

Management's Discussion and Analysis

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Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL" or the "Company") should be read in conjunction with the Company's first quarter 2024 unaudited interim period condensed consolidated financial statements and the accompanying notes ("interim financial statements") of this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2023 and the related annual MD&A included in the Company's 2023 Annual Report.

The Company's first quarter 2024 interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. These interim 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 Accounting Standards" or "GAAP"), certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. Non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated and segment underlying operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. See Section 9, "Non-GAAP and Other 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"). The effect of consolidation includes eliminations, intersegment adjustments and other consolidation adjustments. Cash and short-term investments and other investments held by the Company, and 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 GWL Corporate. For further details on the effect of consolidation, refer to Section 9, "Non-GAAP and Other Financial Measures", of this MD&A. 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 products, apparel, general merchandise and financial services. Choice Properties owns, manages and develops a high-quality portfolio of commercial and residential properties across Canada. In this MD&A, unless otherwise indicated, "Consolidated" refers to the consolidated results of GWL including its subsidiaries.

A glossary of terms and ratios used throughout this Quarterly Report can be found beginning on page 160 of the Company's 2023 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 8, "Outlook" and Section 10, "Forward-Looking Statements" of this MD&A.

The information in this MD&A is current to May 6, 2024, unless otherwise noted.

At a Glance

Key Financial Highlights

As at or for the 12 weeks ended March 23, 2024, March 25, 2023 and December 31, 2023
(\$ millions except where otherwise indicated)

Consolidated

REVENUE	OPERATING INCOME	ADJUSTED EBITDA ⁽¹⁾	ADJUSTED EBITDA MARGIN ⁽¹⁾ (%)
\$ 13,735	\$971	\$1,623	11.8%
+4.6% vs. Q1 2023	+1.5% vs. Q1 2023	+7.7% vs. Q1 2023	+30bps vs. Q1 2023
NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS	ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS⁽¹⁾	DILUTED NET EARNINGS PER COMMON SHARE (\$)	ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE⁽¹⁾ (\$)
\$236	\$312	\$1.73	\$2.30
-44.6% vs. Q1 2023	+10.6% vs. Q1 2023	-42.5% vs. Q1 2023	+15.6% vs. Q1 2023

GWL Corporate

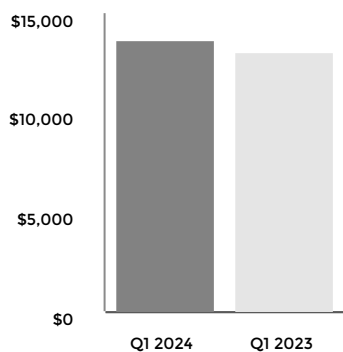
GWL CORPORATE CASH FLOW FROM OPERATING BUSINESSES ⁽¹⁾	GWL CORPORATE FREE CASH FLOW ⁽¹⁾	QUARTERLY DIVIDENDS DECLARED PER SHARE (\$)	GWL CORPORATE CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS
\$84	\$141	\$0.713	\$643
+1.2% vs. Q1 2023	-24.2% vs. Q1 2023	+8.0% vs. Q1 2023	-10.6% vs. Q4 2023

(1) Refer to Section 9, "Non-GAAP and Other Financial Measures", of this MD&A.

Key Performance Indicators

For the 12 weeks ended March 23, 2024 and March 25, 2023
(\$ millions except where otherwise indicated)

REVENUE

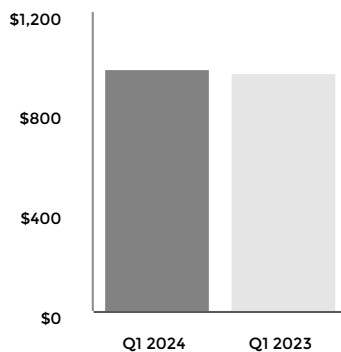


Q1 2024	\$ 13,735	+4.6%
Q1 2023	\$ 13,133	

How we performed

Revenue increased in the first quarter of 2024 due to growth at Loblaw and Choice Properties.

