ 4	$ 127	$ 54
Adjusted Continuing Operations	**$ 328**	**$ 275**	**$ 282**	**$ 245**	**$ 347**	**$ 268**	**$ 365**	**$ 343**

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

(unaudited) ($ except where otherwise indicated)	Second Quarter 2022 (12 weeks)	2021[3] (12 weeks)	First Quarter 2022 (12 weeks)	2021[3] (12 weeks)	Fourth Quarter 2021 (12 weeks)	2020[3] (13 weeks)	Third Quarter 2021 (16 weeks)	2020[3] (16 weeks)
Continuing Operations	**$ 4.36**	**$ 0.74**	**$ 2.45**	**$ (0.41)**	**$ 2.80**	**$ 1.72**	**$ 1.58**	**$ 1.87**
Add (deduct) impact of the following[i]:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**$ 0.30**	$ 0.30	$ 0.31	$ 0.29	$ 0.31	$ 0.29	$ 0.39	$ 0.38
Amortization of intangible assets acquired with Lifemark	**0.01**	–	–	–	–	–	–	–
Fair value adjustment of investment in real estate securities	**0.99**	–	–	–	–	–	–	–
Charge related to PC Bank commodity tax matter	**0.31**	–	–	–	–	–	–	–
Fair value adjustment on investment properties	**0.58**	(0.81)	(1.65)	(0.25)	(0.48)	(0.02)	(0.24)	(0.03)
Transaction costs and other related expenses	**0.05**	–	0.03	–	–	–	–	–
Fair value adjustment of derivatives	**0.01**	(0.01)	(0.04)	(0.02)	0.01	(0.02)	(0.02)	–
Fair value adjustment on non-operating properties	**–**	–	–	–	–	0.03	–	–
Restructuring and other related costs (recoveries)	**–**	0.01	0.08	0.01	(0.03)	0.02	0.03	0.03
Gain on sale of non-operating properties	**(0.02)**	–	–	–	(0.01)	(0.02)	(0.03)	(0.01)
Fair value adjustment of the Trust Unit liability	**(3.94)**	1.24	0.63	1.57	0.83	0.13	0.35	(0.08)
Fair value adjustment of the forward sale agreement for Loblaw common shares	**–**	0.33	–	0.30	0.02	(0.34)	0.43	0.15
Remeasurement of deferred tax balances	**(0.31)**	–	–	–	–	0.01	–	(0.06)
Outside basis difference in certain Loblaw shares	**(0.12)**	–	0.25	0.11	(0.01)	(0.03)	(0.06)	(0.03)
Recovery related to Glenhuron	**–**	–	(0.16)	–	(1.12)	–	–	–
Foreign currency translation and other company level activities	**0.01**	–	–	–	–	(0.03)	–	–
Adjusting items Continuing Operations	**$ (2.13)**	$ 1.06	$ (0.55)	$ 2.01	$ (0.48)	$ 0.02	$ 0.85	$ 0.35
Adjusted Continuing Operations	**$ 2.23**	**$ 1.80**	**$ 1.90**	**$ 1.60**	**$ 2.32**	**$ 1.74**	**$ 2.43**	**$ 2.22**
Diluted Weighted Average Common Shares	**146.3**	**151.8**	**147.3**	**152.1**	**147.6**	**153.3**	**149.7**	**153.5**

(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.

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
July 28, 2022

Financial Results

Condensed Consolidated Statements of Earnings

(unaudited) (millions of Canadian dollars except where otherwise indicated)	12 Weeks Ended Jun. 18, 2022	12 Weeks Ended Jun. 19, 2021[(i)]	24 Weeks Ended Jun. 18, 2022	24 Weeks Ended Jun 19, 2021[(i)]
Revenue	**$ 12,979**	$ 12,637	**$ 25,386**	$ 24,654
Operating Expenses				
Cost of inventories sold (note 11)	**8,693**	8,529	**17,027**	16,704
Selling, general and administrative expenses	**3,637**	3,043	**6,544**	6,057
	12,330	11,572	**23,571**	22,761
Operating Income	**649**	1,065	**1,815**	1,893
Net Interest (Income) Expense and Other Financing Charges (note 6)	**(338)**	503	**(16)**	1,048
Earnings Before Income Taxes	**987**	562	**1,831**	845
Income Taxes (note 7)	**113**	201	**342**	366
Net Earnings from Continuing Operations	**874**	361	**1,489**	479
Net Loss from Discontinued Operations (note 5)	**(6)**	(7)	**(6)**	(7)
Net Earnings	**868**	354	**1,483**	472
Attributable to:				
Shareholders of the Company (note 8)	**644**	118	**1,017**	66
Non-Controlling Interests	**224**	236	**466**	406
Net Earnings	**$ 868**	$ 354	**$ 1,483**	$ 472
Net Earnings (Loss) per Common Share - Basic ($) (note 8)	**$ 4.35**	$ 0.71	**$ 6.82**	$ 0.30
Continuing Operations	**$ 4.39**	$ 0.75	**$ 6.86**	$ 0.35
Discontinued Operations	**$ (0.04)**	$ (0.04)	**$ (0.04)**	$ (0.05)
Net Earnings (Loss) per Common Share - Diluted ($) (note 8)	**$ 4.32**	$ 0.70	**$ 6.77**	$ 0.28
Continuing Operations	**$ 4.36**	$ 0.74	**$ 6.81**	$ 0.33
Discontinued Operations	**$ (0.04)**	$ (0.04)	**$ (0.04)**	$ (0.05)

(i) Comparative figures have been restated (note 5).

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

Condensed Consolidated Statements of Comprehensive Income

(unaudited) (millions of Canadian dollars)	12 Weeks Ended **Jun. 18, 2022**	12 Weeks Ended Jun. 19, 2021[i]	24 Weeks Ended **Jun. 18, 2022**	24 Weeks Ended Jun. 19, 2021[i]
Net Earnings from Continuing Operations	**$ 874**	$ 361	**$ 1,489**	$ 479
Other comprehensive income (loss), net of taxes				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation adjustment (note 22)	**4**	(9)	**3**	(22)
Gains on cash flow hedges (note 22)	**11**	3	**17**	3
Items that will not be reclassified to profit or loss:				
Net defined benefit plan actuarial (losses) gains (note 20)	**(181)**	129	**(168)**	196
Adjustment to fair value of investment properties	**30**	(12)	**47**	(12)
Other comprehensive (loss) income from Continuing Operations	**(136)**	111	**(101)**	165
Comprehensive Income from Continuing Operations	**738**	472	**1,388**	644
Net Loss from Discontinued Operations (note 5)	**(6)**	(7)	**(6)**	(7)
Other comprehensive income from Discontinued Operations	**–**	1	**–**	1
Comprehensive Loss from Discontinued Operations	**(6)**	(6)	**(6)**	(6)
Total Comprehensive Income, net of taxes	**732**	466	**1,382**	638
Attributable to:				
Shareholders of the Company	**589**	171	**992**	140
Non-Controlling Interests	**143**	295	**390**	498
Total Comprehensive Income, net of taxes	**$ 732**	$ 466	**$ 1,382**	$ 638

(i) Comparative figures have been restated (note 5).

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

Condensed Consolidated Balance Sheets

(unaudited) (millions of Canadian dollars)	As at Jun. 18, 2022	Jun. 19, 2021	Dec. 31, 2021
ASSETS			
Current Assets			
Cash and cash equivalents (note 9)	**$ 2,281**	$ 2,795	$ 2,984
Short-term investments (note 9)	**442**	612	879
Accounts receivable	**1,217**	1,038	1,010
Credit card receivables (note 10)	**3,626**	3,033	3,443
Income taxes recoverable	**–**	–	301
Inventories (note 11)	**5,360**	5,246	5,166
Prepaid expenses and other assets	**499**	575	348
Assets held for sale (note 12)	**116**	102	91
Total Current Assets	**13,541**	13,401	14,222
Fixed Assets	**10,675**	11,904	10,782
Right-of-Use Assets	**4,207**	4,067	4,059
Investment Properties	**4,743**	5,130	5,344
Equity Accounted Joint Ventures	**769**	557	564
Intangible Assets	**6,766**	6,812	6,430
Goodwill	**4,853**	4,769	4,479
Deferred Income Taxes	**93**	121	113
Security Deposits (note 9)	**80**	74	75
Other Assets (note 13)	**1,502**	1,111	1,015
Total Assets	**$ 47,229**	$ 47,946	$ 47,083
LIABILITIES			
Current Liabilities			
Bank indebtedness	**$ 23**	$ 138	$ 52
Trade payables and other liabilities	**6,091**	5,972	5,923
Loyalty liability	**224**	213	190
Provisions (note 14)	**202**	119	119
Income taxes payable	**172**	224	269
Demand deposits from customers	**99**	50	75
Short-term debt (note 15)	**500**	1,019	450
Long-term debt due within one year (note 16)	**1,218**	1,966	1,520
Lease liabilities due within one year	**825**	801	742
Associate interest	**434**	347	433
Total Current Liabilities	**9,788**	10,849	9,773
Provisions	**87**	92	90
Long-Term Debt (note 16)	**12,965**	12,419	12,490
Lease Liabilities	**4,317**	4,239	4,242
Trust Unit Liability (note 22)	**3,727**	4,032	4,209
Deferred Income Taxes	**2,017**	2,094	2,003
Other Liabilities (note 17)	**1,138**	1,153	1,139
Total Liabilities	**34,039**	34,878	33,946
EQUITY			
Share Capital (note 18)	**3,487**	3,556	3,529
Retained Earnings	**5,091**	4,924	4,808
Contributed Surplus (notes 19 & 21)	**(1,699)**	(1,345)	(1,462)
Accumulated Other Comprehensive Income	**148**	134	84
Total Equity Attributable to Shareholders of the Company	**7,027**	7,269	6,959
Non-Controlling Interests	**6,163**	5,799	6,178
Total Equity	**13,190**	13,068	13,137
Total Liabilities and Equity	**$ 47,229**	$ 47,946	$ 47,083

Contingent liabilities (note 23).