OPERATING INCOME

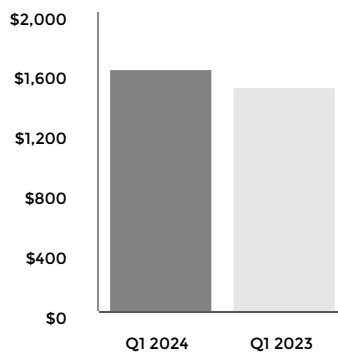


Q1 2024	\$ 971	+1.5%
Q1 2023	\$ 957	

How we performed

Operating income increased in the first quarter of 2024 due to the improvement in the underlying operating performance of the Company driven by Loblaw and Choice Properties, partially offset by the unfavourable year-over-year net impact of adjusting items.

ADJUSTED EBITDA⁽¹⁾



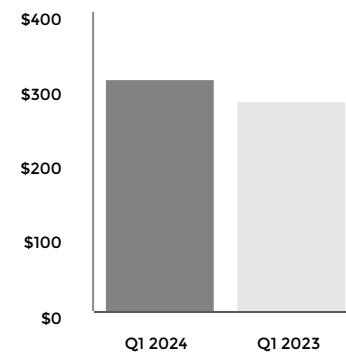
Q1 2024	\$ 1,623	+7.7%
Q1 2023	\$ 1,507	

How we performed

Adjusted EBITDA⁽¹⁾ increased in the first quarter of 2024 mainly due to an increase at Loblaw and Choice Properties.

Adjusted EBITDA margin⁽¹⁾ in the first quarter of 2024 increased due to an increase in Loblaw retail gross profit percentage primarily driven by improvements in drug retail gross margin, mainly due to sales mix, and lower shrink, partially offset by an increase in Loblaw retail selling, general and administrative expenses as a percentage of sales.

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS⁽¹⁾



Q1 2024	\$ 312	+10.6%
Q1 2023	\$ 282	

How we performed

Adjusted net earnings available to common shareholders⁽¹⁾ increased in the first quarter of 2024 due to an increase in the contribution from the publicly traded operating companies⁽¹⁾ and the favourable year-over-year impact of CWL Corporate.

Adjusted diluted net earnings per common share⁽¹⁾ increased in the first quarter of 2024 due to the growth in adjusted net earnings available to common shareholders⁽¹⁾ and lower weighted average common shares due to share repurchases.

ADJUSTED EBITDA MARGIN⁽¹⁾ (%)

11.8%	+30bps
Q1 2024	

vs. Q1 2023

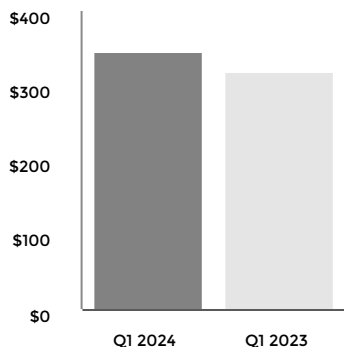
ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE⁽¹⁾ (\$)

\$ 2.30	+15.6%
Q1 2024	

vs. Q1 2023

As at or for the 12 weeks ended March 23, 2024, March 25, 2023 and December 31, 2023
(\$ millions except where otherwise indicated)

CONTRIBUTION TO ADJUSTED NET EARNINGS⁽¹⁾ FROM THE PUBLICLY TRADED OPERATING COMPANIES⁽¹⁾

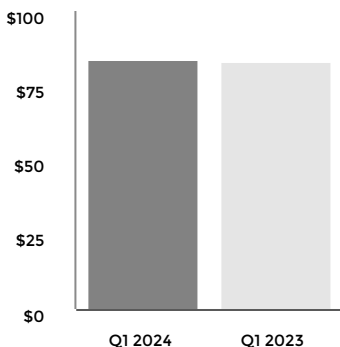


Q1 2024	\$ 345	
Q1 2023	\$ 319	+8.2%

How we performed

Contribution to adjusted net earnings available to common shareholders of the Company⁽¹⁾ from the publicly traded operating companies⁽¹⁾ increased due to the improvement in the underlying operating performance of Loblaw and Choice Properties.