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

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Shares	Preferred Shares	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Total Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at Dec. 31, 2021	$ 2,712	$ 817	**$ 3,529**	**$ 4,808**	**$ (1,462)**	$ 25	$ (14)	$ 73	**$ 84**	**$ 6,178**	**$ 13,137**
Net earnings	–	–	**–**	**1,017**	**–**	–	–	–	**–**	**466**	**1,483**
Other comprehensive income (loss)(i)	–	–	**–**	**(89)**	**–**	2	15	47	**64**	**(76)**	**(101)**
Comprehensive income (loss)	$ –	$ –	**$ –**	**$ 928**	**$ –**	$ 2	$ 15	$ 47	**$ 64**	**$ 390**	**$ 1,382**
Effect of equity-based compensation (notes 18 & 21)	20	–	**20**	**(2)**	**(18)**	–	–	–	**–**	**(8)**	**(8)**
Shares purchased and cancelled (note 18)	(63)	–	**(63)**	**(446)**	**–**	–	–	–	**–**	**–**	**(509)**
Net effect of shares held in trusts (notes 18 & 21)	1	–	**1**	**9**	**–**	–	–	–	**–**	**–**	**10**
Loblaw capital transactions and dividends (notes 19 & 21)	–	–	**–**	**–**	**(219)**	–	–	–	**–**	**(397)**	**(616)**
Dividends declared											
Per common share ($) (note 18)											
– $1.260	–	–	**–**	**(184)**	**–**	–	–	–	**–**	**–**	**(184)**
Per preferred share ($) (note 18)											
– Series I – $0.7250	–	–	**–**	**(7)**	**–**	–	–	–	**–**	**–**	**(7)**
– Series III – $0.6500	–	–	**–**	**(5)**	**–**	–	–	–	**–**	**–**	**(5)**
– Series IV – $0.6500	–	–	**–**	**(5)**	**–**	–	–	–	**–**	**–**	**(5)**
– Series V – $0.593750	–	–	**–**	**(5)**	**–**	–	–	–	**–**	**–**	**(5)**
	$ (42)	$ –	**$ (42)**	**$ (645)**	**$ (237)**	$ –	$ –	$ –	**$ –**	**$ (405)**	**$ (1,329)**
Balance as at Jun. 18, 2022	$ 2,670	$ 817	**$ 3,487**	**$ 5,091**	**$ (1,699)**	$ 27	$ 1	$ 120	**$ 148**	**$ 6,163**	**$ 13,190**

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Shares	Preferred Shares	Total Share Capital	Retained Earnings	Contributed Surplus	Foreign Currency Translation Adjustment	Cash Flow Hedges	Adjustment to Fair Value on Transfer of Investment Properties	Total Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance as at Dec. 31, 2020	$ 2,782	$ 817	**$ 3,599**	**$ 5,226**	**$ (1,180)**	$ 153	$ (22)	$ 35	**$ 166**	**$ 5,607**	**$ 13,418**
Net earnings	–	–	**–**	**66**	**–**	–	–	–	**–**	**406**	**472**
Other comprehensive income (loss)(i)	–	–	**–**	**106**	**–**	(23)	3	(12)	**(32)**	**92**	**166**
Comprehensive income (loss)	$ –	$ –	**$ –**	**$ 172**	**$ –**	$ (23)	$ 3	$ (12)	**$ (32)**	**$ 498**	**$ 638**
Effect of equity-based compensation (notes 18 & 21)	11	–	**11**	**–**	**(9)**	–	–	–	**–**	**(6)**	**(4)**
Shares purchased and cancelled (note 18)	(55)	–	**(55)**	**(292)**	**–**	–	–	–	**–**	**–**	**(347)**
Net effect of shares held in trusts (notes 18 & 21)	1	–	**1**	**6**	**–**	–	–	–	**–**	**–**	**7**
Loblaw capital transactions and dividends (notes 19 & 21)	–	–	**–**	**–**	**(156)**	–	–	–	**–**	**(300)**	**(456)**
Dividends declared											
Per common share ($) (note 18)											
– $1.100	–	–	**–**	**(166)**	**–**	–	–	–	**–**	**–**	**(166)**
Per preferred share ($) (note 18)								–			
– Series I – $0.7250	–	–	**–**	**(7)**	**–**	–	–		**–**	**–**	**(7)**
– Series III – $0.6500	–	–	**–**	**(5)**	**–**	–	–	–	**–**	**–**	**(5)**
– Series IV – $0.6500	–	–	**–**	**(5)**	**–**	–	–	–	**–**	**–**	**(5)**
– Series V – $0.593750	–	–	**–**	**(5)**	**–**	–	–	–	**–**	**–**	**(5)**
	$ (43)	$ –	**$ (43)**	**$ (474)**	**$ (165)**	$ –	$ –	$ –	**$ –**	**$ (306)**	**$ (988)**
Balance as at Jun. 19, 2021	$ 2,739	$ 817	**$ 3,556**	**$ 4,924**	**$ (1,345)**	$ 130	$ (19)	$ 23	**$ 134**	**$ 5,799**	**$ 13,068**

(i) Other comprehensive income (loss) includes an actuarial loss of $168 million (2021 – gain of $197 million), of which $89 million (2021 – gain of $106 million) is presented in retained earnings, and $79 million (2021 – gain of $91 million) in non-controlling interests. Also included in non-controlling interests was a gain of $1 million on foreign currency translation adjustments (2021 – gain of $1 million) and a gain of $2 million on cash flow hedges (2021 – nil).

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

Condensed Consolidated Statements of Cash Flows

(unaudited) (millions of Canadian dollars)	12 Weeks Ended Jun. 18, 2022	12 Weeks Ended Jun. 19, 2021(i)	24 Weeks Ended Jun. 18, 2022	24 Weeks Ended Jun. 19, 2021(i)
Operating Activities				
Net earnings	**$ 868**	$ 354	**$ 1,483**	$ 472
Add (deduct):				
Net interest (income) expense and other financing charges (note 6)	**(338)**	503	**(16)**	1,049
Income taxes (note 7)	**113**	199	**342**	365
Depreciation and amortization	**552**	573	**1,101**	1,133
Loss on sale of discontinued operations, after income taxes (note 5)	**6**	–	**6**	–
Asset impairments, net of recoveries	**(1)**	–	**2**	1
Adjustment to fair value of investment properties and assets held for sale	**102**	(149)	**(189)**	(195)
Adjustment to fair value of investment in real estate securities (note 22)	**159**	–	**159**	–
Change in allowance for credit card receivables (note 10)	**(4)**	(12)	**(9)**	(32)
Change in provisions (note 14)	**101**	3	**80**	1
Change in gross credit card receivables (note 10)	**(289)**	(119)	**(174)**	108
Change in non-cash working capital	**(157)**	424	**(759)**	(27)
Income taxes recovered (paid)	**6**	(87)	**(185)**	(283)
Interest received	**15**	6	**33**	11
Interest received from finance leases	**–**	–	**1**	1
Other	**(15)**	7	**–**	9
Cash Flows from Operating Activities	**1,118**	1,702	**1,875**	2,613
Investing Activities				
Fixed asset and investment properties purchases	**(264)**	(213)	**(390)**	(364)
Intangible asset additions	**(98)**	(91)	**(179)**	(175)
Acquisition of Lifemark, net of cash acquired (note 4)	**(813)**	–	**(813)**	–
Proceeds from disposal of assets	**37**	10	**84**	51
Lease payments received from finance leases	**3**	2	**6**	4
Change in short-term investments (note 9)	**520**	(298)	**437**	(37)
Other	**(54)**	(123)	**(160)**	(69)
Cash Flows used in Investing Activities	**(669)**	(713)	**(1,015)**	(590)
Financing Activities				
Change in bank indebtedness	**(227)**	(144)	**(29)**	52
Change in short-term debt (note 15)	**100**	9	**50**	(256)
Change in demand deposits from customers	**12**	14	**24**	26
Change in other financing	**(1)**	(1)	**6**	(1)
Interest paid	**(184)**	(195)	**(398)**	(439)
Change in net debt associated with equity forward sale agreement	**–**	(53)	**–**	(53)
Long-term debt – Issued (note 16)	**437**	279	**534**	309
– Repayments (note 16)	**(170)**	(276)	**(346)**	(331)
Cash rent paid on lease liabilities – Interest	**(41)**	(43)	**(83)**	(89)
Cash rent paid on lease liabilities – Principal	**(165)**	(160)	**(269)**	(257)
Share capital – Issued (notes 18 & 21)	**–**	2	**17**	9
– Purchased and cancelled (note 18)	**(278)**	(141)	**(325)**	(166)
Loblaw common share capital – Issued (notes 19 & 21)	**9**	42	**52**	49
– Purchased and held in trusts (note 19)	**(35)**	–	**(63)**	–
– Purchased and cancelled (note 19)	**(294)**	(207)	**(409)**	(362)
Dividends – To common shareholders	**(88)**	(84)	**(169)**	(163)
– To preferred shareholders	**(11)**	(11)	**(22)**	(22)
– To minority shareholders	**(61)**	(57)	**(61)**	(57)
Other	**–**	6	**(74)**	(57)
Cash Flows used in Financing Activities	**(997)**	(1,020)	**(1,565)**	(1,808)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**1**	(1)	**2**	(1)
Change in Cash and Cash Equivalents	**(547)**	(32)	**(703)**	214
Cash and Cash Equivalents, Beginning of Period	**2,828**	2,827	**2,984**	2,581
Cash and Cash Equivalents, End of Period	**$ 2,281**	$ 2,795	**$ 2,281**	$ 2,795

(i) Comparative figures have been restated to conform with current year presentation.
See accompanying notes to the unaudited interim period condensed consolidated financial statements.
See note 5. Discontinued Operations for additional cash flow information.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Note 1. Nature and Description of the Reporting Entity

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

The Company operates through its 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 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.

In December 2021, the Company completed the sale of the entire Weston Foods bakery business. Refer to note 5, "Discontinued Operations" for details.

Quarterly net earnings are affected by seasonality and the timing of holidays, relative to the Company's interim periods. Accordingly, quarterly performance is not necessarily indicative of annual performance. Historically, Loblaw has earned more revenue in the fourth quarter relative to the preceding quarters in its fiscal year.

Note 2. Significant Accounting Policies

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company's 2021 audited annual consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements.

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

STATEMENT OF COMPLIANCE These unaudited interim period condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2021 audited annual consolidated financial statements and accompanying notes.

These unaudited interim period condensed consolidated financial statements were approved for issuance by the Company's Board of Directors on July 28, 2022.