GWL CORPORATE CASH FLOW FROM OPERATING BUSINESSES⁽¹⁾

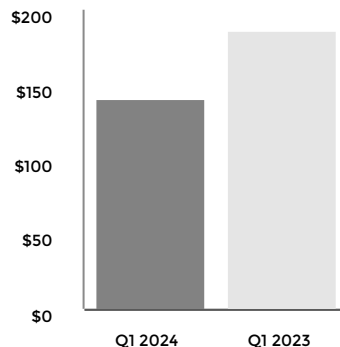


Q1 2024	\$ 84	
Q1 2023	\$ 83	+1.2%

How we performed

GWL Corporate cash flow from operating businesses⁽¹⁾ increased due to higher distributions received from Choice Properties.

GWL CORPORATE FREE CASH FLOW⁽¹⁾



Q1 2024	\$ 141	
Q1 2023	\$ 186	-24.2%

How we performed

The decrease in GWL Corporate free cash flow⁽¹⁾ was primarily due to lower proceeds from GWL's participation in Loblaw's Normal Course Issuer Bid ("NCIB") and higher income taxes paid.

GWL CORPORATE CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

\$ 643	
Q1 2024	-10.6%
\$ 719	
Q4 2023	

GWL Corporate Free Cash Flow⁽¹⁾

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

(\$ millions)	12 Weeks Ended	
	Mar. 23, 2024	Mar. 25, 2023
Dividends from Loblaw	\$ -	\$ -
Distributions from Choice Properties	84	83
GWL Corporate cash flow from operating businesses⁽¹⁾	\$ 84	\$ 83
Proceeds from participation in Loblaw's NCIB	154	188
GWL Corporate, financing, and other costs ⁽ⁱⁱ⁾	(21)	(24)
Income taxes paid	(76)	(61)
GWL Corporate free cash flow⁽¹⁾	\$ 141	\$ 186

(1) Refer to Section 9, "Non-GAAP and Other Financial Measures", of this MD&A.

(i) Publicly traded operating companies is the combined results from Loblaw and Choice Properties after the effect of consolidation.

(ii) GWL Corporate, financing, and other costs 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.

Management's Discussion and Analysis

1. Overall Financial Performance

Loblaw began 2024 with another quarter of strong operational and financial results. The focus on retail excellence continued across its businesses driving sales growth, reductions in shrink, and earnings growth. Loblaw's market-leading discount banners, private label brands, and personalized PC Optimum™ offers resonated with customers. This resulted in higher store traffic, strong market share gains in food retail, and revenue growth that stands out against lower internal inflation. An increase in drug retail sales reflected continued strength in front store beauty and cough and cold products. Canada's Consumer Price Index ("CPI") for Food Purchased From Stores in March was 1.9%, the lowest level recorded in more than two years and was below the headline CPI in the first quarter of 2024. Loblaw's internal food inflation remained below Canada's CPI for Food Purchased From Stores again this quarter.

Choice Properties' first quarter was a strong start to the year as it continued to see robust tenant demand for its necessity-based properties and significant rental rate lifts on lease renewals in its industrial portfolio. Choice Properties further strengthened its market-leading portfolio by executing over \$60 million of real estate transactions and completing development projects worth approximately \$75 million during the quarter. Despite the ongoing macroeconomic uncertainty, Choice Properties' industry-leading balance sheet continues to provide a distinct advantage of allowing its team to remain focused on its core business of owning, operating, and developing real estate.

1.1 Consolidated Results of Operations

The Company operates through its two reportable operating segments: Loblaw and Choice Properties, each of which are publicly traded entities. As such, the Company's financial statements reflect and are impacted by the consolidation of Loblaw and Choice Properties. The consolidation of these entities into the Company's financial statements reflect the impact of eliminations, intersegment adjustments and other consolidation adjustments, which can positively or negatively impact the Company's consolidated results. Additionally, cash and short-term investments and other investments held by the Company, and 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 GWL Corporate. To help our investors and stakeholders understand the Company's financial statements and the effect of consolidation, the Company reports its results in a manner that differentiates between the Loblaw segment, the Choice Properties segment, the effect of consolidation of Loblaw and Choice Properties, and lastly, GWL Corporate.

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.