Note 3. Subsidiaries

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

		As at					
		Jun. 18, 2022		Jun. 19, 2021		Dec. 31, 2021	
		Number of shares / units held	**Ownership interest**	Number of shares / units held	Ownership interest	Number of shares / units held	Ownership interest
Loblaw	Common shares(i)	**172,523,254**	**52.6%**	177,937,308	52.6%	175,475,019	52.6%
	Class B LP Units(ii)	395,786,525	n/a	395,786,525	n/a	395,786,525	n/a
	Trust Units	50,661,415	n/a	50,661,415	n/a	50,661,415	n/a
Choice Properties		**446,447,940**	**61.7%**	446,447,940	61.7%	446,447,940	61.7%

(i) In 2021, GWL settled the equity forward sale agreement, releasing all Loblaw common shares pledged under the equity forward sale agreement (June 19, 2021 – 8.85 million Loblaw common shares pledged). Additionally, GWL participates in Loblaw's Normal Course Issuer Bid ("NCIB") program, in order to maintain its proportionate percentage ownership (see note 19).
(ii) Class B LP Units ("Exchangeable Units") are economically equivalent to Trust Units, receive distributions equal to the distributions paid on Trust Units and are exchangeable, at the holder's option, into Trust Units.

Note 4. Business Acquisitions

ACQUISITION OF LIFEMARK HEALTH GROUP On May 10, 2022, Loblaw acquired all of the outstanding common shares of Lifemark Health Group ("Lifemark") for total purchase consideration of $832 million. Lifemark is the Canadian 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. The acquisition of Lifemark adds to Loblaw's growing role as a healthcare service provider, with a network of health and wellness solutions, accessible in-person and digitally.

The Lifemark acquisition was accounted for using the acquisition method in accordance with IFRS 3, "Business Combinations", with the results of operations consolidated with those of Loblaw effective May 10, 2022.

The preliminary purchase equation is based on management's current best estimates of fair value. The amount allocated to certain identifiable net assets could vary as the purchase equation is finalized. Management has one year from the date of acquisition to finalize the purchase equation. The preliminary purchase price allocation as at May 10, 2022 is as follows:

($ millions)	As at May 10, 2022
Net Assets Acquired	
Cash and cash equivalents	**$ 15**
Accounts receivable[(i)]	**54**
Prepaid expenses and other assets	**2**
Fixed assets	**16**
Right-of-use assets	**75**
Intangible assets	**564**
Goodwill	**370**
Trade payables and other liabilities	**(38)**
Lease liabilities	**(75)**
Deferred income tax liabilities	**(147)**
Other liabilities	**(4)**
Total Net Assets Acquired	**$ 832**

(i) Trade and other receivables is net of loss allowance of $2 million.

Goodwill is attributable to expected growth in customers and expansion of the Lifemark footprint. The goodwill arising from this acquisition is not deductible for tax purposes.

Intangible assets are comprised of the following:

($ millions)		Estimated Useful Life
Intangible Assets:		
Brand	**$ 265**	**Indefinite**
Customer Relationships	**295**	**10-20 years**
Computer Software	**4**	**3 years**
Total Intangible Assets	**$ 564**	

Included in selling, general and administrative expenses in the second quarter and year-to-date are transaction costs relating to the acquisition of $13 million and $16 million, respectively.

Included in the unaudited interim period condensed consolidated statement of earnings in the second quarter and year-to-date is approximately $49 million of revenue and nominal net earnings contributed by Lifemark since the date of acquisition. Net earnings includes amortization related to the acquired intangible assets of $3 million. On a combined pro forma basis, the Loblaw's year-to-date revenue and net earnings would have amounted to approximately $25,266 million and $991 million, respectively. This pro forma information incorporates the effect of the preliminary purchase equation as if Lifemark had been acquired on January 2, 2022 and the pro forma net earnings includes amortization related to the acquired intangible assets of $8 million.

Note 5. Discontinued Operations

WESTON FOODS On December 10, 2021, the Company completed the sale of Weston Foods' fresh and frozen bakery business to FGF Brands Inc. and on December 29, 2021, the Company completed the sale of Weston Foods' ambient business to affiliated entities of Hearthside Foods Solution, LLC. In the second quarter of 2022, final closing adjustments of $6 million, after income taxes, were recorded in discontinued operations within the consolidated statement of earnings.

Unless otherwise specified, all other notes to the consolidated financial statements include amounts from both continuing and discontinued operations.

The results of Discontinued Operations presented in the consolidated statements of earnings is as follows:

	12 Weeks Ended					
	Jun. 18, 2022			Jun. 19, 2021		
($ millions)	**Weston Foods**	**Intersegment Eliminations**	**Discontinued Operations**	Weston Foods	Intersegment Eliminations	Discontinued Operations
Revenue	**$ –**	**$ –**	**$ –**	$ 431	$ (137)	$ 294
Operating Expenses						
Cost of inventories sold	**–**	**–**	**–**	313	(135)	178
Selling, general and administrative expenses	**–**	**–**	**–**	124	1	125
	$ –	**$ –**	**$ –**	$ 437	$ (134)	$ 303
Operating Loss			**$ –**			$ (9)
Net interest expense and other financing charges			**–**			–
Loss before Income Taxes			**$ –**			$ (9)
Income tax recovery			**–**			(2)
Net Loss after Income Taxes			**$ –**			$ (7)
Adjustment of previously reported loss on sale of discontinued operations, after income taxes(i)			**(6)**			–
Net Loss from Discontinued Operations			**$ (6)**			$ (7)

(i) Includes final working capital adjustments, transaction and other related costs.

	24 Weeks Ended					
	Jun. 18, 2022			Jun. 19, 2021		
($ millions)	**Weston Foods**	**Intersegment Eliminations**	**Discontinued Operations**	Weston Foods	Intersegment Eliminations	Discontinued Operations
Revenue	**$ –**	**$ –**	**$ –**	$ 903	$ (274)	$ 629
Operating Expenses						
Cost of inventories sold	**–**	**–**	**–**	658	(269)	389
Selling, general and administrative expenses	**–**	**–**	**–**	251	(4)	247
	$ –	**$ –**	**$ –**	$ 909	$ (273)	$ 636
Operating Loss			**$ –**			$ (7)
Net interest expense and other financing charges			**–**			1
Loss before Income Taxes			**$ –**			$ (8)
Income tax recovery			**–**			(1)
Net Loss after Income Taxes			**$ –**			$ (7)
Adjustment of previously reported loss on sale of discontinued operations, after income taxes(i)			**(6)**			–
Net Loss from Discontinued Operations			**$ (6)**			$ (7)

(i) Includes final working capital adjustments, transaction and other related costs.

The net cash flows used in Discontinued Operations are as follows:

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Cash flows from operating activities	**$ –**	$ 19	**$ –**	$ 16
Cash flows used in investing activities	**$ –**	$ (26)	**$ –**	$ (39)
Cash flows used in financing activities	**$ –**	$ (3)	**$ –**	$ (4)
Effect of foreign currency rate changes on cash and cash equivalents	**$ –**	$ 1	**$ –**	$ 2
Cash flows used in Discontinued Operations	**$ –**	$ (9)	**$ –**	$ (25)

Note 6. Net Interest Expense and Other Financing Charges

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

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2022**	Jun. 19, 2021[(i)]	**Jun. 18, 2022**	Jun. 19, 2021[(i)]
Interest expense:				
Long-term debt	**$ 135**	$ 147	**$ 265**	$ 287
Lease liabilities	**41**	43	**83**	88
Borrowings related to credit card receivables	**7**	8	**17**	17
Trust Unit distributions	**52**	51	**103**	102
Independent funding trusts	**4**	3	**7**	6
Post-employment and other long-term employee benefits (note 20)	**(1)**	2	**(1)**	4
Bank indebtedness	**–**	2	**1**	2
Financial liabilities (note 17)	**11**	11	**22**	23
Capitalized interest	**–**	–	**(1)**	(1)
	$ 249	$ 267	**$ 496**	$ 528
Interest income:				
Accretion income	**$ (1)**	$ (2)	**$ (2)**	$ (3)
Short-term interest income	**(10)**	(4)	**(16)**	(8)
	$ (11)	$ (6)	**$ (18)**	$ (11)
Fair value adjustment of the Trust Unit liability (note 22)	**(576)**	188	**(483)**	427
Recovery related to Glenhuron Bank Limited (note 7)	**–**	–	**(11)**	–
Forward sale agreement[(ii)]	**–**	54	**–**	104
Net interest (income) expense and other financing charges from Continuing Operations	**$ (338)**	$ 503	**$ (16)**	$ 1,048

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

(ii) 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. Included in the second quarter of 2021 and year-to-date is a charge of $58 million and $111 million, respectively, related to the fair value adjustment of the forward sale agreement for the Loblaw common shares. The fair value adjustment of the forward sale agreement results from changes in the value of the underlying Loblaw common shares. Also included in the second quarter of 2021 and year-to-date is forward accretion income of $9 million and $17 million, respectively, and the forward fee of $5 million and $10 million, respectively, associated with the forward sale agreement.

Note 7. Income Taxes

For the second quarter of 2022, income tax expense from continuing operations was $113 million (2021 – $201 million) and the effective tax rate was 11.4% (2021 – 35.8%). The decrease in the effective tax rate was primarily attributable to the year-over-year impact to the non-taxable fair value adjustment of the Trust Unit liability, the remeasurement of deferred tax balances as a result of Choice Properties' disposition of six office assets (see note 13), and the impact of certain non-deductible items.

On a year-to-date basis, income tax expense was $342 million (2021 – $366 million) and the effective tax rate was 18.7% (2021 – 43.3%). The decrease in the effective tax rate was primarily attributable to the year-over-year impact of the non-taxable fair value adjustment of the Trust Unit liability, the remeasurement of deferred tax balances as a result of Choice Properties' disposition of six office assets (see note 13), the recovery of income taxes related to Glenhuron Bank Limited ("Glenhuron") in the first quarter of 2022, and the impact of certain non-deductible items.

Loblaw was 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 ("Supreme Court") ruled in favour of Loblaw on the Glenhuron matter. As a result of related assessments received during the first quarter of 2022, Loblaw reversed $35 million of previously recorded charges in the year, 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 (see note 23).

Note 8. Basic and Diluted Net Earnings per Common Share

	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**Jun. 18, 2022**	Jun. 19, 2021[(i)]	**Jun. 18, 2022**	Jun. 19, 2021[(i)]
Net earnings attributable to shareholders of the Company	**$ 644**	$ 118	**$ 1,017**	$ 66
Less: Discontinued Operations (note 5)	**(6)**	(7)	**(6)**	(7)
Net earnings from continuing operations attributable to shareholders of the Company	**650**	125	**1,023**	73
Prescribed dividends on preferred shares in share capital	**(10)**	(10)	**(20)**	(20)
Net earnings from continuing operations available to common shareholders of the Company	**$ 640**	$ 115	**$ 1,003**	$ 53
Reduction in net earnings due to dilution at Loblaw	**(2)**	(2)	**(4)**	(3)
Net earnings from continuing operations available to common shareholders for diluted earnings per share	**$ 638**	$ 113	**$ 999**	$ 50
Weighted average common shares outstanding (in millions) (note 18)	**145.7**	151.5	**146.2**	151.8
Dilutive effect of equity-based compensation[(ii)] (in millions)	**0.6**	0.3	**0.6**	0.2
Diluted weighted average common shares outstanding (in millions)	**146.3**	151.8	**146.8**	152.0
Net earnings (loss) per common share - Basic ($)				
Continuing Operations	**$ 4.39**	$ 0.75	**$ 6.86**	$ 0.35
Discontinued Operations	**$ (0.04)**	$ (0.04)	**$ (0.04)**	$ (0.05)
Net earnings (loss) per common share - Diluted ($)				
Continuing Operations	**$ 4.36**	$ 0.74	**$ 6.81**	$ 0.33
Discontinued Operations	**$ (0.04)**	$ (0.04)	**$ (0.04)**	$ (0.05)

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

(ii) In the second quarter of 2022 and year-to-date, nominal (2021 – nominal) and nominal (2021 – 1.5 million) potentially dilutive instruments, respectively, were excluded from the computation of diluted net earnings (loss) per common share as they were anti-dilutive.

Note 9. Cash and Cash Equivalents, Short-Term Investments and Security Deposits

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

CASH AND CASH EQUIVALENTS

		As at	
($ millions)	Jun. 18, 2022	Jun. 19, 2021	Dec. 31, 2021
Cash	$ 852	$ 1,067	$ 1,255
Cash equivalents:			
Government treasury bills	490	992	632
Bankers' acceptances	898	729	1,073
Corporate commercial paper	41	7	3
Guaranteed investment certificates	–	–	21
Cash and cash equivalents	$ 2,281	$ 2,795	$ 2,984

SHORT-TERM INVESTMENTS

		As at	
($ millions)	Jun. 18, 2022	Jun. 19, 2021	Dec. 31, 2021
Government treasury bills	$ 366	$ 553	$ 776
Bankers' acceptances	55	30	97
Corporate commercial paper	–	–	1
Guaranteed Investment Certificates	21	29	5
Short-term investments	$ 442	$ 612	$ 879

SECURITY DEPOSITS

		As at	
($ millions)	Jun. 18, 2022	Jun. 19, 2021	Dec. 31, 2021
Cash	$ 50	$ 62	$ 46
Government treasury bills	30	12	29
Security Deposits	$ 80	$ 74	$ 75

Note 10. Credit Card Receivables

The components of credit card receivables were as follows:

		As at	
($ millions)	Jun. 18, 2022	Jun. 19, 2021	Dec. 31, 2021
Gross credit card receivables	$ 3,822	$ 3,238	$ 3,648
Allowance for credit card receivables	(196)	(205)	(205)
Credit card receivables	$ 3,626	$ 3,033	$ 3,443
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust*® (note 16)	$ 1,350	$ 1,050	$ 1,350
Securitized to Other Independent Securitization Trusts (note 15)	500	300	450
Total securitized to independent securitization trusts	$ 1,850	$ 1,350	$ 1,800

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

The associated liability of *Eagle* is recorded in long-term debt (see note 16). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short-term debt (see note 15).

During the second quarter of 2022, *Eagle* filed a Short Form Base Shelf Prospectus, which allows for the issuance of up to $1.25 billion of notes over a 25-month period.

On a year-to-date basis in 2022, PC Bank recorded a $50 million net increase of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.

As at the end of the second quarter of 2022, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was $45 million (June 19, 2021 – $27 million; December 31, 2021 – $41 million), which represented 9% (June 19, 2021 – 9%; December 31, 2021 – 9%) of the securitized credit card receivables amount.

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at the end of the second quarter of 2022 and throughout the first half of 2022.

Note 11. Inventories

The components of inventories were as follows:

		As at	
($ millions)	**Jun. 18, 2022**	**Jun. 19, 2021**	**Dec. 31, 2021**
Finished goods	**$ 5,360**	$ 5,153	$ 5,166
Raw materials and supplies	**–**	93	–
Inventories	**$ 5,360**	$ 5,246	$ 5,166

As at the end of the second quarter of 2022, Loblaw has an inventory provision of $64 million (June 19, 2021 – $42 million; December 31, 2021 – $67 million) for the write-down of inventories below cost to net realizable value. The write-down was included in cost of inventories sold. There were no reversals of previously recorded write-downs of inventories during the first half of 2022 and 2021.

Note 12. Assets Held for Sale

Loblaw classifies certain assets, primarily land and buildings, that it intends to dispose of in the next 12 months, as assets held for sale. These assets were either originally used in Loblaw's retail business segment or held in investment properties. In the second quarter of 2022, Loblaw recorded a gain of $4 million (2021 – nominal gain) from the sale of these assets. On a year-to-date basis, Loblaw recorded a net gain of $23 million (2021 – net gain of $5 million) from the sale of these assets. On consolidation, the gain recognized in the first quarter of 2022 of $19 million was reversed as it was an intercompany transaction. No fair value changes or impairment charges were recognized on assets held for sale in the first half of 2022 and 2021.

Note 13. Other Assets

The components of other assets were as follows:

		As at	
($ millions)	**Jun. 18, 2022**	**Jun. 19, 2021[(i)]**	**Dec. 31, 2021[(i)]**
Investment in real estate securities	**$ 392**	$ –	$ –
Sundry investments and other receivables	**197**	156	206
Net accrued benefit plan asset (note 20)	**221**	395	495
Finance lease receivable	**67**	75	70
Mortgages, loans and notes receivable[(ii)]	**472**	143	187
Other	**258**	165	137
Fair value of equity forward	**–**	491	–
Total Other Assets	**$ 1,607**	$ 1,425	$ 1,095
Current portion of mortgages, loans, note and finance lease receivable[(ii)]	**(105)**	(52)	(80)
Current portion of fair value of equity forward[(iii)]	**–**	(262)	–
Other Assets	**$ 1,502**	$ 1,111	$ 1,015

(i) Certain comparative figures have been restated to conform with current year presentation.
(ii) Current portion of mortgages, loans, note and finance lease receivable is included in prepaid expenses and other assets in the consolidated balance sheets.
(iii) Current portion of fair value of equity forward is included in prepaid expenses and other assets in the consolidated balance sheets.

Strategic Disposition In the second quarter of 2022, on March 31, 2022, Choice Properties disposed of its interests in a portfolio of six office assets to Allied Properties Real Estate Investment Trust ("Allied"). 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). Following the transaction, Choice Properties holds approximately an 8.5% effective interest in Allied through its ownership of the Allied Class B Units. Choice Properties does not have significant influence over Allied.

The Allied Class B Units are exchangeable into, and are economically equivalent to, the publicly traded trust units of Allied ("Allied Units"), and were accompanied by a corresponding number of special voting units of Allied. There are no restrictions on the exchange of Allied Class B Units into Allied Units, but the Allied Units (if exchanged) are subject to a lock-up from the closing of the transaction, such that 25% of the Allied Class B Units or Allied Units, as applicable, will be released from lock up every three months following the first anniversary of closing of the transaction. As a holder of the Allied Class B Units, Choice Properties is entitled to distributions paid by Allied.

The Allied Class B Units are recorded at their fair value based on market trading prices of Allied's publicly traded trust units. As at quarter-end, Choice Properties held 11,809,145 Allied Class B Units with a fair value of $392 million, which are included in investment in real estate securities in the table above.

The promissory note is secured by the six office assets and bears interest at a rate of 1% for the remainder of the 2022 calendar year and 2% subsequently until its maturity on December 31, 2023. The promissory note is included in mortgages, loans and notes receivables in the table above.

Note 14. Provisions

LOBLAW 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.

Note 15. Short-Term Debt

The components of short-term debt were as follows:

		As at	
($ millions)	**Jun. 18, 2022**	**Jun. 19, 2021**	**Dec. 31, 2021**
Other Independent Securitization Trusts (note 10)	**$ 500**	$ 300	$ 450
Series B Debentures	**–**	719	–
Short-term debt	**$ 500**	$ 1,019	$ 450

OTHER INDEPENDENT SECURITIZATION TRUSTS The outstanding short-term debt balances relate to credit card receivables securitized to the Other Independent Securitization Trusts with recourse (see note 10).

Note 16. Long-Term Debt

The components of long-term debt were as follows:

($ millions)	As at Jun. 18, 2022	Jun. 19, 2021	Dec. 31, 2021
Debentures	**$ 9,890**	$ 10,468	$ 9,888
Long-term debt secured by mortgage	**972**	1,214	1,112
Construction loans	**18**	8	13
Guaranteed Investment Certificates	**1,075**	1,048	996
Independent Securitization Trusts (note 10)	**1,350**	1,050	1,350
Independent funding trusts	**582**	582	570
Committed credit facilities	**335**	55	121
Transaction costs and other	**(39)**	(40)	(40)
Total long-term debt	**$ 14,183**	$ 14,385	$ 14,010
Long-term debt due within one year	**(1,218)**	(1,966)	(1,520)
Long-term debt	**$ 12,965**	$ 12,419	$ 12,490

The Company, Loblaw and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at the end of and throughout the first half of 2022, the Company, Loblaw and Choice Properties were in compliance with the financial covenants.