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2024	Mar. 25, 2023	\$ Change	% Change
Revenue	\$ 13,735	\$ 13,133	\$ 602	4.6%
Operating income	\$ 971	\$ 957	\$ 14	1.5%
Adjusted EBITDA ⁽¹⁾	\$ 1,623	\$ 1,507	\$ 116	7.7%
Adjusted EBITDA margin ⁽¹⁾	11.8%	11.5%		
Depreciation and amortization	\$ 613	\$ 582	\$ 31	5.3%
Net interest expense and other financing charges	\$ 215	\$ 71	\$ 144	202.8%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 274	\$ 263	\$ 11	4.2%
Income taxes	\$ 264	\$ 234	\$ 30	12.8%
Adjusted income taxes ⁽¹⁾	\$ 245	\$ 228	\$ 17	7.5%
Adjusted effective tax rate ⁽¹⁾	28.8%	29.4%		
Net earnings attributable to shareholders of the Company	\$ 246	\$ 436	\$ (190)	(43.6)%
Loblaw ⁽ⁱ⁾	\$ 243	\$ 221	\$ 22	10.0%
Choice Properties	\$ 142	\$ 271	\$ (129)	(47.6)%
Effect of consolidation	\$ (64)	\$ 3	\$ (67)	(2,233.3)%
Publicly traded operating companies	\$ 321	\$ 495	\$ (174)	(35.2)%
GWL Corporate	\$ (85)	\$ (69)	\$ (16)	(23.2)%
Net earnings available to common shareholders of the Company	\$ 236	\$ 426	\$ (190)	(44.6)%
Diluted net earnings per common share (\$)	\$ 1.73	\$ 3.01	\$ (1.28)	(42.5)%
Loblaw ⁽ⁱ⁾	\$ 284	\$ 268	\$ 16	6.0%
Choice Properties	\$ 109	\$ 99	\$ 10	10.1%
Effect of consolidation ⁽¹⁾	\$ (48)	\$ (48)	\$ –	–%
Publicly traded operating companies	\$ 345	\$ 319	\$ 26	8.2%
GWL Corporate	\$ (33)	\$ (37)	\$ 4	10.8%
Adjusted net earnings available to common shareholders of the Company ⁽¹⁾	\$ 312	\$ 282	\$ 30	10.6%
Adjusted diluted net earnings per common share ⁽¹⁾ (\$)	\$ 2.30	\$ 1.99	\$ 0.31	15.6%

(i) Contribution from Loblaw, net of non-controlling interests.

Management's Discussion and Analysis

NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS OF THE COMPANY

Net earnings available to common shareholders of the Company in the first quarter of 2024 were \$236 million (\$1.73 per common share), a decrease of \$190 million (\$1.28 per common share) compared to the same period in 2023. The decrease was due to the unfavourable year-over-year net impact of adjusting items totaling \$220 million (\$1.59 per common share), primarily driven by:

- the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$133 million (\$0.93 per common share) as a result of the decrease in Choice Properties' unit price;
- the unfavourable year-over-year impact of the fair value adjustment on investment properties of \$57 million (\$0.40 per common share) driven by Choice Properties, net of the effect of consolidation;
- the unfavourable year-over-year impact of the deferred tax expense of \$20 million (\$0.16 per common share) related to the outside basis difference in certain Loblaw shares as a result of GWL's participation in Loblaw's Normal Course Issuer Bid ("NCIB") program; and
- the unfavourable year-over-year impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied Properties Real Estate Investment Trust ("Allied") of \$14 million (\$0.11 per common share) as a result of the decrease in Allied's unit price.

Adjusted net earnings available to common shareholders of the Company⁽¹⁾ in the first quarter of 2024 were \$312 million, an increase of \$30 million, or 10.6%, compared to the same period in 2023. The increase was driven by the favourable year-over-year impact of \$26 million from the contribution of the publicly traded operating companies and the favourable year-over-year impact of \$4 million at GWL Corporate primarily due to the year-over-year impact of the fair value adjustment on other investments.

Adjusted diluted net earnings per common share⁽¹⁾ were \$2.30 in the first quarter of 2024, an increase of \$0.31 per common share, or 15.6%, compared to the same period in 2023. The increase was due to the performance in adjusted net earnings available to common shareholders⁽¹⁾ as described above and the favourable impact of shares purchased for cancellation over the last 12 months (\$0.10 per common share) pursuant to the Company's NCIB program.