DEBENTURES There were no debentures issued on a year-to-date basis in 2022 and 2021. The following table summarizes the debentures repaid in the periods ended as indicated:

			12 Weeks Ended		24 Weeks Ended	
			Jun. 18, 2022	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
($ millions)	Interest Rate	Maturity Date	**Principal Amount**	Principal Amount	**Principal Amount**	Principal Amount
George Weston debenture - Series A	7.00%	November 10, 2031[(i)]	**$ –**	$ 36	**$ –**	$ 36
Total debentures repaid			**$ –**	$ 36	**$ –**	$ 36

(i) In the second quarter of 2021, the Company partially settled the net debt associated with the equity forward sale agreement by paying $53 million net of the $43 million gain on the settlement of 0.75 million of the 9.6 million shares under the equity forward sale agreement (note 13) to redeem 7.8% of the Series A Debentures and Series B Debentures, including accrued interest. As a result of the transaction, the Company redeemed $36 million of the Series A Debentures and $60 million of the Series B Debentures (note 15).

Subsequent to the end of the second quarter of 2022, Choice Properties completed a $500 million offering on a private placement basis of the Series R senior unsecured debentures bearing interest at 6.003% per annum and maturing on June 24, 2032. Choice Properties used the net proceeds of the issuance to repay existing indebtedness, including the early redemption of Choice Properties $300 million aggregate principal amount of 3.60% Series 10 senior unsecured debentures on June 26, 2022, with an original maturity date of September 20, 2022. Choice Properties also used the proceeds to repay a portion of the balance drawn on its credit facility.

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

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Balance, beginning of period	**$ 1,023**	$ 1,159	**$ 996**	$ 1,185
GICs issued	**145**	155	**179**	156
GICs matured	**(93)**	(266)	**(100)**	(293)
Balance, end of period	**$ 1,075**	$ 1,048	**$ 1,075**	$ 1,048

INDEPENDENT FUNDING TRUSTS Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts in the amount of $64 million (June 19, 2021 and December 31, 2021 – $64 million), representing not less than 10% (June 19, 2021 and December 31, 2021 – not less than 10%) of the principal amount of loans outstanding.

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

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

		As at					
		Jun. 18, 2022		Jun. 19, 2021		Dec. 31, 2021	
($ millions)	**Maturity Date**	**Available Credit**	**Drawn**	**Available Credit**	**Drawn**	**Available Credit**	**Drawn**
George Weston	September 13, 2024	**$ 350**	**$ –**	$ –	$ –	$ 350	$ 121
Loblaw	October 7, 2023	**1,000**	**–**	1,000	–	1,000	–
Choice Properties	June 24, 2026	**1,500**	**335**	1,500	55	1,500	–
Total committed credit facilities		**$ 2,850**	**$ 335**	$ 2,500	$ 55	$ 2,850	$ 121

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 June 18, 2022, no amounts were drawn on the facility.

Loblaw Loblaw has a $1 billion committed credit facility with a maturity date of October 7, 2023, provided by a syndicate of lenders. Subsequent to the end of the second quarter of 2022, Loblaw extended the maturity date to July 15, 2027 with all other terms and conditions remaining substantially the same. This committed credit facility contains certain financial covenants. As at June 18, 2022, there were no amounts drawn under this facility (June 19, 2021 and December 31, 2021 – no amounts were drawn).

Choice Properties Subsequent to the end of the second quarter of 2022, on June 30, 2022, Choice Properties completed an irrevocable defeasance payment of $180 million against its outstanding credit facility balance. The balance outstanding at June 30, 2022, comprised of banker's acceptances maturing on July 4, 2022. The administrative agent for the credit facility will distribute the payment to the lenders on the maturity date at which point the liability will be extinguished.

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

	As at		
($ millions)	**Jun. 18, 2022**	Jun. 19, 2021	Dec. 31, 2021
Debentures	**$ 671**	$ 725	$ 296
GICs	**235**	402	182
Independent Securitization Trusts	**250**	–	250
Independent funding trusts	**–**	582	570
Long-term debt secured by mortgage	**57**	252	217
Construction Loans	**5**	5	5
Long-term debt due within one year	**$ 1,218**	$ 1,966	$ 1,520

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

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Long-term debt, beginning of period	**$ 13,919**	$ 14,419	**$ 14,010**	$ 14,443
Long-term debt issuances[i]	**437**	279	**534**	309
Long-term debt repayments[ii]	**(170)**	(312)	**(346)**	(367)
Total cash flow from long-term debt financing activities	**267**	(33)	**188**	(58)
Other non-cash changes	**(3)**	(1)	**(15)**	–
Total long-term debt, end of period	**$ 14,183**	$ 14,385	**$ 14,183**	$ 14,385

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

(ii) In 2021, includes $36 million repayment of George Weston Series A debentures which are presented within the line "Settlement of net debt associated with equity forward sale agreement" in the condensed consolidated statement of cash flows.

Note 17. Other Liabilities

The components of other liabilities were as follows:

		As at	
($ millions)	**Jun. 18, 2022**	Jun. 19, 2021	Dec. 31, 2021
Financial liabilities[i]	**$ 666**	$ 662	$ 660
Net defined benefit plan obligation (note 20)	**321**	341	340
Other long-term employee benefit obligation	**114**	136	115
Equity-based compensation liability (note 21)	**5**	6	6
Other	**32**	8	18
Other liabilities	**$ 1,138**	$ 1,153	$ 1,139

(i) Financial liabilities represent land and buildings disposed or partially disposed of by Choice Properties to third parties. On consolidation, these transactions were not recognized as a sale of assets as under the terms of the leases, the Company did not relinquish control of the properties for purposes of IFRS 16 "Leases" and IFRS 15 "Revenue from Contracts with Customers". Instead, the proceeds from the transactions were recognized as financial liabilities and as at June 18, 2022, $4 million (June 19, 2021 – $3 million; December 31, 2021 – $4 million) was recorded in trade payables and other liabilities and $666 million (June 19, 2021 – $662 million; December 31, 2021 – $660 million) was recorded in other liabilities.

Note 18. 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:

	12 Weeks Ended				24 Weeks Ended			
	Jun. 18, 2022		Jun. 19, 2021		**Jun. 18, 2022**		Jun. 19, 2021	
($ millions except where otherwise indicated)	**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	**146,588,055**	**$ 2,702**	151,933,747	$ 2,785	**146,789,503**	**$ 2,714**	152,374,416	$ 2,786
Issued for settlement of stock options (note 21)	**123**	**–**	14,050	3	**168,175**	**20**	104,545	11
Purchased and cancelled(i)	**(1,841,426)**	**(31)**	(1,165,956)	(46)	**(2,210,926)**	**(63)**	(1,697,120)	(55)
Issued and outstanding, end of period	**144,746,752**	**$ 2,671**	150,781,841	$ 2,742	**144,746,752**	**$ 2,671**	150,781,841	$ 2,742
Shares held in trusts, beginning of period	**(65,366)**	**$ (1)**	(181,625)	$ (3)	**(141,106)**	**$ (2)**	(254,525)	$ (4)
Released for settlement of RSUs and PSUs (note 21)	**1,103**	**–**	526	–	**76,843**	**1**	73,426	1
Shares held in trusts, end of period	**(64,263)**	**$ (1)**	(181,099)	$ (3)	**(64,263)**	**$ (1)**	(181,099)	$ (3)
Issued and outstanding, net of shares held in trusts, end of period	**144,682,489**	**$ 2,670**	150,600,742	$ 2,739	**144,682,489**	**$ 2,670**	150,600,742	$ 2,739
Weighted average outstanding, net of shares held in trusts (note 8)	**145,686,457**		151,498,459		**146,204,062**		151,795,628	

(i) Number of common shares repurchased and cancelled as at June 18, 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.

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

	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Purchased for current settlement of RSUs and DSUs (number of shares)	**15,716**	–	**15,716**	1,588
Purchased and cancelled (number of shares)	**1,841,426**	1,165,956	**2,210,926**	1,697,120
Cash consideration paid				
Purchased and cancelled(i)	**$ (278)**	$ (141)	**$ (325)**	$ (166)
Premium charged to retained earnings				
Purchased and cancelled(ii)	**$ 221**	$ 246	**$ 446**	$ 292
Reduction in share capital(iii)	**$ 31**	$ 46	**$ 63**	$ 55

(i) Included in the second quarter of 2022 and year-to-date is a net cash timing adjustment of $(6) million (2021 – $4 million) and $(17) million (2021 – $(26) million), respectively, of common shares repurchased under the NCIB for cancellation.
(ii) Includes $144 million (2021 – $131 million) related to the ASPP, as described below.
(iii) Includes $22 million (2021 – $24 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 June 18, 2022, an obligation to repurchase shares of $166 million (2021 – $155 million) was recognized under the ASPP in trade payables and other liabilities.

As of June 18, 2022, 509,542 common shares were purchased under the Company's current NCIB.

DIVIDENDS The following table summarizes the Company's cash dividends declared for the periods ended as indicated:

	12 Weeks Ended		24 Weeks Ended	
($)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Dividends declared per share[i]:				
Common share	**$ 0.660**	$ 0.550	**$ 1.260**	$ 1.100
Preferred share:				
Series I	**$ 0.3625**	$ 0.3625	**$ 0.7250**	$ 0.7250
Series III	**$ 0.3250**	$ 0.3250	**$ 0.6500**	$ 0.6500
Series IV	**$ 0.3250**	$ 0.3250	**$ 0.6500**	$ 0.6500
Series V	**$ 0.296875**	$ 0.296875	**$ 0.593750**	$ 0.593750

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

Note 19. Loblaw Capital Transactions

LOBLAW PREFERRED SHARES As at the end of the second quarter of 2022, the Second Preferred Shares, Series B in the amount of $221 million net of $4 million of after-tax issuance costs, and related cash dividends, were presented as a component of non-controlling interests in the Company's condensed consolidated balance sheet. In the second quarter of 2022 and year-to-date, Loblaw declared dividends of $3 million (2021 – $3 million) and $6 million (2021 – $6 million), respectively, related to the Second Preferred Shares, Series B.

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

	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Issued (number of shares)	**189,776**	848,135	**1,360,469**	1,403,904
Purchased and held in trusts (number of shares)	**(305,000)**	–	**(557,000)**	–
Purchased and cancelled (number of shares)	**(5,369,375)**	(4,806,098)	**(6,708,626)**	(10,177,962)
	(5,484,599)	(3,957,963)	**(5,905,157)**	(8,774,058)
Cash consideration received (paid)				
Equity-based compensation	**$ 9**	$ 42	**$ 52**	$ 49
Purchased and held in trusts	**(35)**	–	**(63)**	–
Purchased and cancelled[i]	**(603)**	(379)	**(728)**	(700)
	$ (629)	$ (337)	**$ (739)**	$ (651)
Increase (decrease) in contributed surplus				
Equity-based compensation	**$ 6**	$ 14	**$ 25**	$ 21
Purchased and held in trusts	**(14)**	–	**(24)**	–
Purchased and cancelled	**(134)**	(90)	**(220)**	(177)
	$ (142)	$ (76)	**$ (219)**	$ (156)

(i) $27 million of cash consideration related to common shares repurchased under the NCIB for cancellation in the second quarter of 2022 was paid in the third quarter of 2022.

NORMAL COURSE ISSUER BID During 2020, the TSX accepted an amendment to Loblaw's NCIB. The amendment permitted Loblaw to purchase its common shares from GWL under Loblaw's NCIB, pursuant to an automatic disposition plan agreement among Loblaw's broker, Loblaw and GWL, in order for GWL to maintain its proportionate ownership interest in Loblaw.

In the second quarter of 2022, Loblaw renewed its NCIB to purchase on the TSX or through alternative trading systems up to 16,647,384 of Loblaw's common shares, representing approximately 5% of issued and outstanding common shares. In accordance with the rules of the TSX, Loblaw may purchase its common shares from time to time at the then market price of such shares. Loblaw will continue to be permitted to purchase its common shares from GWL in accordance with the exemption granted by the TSX. As at June 18, 2022, Loblaw had purchased 5,369,375 common shares for cancellation under its current NCIB.

In the second quarter of 2022, 5,369,375 (2021 – 4,806,098) Loblaw common shares were purchased under the Loblaw NCIB for cancellation, for aggregate consideration of $607 million (2021 – $350 million), including 2,749,914 (2021 – 2,159,071) Loblaw common shares purchased from GWL, for aggregate consideration of $310 million (2021 – $157 million). On a year-to-date basis, 6,708,626 (2021 – 10,177,962) Loblaw common shares were purchased under the NCIB for cancellation, for aggregate consideration of $755 million (2021 – $700 million), including 2,951,765 (2021 – 4,937,148) Loblaw common shares purchased from GWL for aggregate consideration of $332 million (2021 – $338 million).

Loblaw participates in an ASPP with a broker in order to facilitate the repurchase of Loblaw's common shares under its NCIB. During the effective period of the ASPP, Loblaw's broker may purchase common shares at times when Loblaw would not be active in the market.

Note 20. Post-Employment and Other Long-Term Employee Benefits

The net cost recognized in earnings before income taxes from Continuing Operations for the Company's post-employment and other long-term benefit plans during the periods was as follows:

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Current service cost				
Post-employment benefit costs[i]	**$ 37**	$ 41	**$ 82**	$ 89
Other long-term employee benefit costs[ii]	**–**	9	**8**	17
Interest cost on net defined benefit plan obligations	**(1)**	2	**(1)**	4
Total post-employed defined benefit cost	**$ 36**	$ 52	**$ 89**	$ 110

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

The actuarial losses (gains) recognized in other comprehensive (loss) income net of taxes from Continuing Operations for defined benefit plans during the periods were as follows:

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Loss (Return) on plan assets, excluding amounts included in net interest expense and other financing charges	**$ 317**	$ (151)	**$ 721**	$ 74
Actuarial gains from changes in financial assumptions[i]	**(191)**	(24)	**(615)**	(341)
Change in liability arising from asset ceiling	**121**	–	**123**	–
Total net actuarial losses (gains) recognized in other comprehensive income (loss) before income taxes	**$ 247**	**$ (175)**	**$ 229**	**$ (267)**
Income tax (recoveries) expenses on actuarial losses (gains)	**(66)**	46	**(61)**	71
Actuarial losses (gains) net of income tax (recoveries) expenses	**$ 181**	$ (129)	**$ 168**	$ (196)

(i) The actuarial gains and the change in liability arising from asset ceiling recognized in the second quarter of 2022 and year-to-date and second quarter of 2021 and year-to-date were primarily driven by an increase in discount rates.

Note 21. Equity-Based Compensation

The Company's equity-based compensation arrangements include Stock Option, Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), Director Deferred Share Unit ("DSU") and Executive Deferred Share Unit ("EDSU") plans and Choice Properties' unit-based compensation plans. The Company's costs recognized in SG&A related to its equity-based compensation arrangements for the second quarter of 2022 and year-to-date were $17 million (2021 – $18 million) and $41 million (2021 – $39 million), respectively.

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

		As at	
($ millions)	**Jun. 18, 2022**	Jun. 19, 2021	Dec. 31, 2021
Trade payables and other liabilities	**$ 9**	$ 11	$ 11
Other liabilities (note 17)	**$ 5**	$ 6	$ 6
Contributed surplus	**$ 113**	$ 116	$ 131

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

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

	12 Weeks Ended		24 Weeks Ended	
	Jun. 18, 2022	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Outstanding options, beginning of period	**1,817,153**	2,050,819	**1,817,548**	1,746,483
Granted	**–**	–	**167,657**	397,183
Exercised (note 18)	**(123)**	(14,050)	**(168,175)**	(104,545)
Forfeited/cancelled	**–**	(1,078)	**–**	(3,430)
Outstanding options, end of period	**1,817,030**	2,035,691	**1,817,030**	2,035,691

During the second quarter of 2022, GWL issued common shares on the exercise of stock options with a weighted average market share price of $147.06 (2021 – $118.50) per common share and received nominal cash consideration (2021 – $2 million).

In the year-to-date of 2022, GWL issued common shares on the exercise of stock options with a weighted average market share price of $150.62 (2021 – $108.07) per common share and received cash consideration of $17 million (2021 – $9 million).

There were no stock options granted during the second quarter of 2022 and 2021. In the year-to-date of 2022, GWL granted stock options with a weighted average exercise price of $152.97 (2021 – $100.86) per common share and a fair value of $4 million (2021 – $6 million). The assumptions used to measure the grant date fair value of the GWL options granted during the periods ended as indicated under the Black-Scholes stock option valuation model were as follows:

	24 Weeks Ended	
	Jun. 18, 2022	Jun. 19, 2021
Expected dividend yield	**1.6%**	2.2%
Expected share price volatility	**19.0% - 20.0%**	19.1% - 19.5%
Risk-free interest rate	**1.6%**	0.9% - 1.1%
Expected life of options	**4.9 - 6.6 years**	4.9 - 6.7 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at the end of the second quarter of 2022 was 1.3% (2021 – 1.4%).

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

	12 Weeks Ended		24 Weeks Ended	
	Jun. 18, 2022	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Outstanding options, beginning of period	**6,741,204**	8,824,395	**6,431,449**	7,259,645
Granted	**26,458**	156,115	**1,139,220**	1,870,168
Exercised	**(146,069)**	(782,102)	**(879,424)**	(906,776)
Forfeited/cancelled	**(88,924)**	(544,565)	**(158,576)**	(569,194)
Outstanding options, end of period	**6,532,669**	7,653,843	**6,532,669**	7,653,843

During the second quarter of 2022, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of $114.86 (2021 – $72.98) per common share and received cash consideration of $9 million (2021 – $42 million). In the year-to-date of 2022, Loblaw issued common shares on the exercise of stock options with a weighted average market share price of $109.59 (2021 – $72.01) per common share and received cash consideration of $52 million (2021 – $49 million).

During the second quarter of 2022, Loblaw granted stock options with a weighted average exercise price of $115.84 (2021 – $71.32) per common share and a nominal fair value (2021 – $2 million). In the year-to-date of 2022, Loblaw granted stock options with a weighted average exercise price of $99.71 (2021 – $63.39) per common share and a $20 million fair value (2021 – $17 million). The assumptions used to measure the grant date fair value of the Loblaw options granted during the periods ended as indicated under the Black-Scholes stock option valuation model were as follows:

	12 Weeks Ended		24 Weeks Ended	
	Jun. 18, 2022	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Expected dividend yield	**1.5%**	1.9%	**1.4%**	2.0%
Expected share price volatility	**18.6% - 21.3%**	18.4% - 20.4%	**18.4% - 21.3%**	18.4% - 20.4%
Risk-free interest rate	**2.7% - 2.8%**	0.7% - 1.2%	**1.6% - 2.8%**	0.6% - 1.2%
Expected life of options	**3.7 - 6.2 years**	3.8 - 6.2 years	**3.7 - 6.2 years**	3.8 - 6.2 years

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at the end of the second quarter of 2022 was 11.0% (2021 – 9.0%).

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

	12 Weeks Ended		24 Weeks Ended	
(Number of awards)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Outstanding RSUs, beginning of period	**29,574**	113,785	**29,777**	133,038
Granted	**–**	435	**6,498**	31,721
Reinvested	**115**	564	**271**	1,335
Settled	**(1,103)**	(526)	**(6,386)**	(51,408)
Forfeited	**(101)**	(1,112)	**(1,675)**	(1,540)
Outstanding RSUs, end of period[(i)]	**28,485**	113,146	**28,485**	113,146

i) RSUs outstanding in the second quarter of 2021 include RSUs from continuing and discontinued operations.

During the second quarter of 2022, there were no GWL RSUs granted resulting in a fair value of nil (2021 – nominal). In the year-to-date of 2022, the fair value of GWL RSUs granted was $1 million (2021 – $3 million).

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

	12 Weeks Ended		24 Weeks Ended	
(Number of awards)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Outstanding RSUs, beginning of period	**762,460**	932,506	**799,345**	894,272
Granted	**19,715**	51,570	**201,037**	329,687
Reinvested	**2,549**	4,522	**2,549**	4,522
Settled	**(34,907)**	(44,936)	**(245,484)**	(279,373)
Forfeited	**(14,230)**	(55,606)	**(21,860)**	(61,052)
Outstanding RSUs, end of period	**735,587**	888,056	**735,587**	888,056

During the second quarter of 2022, the fair value of Loblaw's RSUs granted was $2 million (2021 – $4 million). In the year-to-date of 2022, the fair value of Loblaw's RSUs granted was $20 million (2021 – $21 million)

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

	12 Weeks Ended		24 Weeks Ended	
(Number of awards)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Outstanding PSUs, beginning of period	**141,589**	181,139	**183,841**	151,058
Granted	**–**	–	**27,466**	58,216
Reinvested	**552**	902	**1,299**	1,774
Settled	**–**	–	**(70,457)**	(23,606)
Forfeited	**–**	–	**(8)**	(5,401)
Outstanding PSUs, end of period	**142,141**	182,041	**142,141**	182,041

There were no PSUs granted in the second quarter of 2022 and 2021. In the year-to-date of 2022, the fair value of GWL's PSUs granted was $4 million (2021 – $6 million).