REVENUE

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2024	Mar. 25, 2023	\$ Change	% Change
Loblaw	\$ 13,581	\$ 12,995	\$ 586	4.5%
Choice Properties	\$ 349	\$ 325	\$ 24	7.4%
Effect of consolidation ⁽¹⁾	\$ (195)	\$ (187)	\$ (8)	(4.3)%
Publicly traded operating companies	\$ 13,735	\$ 13,133	\$ 602	4.6%
GWL Corporate	\$ —	\$ —	\$ —	—
Consolidated	\$ 13,735	\$ 13,133	\$ 602	4.6%

Revenue in the first quarter of 2024 was \$13,735 million, an increase of \$602 million, or 4.6%, compared to the same period in 2023. The increase in revenue in the first quarter of 2024 was impacted by each of the Company's reportable operating segments as follows:

- Positively by 4.5% due to revenue growth of 4.5% at Loblaw, primarily driven by an increase in retail sales of \$555 million, or 4.4%, and an increase in financial services revenue of \$35 million, or 10.7%. The increase in retail sales was due to positive same-store sales growth.
- Positively by 0.2% due to revenue growth of 7.4% at Choice Properties. The increase of \$24 million included revenue from the sale of residential inventory in the first quarter of 2024 of \$11 million. Excluding the impact of the sale of residential inventory, revenue increased \$13 million, or 4.0%, driven by higher rental rates, increased capital recoveries, the impact of acquisitions and completed developments and higher lease surrender revenue.

OPERATING INCOME

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2024	Mar. 25, 2023	\$ Change	% Change
Loblaw	\$ 859	\$ 767	\$ 92	12.0%
Choice Properties	\$ 207	\$ 306	\$ (99)	(32.4)%
Effect of consolidation ⁽¹⁾	\$ (86)	\$ (102)	\$ 16	15.7%
Publicly traded operating companies	\$ 980	\$ 971	\$ 9	0.9%
GWL Corporate	\$ (9)	\$ (14)	\$ 5	35.7%
Consolidated	\$ 971	\$ 957	\$ 14	1.5%

Operating income in the first quarter of 2024 was \$971 million compared to \$957 million in the same period in 2023, an increase of \$14 million, or 1.5%. The increase was attributable to an improvement in underlying operating performance of the Company of \$85 million driven by Loblaw and Choice Properties, partially offset by the unfavourable year-over-year net impact of adjusting items totaling \$71 million, as described below.

The unfavourable year-over-year net impact of adjusting items totaling \$71 million was primarily driven by:

- the unfavourable year-over-year impact of the fair value adjustment of investment properties of \$65 million driven by Choice Properties, net of the effect of consolidation; and
- the unfavourable year-over-year impact of the fair value adjustment on Choice Properties' investment in real estate securities of Allied of \$15 million;

partially offset by,

- the favourable year-over-year impact of the fair value adjustment of derivatives at Loblaw of \$10 million.

ADJUSTED EBITDA⁽¹⁾

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2024	Mar. 25, 2023	\$ Change	% Change
Loblaw	\$ 1,542	\$ 1,446	\$ 96	6.6%
Choice Properties	\$ 241	\$ 230	\$ 11	4.8%
Effect of consolidation ⁽¹⁾	\$ (152)	\$ (156)	\$ 4	2.6%
Publicly traded operating companies	\$ 1,631	\$ 1,520	\$ 111	7.3%
GWL Corporate	\$ (8)	\$ (13)	\$ 5	38.5%
Consolidated	\$ 1,623	\$ 1,507	\$ 116	7.7%

Adjusted EBITDA⁽¹⁾ in the first quarter of 2024 was \$1,623 million compared to \$1,507 million in the same period in 2023, an increase of \$116 million, or 7.7%. The increase was impacted by each of the Company's segments as follows:

- positively by 6.4% due to growth of 6.6% in adjusted EBITDA⁽¹⁾ at Loblaw, driven by an increase in retail and in financial services. The increase in Loblaw retail adjusted EBITDA⁽¹⁾ was driven by an increase in retail gross profit, partially offset by an increase in retail SG&A;
- positively by 0.7% due to an increase of 4.8% in adjusted EBITDA⁽¹⁾ at Choice Properties, primarily driven by the increase in revenue described above and income from the sale of residential inventory; and
- positively by 0.3% due to an increase of 38.5% at GWL Corporate primarily due to the favourable year-over-year impact of the fair value adjustment on other investments.