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

	12 Weeks Ended		24 Weeks Ended	
(Number of awards)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Outstanding PSUs, beginning of period	**595,891**	701,328	**616,417**	666,400
Granted	**22,222**	23,737	**242,566**	269,611
Reinvested	**1,977**	3,388	**1,977**	3,388
Settled	**(8,800)**	(21,097)	**(242,869)**	(217,755)
Forfeited	**(9,437)**	(52,824)	**(16,238)**	(67,112)
Outstanding PSUs, end of period	**601,853**	654,532	**601,853**	654,532

During the second quarter of 2022, the fair value of Loblaw's PSUs granted was $2 million (2021 – $2 million). In the year-to-date of 2022, the fair value of Loblaw's PSUs granted was $18 million (2021 – $17 million).

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

	12 Weeks Ended		24 Weeks Ended	
(Number of awards)	**Jun. 18, 2022**	Jun. 19, 2021	**Jun. 18, 2022**	Jun. 19, 2021
Settled	**1,103**	526	**76,843**	75,014
Released from trusts (note 18)	**1,103**	526	**76,843**	73,426

The settlement of awards from shares held in trusts in the second quarter of 2022 resulted in a nominal increase (2021 – nominal) in retained earnings and a nominal increase (2021 – nominal) in share capital. The settlement of awards from shares held in trusts in the year-to-date for 2022 resulted in a $6 million increase (2021 – $6 million) in retained earnings and a $1 million increase (2021 – $1 million) in share capital.

Note 22. Financial Instruments

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

	As at											
	Jun. 18, 2022				Jun. 19, 2021(i)				Dec. 31, 2021(i)			
($ millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets												
Amortized cost:												
Certain other assets(ii)	**$ –**	**$ –**	**$ 292**	**$ 292**	$ –	$ –	$ 88	$ 88	$ –	$ –	$ 89	$ 89
Fair value through other comprehensive income:												
Certain long-term investments and other assets(ii)	**134**	**–**	**–**	**134**	117	–	–	117	96	–	–	96
Derivatives included in prepaid expenses and other assets	**–**	**14**	**–**	**14**	–	–	–	–	–	1	–	1
Fair value through profit and loss:												
Security deposits	**80**	**–**	**–**	**80**	74	–	–	74	75	–	–	75
Certain long-term investments and other assets(ii)	**392**	**18**	**194**	**604**	–	21	77	98	–	20	119	139
Derivatives included in prepaid expenses and other assets	**10**	**25**	**–**	**35**	7	4	2	13	3	4	–	7
Derivatives included in other assets	**–**	**–**	**–**	**–**	–	491	–	491	–	–	–	–
Financial liabilities												
Amortized cost:												
Long-term debt	**–**	**8,138**	**5,979**	**14,117**	–	8,952	6,915	15,867	–	8,643	6,527	15,170
Certain other liabilities(ii)	**–**	**–**	**673**	**673**	–	–	670	670	–	–	668	668
Fair value through other comprehensive income:												
Derivatives included in trade payables and other liabilities	**–**	**8**	**–**	**8**	–	5	–	5	–	5	–	5
Fair value through profit and loss:												
Trust Unit liability	**3,727**	**–**	**–**	**3,727**	4,032	–	–	4,032	4,209	–	–	4,209
Derivatives included in trade payables and other liabilities	**–**	**–**	**–**	**–**	–	5	–	5	–	–	–	–

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

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

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

During the second quarter of 2022 and year-to-date, a gain of $1 million (2021 – loss of $1 million) and a nominal gain (2021 – loss of $2 million) was recognized in operating income on financial instruments designated as amortized cost. In addition, during the second quarter of 2022 and year-to-date, a net gain of $429 million (2021 – net loss of $245 million) and a net gain of $352 million (2021 – net loss of $533 million) was recognized in earnings before income taxes from continuing operations on financial instruments required to be classified as fair value through profit or loss.

Cash and Cash Equivalents, Short-Term Investments and Security Deposits As at the end of the second quarter of 2022, the Company had cash and cash equivalents, short-term investments and security deposits of $2,803 million (June 19, 2021 – $3,481 million; December 31, 2021 – $3,938 million), including U.S. dollars of $122 million (June 19, 2021 – $234 million; December 31, 2021 – $221 million).

During the second quarter of 2022 and year-to-date, a gain of $4 million (2021 – loss of $9 million) and a gain of $3 million (2021 – loss of $22 million) was recognized in other comprehensive income related to the effect of foreign currency translation on the Company's U.S. net investment in foreign operations.

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

In the second quarter of 2022, a loss of $6 million (2021 – loss of $1 million) and a loss of $3 million (2021 – loss of $1 million) year-to-date were recorded in operating income related to these derivatives. In addition, a corresponding $4 million liability was included in trade payables and other liabilities as at June 18, 2022 (June 19, 2021 – $2 million asset included in prepaid expenses and other assets; December 31, 2021 – $1 million liability included in trade payables and other liabilities). As at June 18, 2022, a 1% increase (decrease) in foreign currency exchange rates would result in a gain (loss) in fair value of $1 million.

Investments in Real Estate Securities The Allied Class B Units are recorded at their fair value based on market trading prices of Allied's publicly traded units, and included in the balance Certain long-term investments and other assets in the table above. As at the end of the second quarter of 2022, Choice Properties, held 11,809,145 Allied Class B Units with a value of $392 million. In the second quarter of 2022 and year-to-date, a fair value loss of $159 million was recorded in SG&A (2021 – nil) (see note 13).

Trust Unit Liability In the second quarter of 2022 and year-to-date, a fair value gain of $576 million (2021 – loss of $188 million) and a fair value gain of $483 million (2021 – loss of $427 million) were recorded in net interest expense and other financing charges (see note 6).

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

					Jun. 18, 2022
		12 Weeks Ended		24 Weeks Ended	
($ millions)	Net asset (liability) fair value	Gain/(loss) recorded in OCI	Gain/(loss) recorded in operating income	Gain/loss) recorded in OCI	Gain/(loss) recorded in operating income
Derivatives designated as cash flow hedges					
Foreign Exchange Currency Risk - Foreign Exchange Forwards[(i)]	$ (8)	$ –	$ –	$ (8)	$ –
Interest Rate Risk - Bond Forwards[(ii)]	11	7	(2)	16	(3)
Interest Rate Risk - Interest Rate Swaps[(iii)]	16	7	–	14	–
Total derivatives designated as cash flow hedges	$ 19	$ 14	$ (2)	$ 22	$ (3)
Derivatives not designated in a formal hedging relationship					
Foreign Exchange and Other Forwards	$ 12	$ –	$ 19	$ –	$ 15
Other Non-Financial Derivatives	10	–	(2)	–	15
Total derivatives not designated in a formal hedging relationship	$ 22	$ –	$ 17	$ –	$ 30
Total derivatives	$ 41	$ 14	$ 15	$ 22	$ 27

(i) PC Bank uses foreign exchange forwards, with a notional amount of $24 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in trade payables and other liabilities. During the first quarter of 2022, Loblaw entered into foreign exchange forwards, as described below.

(ii) PC Bank uses bond forwards, with a notional value of $185 million, to manage its interest risk related to future debt issuances. The fair value of the derivatives is included in prepaid expenses and other assets.

(iii) PC Bank uses interest rate swaps, with notional value of $225 million, to mitigate the impact of increases in interest rate. The fair value of the derivatives is included in prepaid expenses and other assets. Choice Properties uses interest rate swaps, with a notional value of $146 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in the other assets or other liabilities.

During the second quarter of 2022, Loblaw did not enter into foreign exchange forwards. On a year-to-date basis, Loblaw entered into foreign exchange forwards. The purpose of these forward exchange forwards was to hedge the risk that the future cash flows of an anticipated fixed asset purchase transaction will fluctuate because of changes in foreign exchange rates. Loblaw concluded that these hedges were effective and accordingly, the gains or losses on these foreign exchange forwards are recognized in other comprehensive income, Upon settlement of these foreign exchange forwards, the accumulated other comprehensive income will be included in the initial cost of the fixed asset.

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

(i) PC Bank uses foreign exchange forwards, with a notional amount of $20 million USD, to manage its foreign exchange risk related to certain U.S. payables. The fair value of the derivatives is included in trade payables and other liabilities.

(ii) PC Bank settled $175 million of bond forwards in the second quarter of 2021 (see note 10). The purpose of the bond forwards was to hedge the interest rate for the $300 million *Eagle* notes issues and subsequent to the second quarter of 2021. Loblaw has concluded that this hedge was effective as at the settlement date.

(iii) Choice Properties uses interest rate swaps, with a notional value of $104 million, to manage its interest risk related to variable rate mortgages. The fair value of the derivatives is included in the other assets or other liabilities.

Note 23. Contingent Liabilities

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

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

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

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

In 2017, the Company and Loblaw announced actions taken to address their role in an industry-wide price-fixing arrangement involving certain packaged bread products. The arrangement involved the coordination of retail and wholesale prices of certain packaged bread products over a period extending from late 2001 to March 2015. Under the arrangement, the participants regularly increased prices on a coordinated basis. Class action lawsuits have been commenced against the Company and Loblaw as well as a number of other major grocery retailers and another bread wholesaler. It is too early to predict the outcome of such legal proceedings. Neither the Company nor Loblaw believes that the ultimate resolution of such legal proceedings will have a material adverse impact on its financial condition or prospects. The Company's cash balances far exceed any realistic damages scenario and therefore it does not anticipate any impacts on its or Loblaw's dividend, dividend policy or share buyback plans. The Company has not recorded any amounts related to the potential civil liability associated with the class action lawsuits in 2022 or prior on the basis that a reliable estimate of the liability cannot be determined at this time. The Company and Loblaw will continue to assess whether a provision for civil liability associated with the class action lawsuits can be reliably estimated and will record an amount in the period at the earlier of when a reliable estimate of liability can be determined or the matter is ultimately resolved. As a result of admission of participation in the arrangement and cooperation in the Competition Bureau's investigation, the Company and Loblaw will not face criminal charges or penalties.

In August 2018, the Province of British Columbia filed a class action against numerous opioid manufacturers and distributors, including Loblaw and its subsidiaries, Shoppers Drug Mart Inc. and Sanis Health Inc. The claim contains allegations of breach of the Competition Act, fraudulent misrepresentation and deceit and negligence, and seeks unquantified damages for the expenses incurred by the federal government, provinces, and territories of Canada in paying for opioid prescriptions and other healthcare costs related to opioid addiction and abuse in Canada. During the second quarter of 2021, the claim against Loblaw Companies Limited was discontinued. In May 2019, two further opioid-related class actions were commenced in each of Ontario and Quebec against a large group of defendants, including Sanis Health Inc. In February 2022, the plaintiff and Sanis Health Inc. agreed to settle the Quebec action for a nominal amount, with no admission of liability and for the express purpose of avoiding the delays, disruption, and expenses associated with the litigation. The settlement requires the approval of the court, which is pending. In December 2019, a further opioid-related class action was commenced in British Columbia against a large group of defendants, including Sanis Health Inc., Shoppers Drug Mart Inc. and Loblaw. The allegations in the Ontario, Quebec and the civil British Columbia class actions are similar to the allegations against manufacturer defendants in the Province of British Columbia class action, except that these May 2019 and December 2019 claims seek recovery of damages on behalf of opioid users directly. In April 2021, Loblaw, Shoppers Drug Mart Inc., and Sanis Health Inc. were served with another opioid-related class action that was started in Alberta against multiple defendants. The claim seeks damages on behalf of municipalities and local governments in relation to public safety, social service, and criminal justice costs allegedly incurred due to the opioid crisis. In September 2021, Loblaw, Shoppers Drug Mart Inc. and Sanis Health Inc. were served with a class action started in Saskatchewan by Peter Ballantyne Cree Nation and Lac La Ronge Indian Band on behalf of all Indigenous, Metis, First Nation and Inuit communities and governments in Canada to recover costs they have incurred as a result of the opioid crisis, including healthcare costs, policing costs and societal costs. Loblaw believes these proceedings are without merit and is vigorously defending them. Loblaw does not currently have any significant accruals or provisions for these matters recorded in the consolidated financial statements.

Loblaw had 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 ruled in favour of Loblaw on the Glenhuron matter. As a result of related reassessments received during 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.

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

Note 24. Segment Information

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

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

	12 Weeks Ended							
	Jun. 18, 2022				Jun. 19, 2021[i]			
($ 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[ii]	124	676	(413)	387	5	(281)	132	(144)
Adjusted EBITDA[ii]	$ 1,497	$ 226	$ (135)	$ 1,588	$ 1,369	$ 223	$ (130)	$ 1,462
Depreciation and amortization[iii]	519	1	(82)	438	497	1	(74)	424
Adjusted operating income[ii]	**$ 978**	**$ 225**	**$ (53)**	**$ 1,150**	$ 872	$ 222	$ (56)	$ 1,038

(i) Certain comparative figures have been restated to conform with current year presentation.
(ii) 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.
(iii) Excludes $114 million (2021 – $117 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

	24 Weeks Ended							
	Jun. 18, 2022				Jun. 19, 2021[i]			
($ 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[ii]	98	271	(275)	94	(4)	(342)	149	(197)
Adjusted EBITDA[ii]	$ 2,838	$ 451	$ (279)	$ 3,010	$ 2,585	$ 448	$ (271)	$ 2,762
Depreciation and amortization[iii]	1,033	2	(165)	870	990	2	(160)	832
Adjusted operating income[ii]	**$ 1,805**	**$ 449**	**$ (114)**	**$ 2,140**	$ 1,595	$ 446	$ (111)	$ 1,930

(i) Certain comparative figures have been restated to conform with current year presentation.
(ii) 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.
(iii) Excludes $231 million (2021 – $234 million) of amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark, recorded by Loblaw.

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

Other and Intersegment includes the following items:

	12 Weeks Ended					
			Jun. 18, 2022			Jun. 19, 2021[i]
($ millions)	Revenue	Operating Income	Net Interest Expense and Other Financing Charges	Revenue	Operating Income	Net Interest Expense and Other Financing Charges
Elimination of internal lease arrangements	**$ (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)

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

	24 Weeks Ended					
			Jun. 18, 2022			Jun. 19, 2021[i]
($ millions)	Revenue	Operating Income	Net Interest Expense and Other Financing Charges	Revenue	Operating Income	Net Interest Expense and Other Financing Charges
Elimination of internal lease arrangements	**$ (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 for 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)

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

($ millions)		Jun. 18, 2022		Jun. 19, 2021[i]		Dec. 31, 2021[i]
				As at		
Total Assets						
Loblaw	**$**	**36,714**	$	35,469	$	36,614
Choice Properties		**16,184**		15,968		16,173
Other and Intersegment		**(5,669)**		(3,491)		(5,704)
Consolidated	**$**	**47,229**	$	47,946	$	47,083

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

	12 Weeks Ended				24 Weeks Ended			
($ millions)		**Jun. 18, 2022**		Jun. 19, 2021		**Jun. 18, 2022**		Jun. 19, 2021
Additions to Fixed Assets, Investment Properties and Intangible Assets								
Loblaw[i]	**$**	**302**	$	258	**$**	**488**	$	461
Choice Properties		**60**		20		**80**		38
Other and Intersegment		**–**		–		**1**		2
Discontinued Operations		**–**		26		**–**		39
Consolidated	**$**	**362**	$	304	**$**	**569**	$	540

(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.

Note 25. Related Party Transaction

VENTURE FUND During 2020, GWL, Loblaw and a wholly-owned subsidiary of Wittington became limited partners in a limited partnership formed by Wittington (the "Venture Fund"). A wholly-owned subsidiary of Wittington is the general partner of the Venture Fund, which hired an external fund manager to oversee the Venture Fund. The purpose of the Venture Fund is to pursue venture capital investing in innovative businesses that are in technology-oriented companies at all stages of the start-up life cycle that operate in commerce, healthcare, and food sectors and are based in North America. Each of the three limited partners have a 33% interest in the Venture Fund. The Company participates in the Venture Fund's Investment Committee which, among other items, approves the initial investments. The Company uses the equity method of accounting to record its consolidated 66% interest in the Venture Fund. The Company has a consolidated capital commitment of $66 million over a 10-year period. To date, on a consolidated basis, the Company has invested $37 million in the Venture Fund, of which $2 million (2021 – $6 million) and $5 million (2021 – $12 million) were invested in the second quarter and year-to-date of 2022, respectively, and recorded in Other Assets.

Financial Summary[i]

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

As at or for the periods ended as indicated	12 Weeks Ended	
($ millions except where otherwise indicated)	**Jun. 18, 2022**	Jun. 19, 2021[ii]
Consolidated Operating Results		
Revenue	**$ 12,979**	$ 12,637
Operating income	**649**	1,065
Adjusted EBITDA[iii]	**1,588**	1,462
Depreciation and amortization[iv]	**552**	541
Net interest (income) expense and other financing charges	**(338)**	503
Adjusted net interest expense and other financing charges[iii]	**238**	257
Income taxes	**113**	201
Adjusted income taxes[iii]	**266**	218
Net earnings from continuing operations	**874**	361
Net earnings attributable to shareholders of the Company from continuing operations	**650**	125
Net earnings available to common shareholders of the Company from continuing operations	**640**	115
Adjusted net earnings available to common shareholders of the Company[iii] from continuing operations	**328**	275
Consolidated Financial Position and Cash Flows		
Cash and cash equivalents, short-term investments and security deposits	**$ 2,803**	$ 3,481
Cash flows from operating activities[v]	**1,118**	1,702
Capital investments[v]	**362**	304
Free cash flow[iii]	**369**	1,012
Total debt including lease liabilities	**20,698**	20,724
Total equity attributable to shareholders of the Company	**7,027**	7,269
Total equity	**13,190**	13,068
Consolidated Per Common Share ($)		
Diluted net earnings per common share from continuing operations	**$ 4.36**	$ 0.74
Adjusted diluted net earnings per common share from continuing operations[iii]	**2.23**	1.80
Consolidated Financial Measures and Ratios		
Adjusted EBITDA margin[iii] (%)	**12.2**	11.6
Rolling year adjusted return on average equity attributable to common shareholders of the Company[iii] (%)	**20.9**	16.9
Rolling year adjusted return on capital[iii] (%)	**12.5**	11.5
Reportable Operating Segments		
Loblaw		
Revenue	**$ 12,847**	$ 12,491
Operating income	**740**	750
Adjusted EBITDA[iii]	**1,497**	1,369
Adjusted EBITDA margin[iii] (%)	**11.7**	11.0
Depreciation and amortization[iv]	**633**	614
Choice Properties		
Revenue	**$ 313**	$ 324
Net interest (income) expense and other financing charges	**(439)**	418
Net (loss) income	**(12)**	85
Funds from operations[iii]	**175**	172

(i) For financial definitions and ratios refer to the Glossary beginning on page 180 of the Company's 2021 Annual Report.
(ii) Certain comparative figures have been restated to conform with current year presentation.
(iii) See section 8, "Non-GAAP Financial measures" of the Company's Second Quarter Management Discussion and Analysis.
(iv) Depreciation and amortization for the calculation of EBITDA excludes $114 million (2021 – $117 million) of amortization of intangible assets, acquired with Shoppers Drug Mart Corporation and Lifemark, recorded by Loblaw.
(v) Inclusive of discontinued operations.

Corporate Profile

George Weston Limited ("GWL" or the "Company") is a Canadian public company, founded in 1882. The Company operates through its two reportable operating segments, Loblaw Companies Limited ("Loblaw") and Choice Properties Real Estate Investment Trust ("Choice Properties"). 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.

Trademarks
GWL, Loblaw, Choice Properties and their respective subsidiaries own a number of trademarks. These trademarks are the exclusive property of GWL, Loblaw, Choice Properties and their respective subsidiary companies. Trademarks where used in this report are in italics.

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To change your address, eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

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 the System for Electronic Document Analysis and Retrieval ("SEDAR"). The Company holds an analyst call shortly following the release of its quarterly results. This call will be archived in the Investor Centre section of the Company's website.

This Quarterly Report includes selected information on Loblaw, a public company with shares trading on the Toronto Stock Exchange ("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.

Ce rapport est disponible en français.

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