Management's Discussion and Analysis

DEPRECIATION AND AMORTIZATION

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2024	Mar. 25, 2023	\$ Change	% Change
Loblaw	\$ 690	\$ 675	\$ 15	2.2%
Choice Properties	\$ 1	\$ 1	\$ –	–%
Effect of consolidation	\$ (79)	\$ (95)	\$ 16	(16.8)%
Publicly traded operating companies	\$ 612	\$ 581	\$ 31	5.3%
GWL Corporate	\$ 1	\$ 1	\$ –	–%
Consolidated	\$ 613	\$ 582	\$ 31	5.3%

Depreciation and amortization in the first quarter of 2024 was \$613 million, an increase of \$31 million compared to the same period in 2023, primarily driven by:

- higher depreciation and amortization at Loblaw due to an increase in depreciation of leased assets and information technology (“IT”) assets, and an increase in depreciation of fixed assets related to conversions of retail locations, partially offset by the impact of prior year accelerated depreciation due to the reassessment of the estimated useful life of certain IT assets at Loblaw; and
- the unfavourable year-over-year impact of the effect of consolidation, due to the prior year elimination of Loblaw’s accelerated depreciation on certain IT assets, as these assets were classified as fixed assets on consolidation and continued to be depreciated by the Company.

Depreciation and amortization included \$114 million (2023 – \$114 million) of amortization of intangible assets related to the acquisitions of Shoppers Drug Mart Corporation (“Shoppers Drug Mart”) and Lifemark Health Group (“Lifemark”), recorded by Loblaw.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2024	Mar. 25, 2023	\$ Change	% Change
Net interest expense and other financing charges	\$ 215	\$ 71	\$ 144	202.8%
Add impact of the following:				
Fair value adjustment of the Trust Unit liability	59	192	(133)	(69.3)%
Adjusted net interest expense and other financing charges ⁽¹⁾	\$ 274	\$ 263	\$ 11	4.2%

Net interest expense and other financing charges in the first quarter of 2024 were \$215 million, an increase of \$144 million compared to the same period in 2023. The increase was primarily due to the unfavourable year-over-year impact of the fair value adjustment of the Trust Unit liability of \$133 million, as a result of the decrease in Choice Properties’ unit price in the first quarter of 2024.

In the first quarter of 2024, adjusted net interest expense and other financing charges⁽¹⁾ increased by \$11 million, primarily driven by:

- an increase in interest expense from lease liabilities at Loblaw, net of the effect of consolidation; and
- an increase in interest expense on long-term debt at Loblaw and Choice Properties due to new debt issuances over the last 12 months at a higher rate than maturing debt.

INCOME TAXES

(\$ millions except where otherwise indicated) For the years ended as indicated	12 Weeks Ended			
	Mar. 23, 2024	Mar. 25, 2023	\$ Change	% Change
Income taxes	\$ 264	\$ 234	\$ 30	12.8%
Add (deduct) impact of the following:				
Tax impact of items excluded from adjusted earnings before taxes ⁽ⁱ⁾	33	26	7	26.9%
Outside basis difference in certain Loblaw shares	(52)	(32)	(20)	(62.5)%
Adjusted income taxes ⁽¹⁾	\$ 245	\$ 228	\$ 17	7.5%
Effective tax rate applicable to earnings before taxes	34.9%	26.4%		
Adjusted effective tax rate applicable to adjusted earnings before taxes ⁽¹⁾	28.8%	29.4%		

(i) See the adjusted EBITDA⁽¹⁾ table and the adjusted net interest expense and other financing charges⁽¹⁾ table included in Section 9, "Non-GAAP and Other 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 first quarter of 2024 was 34.9%, compared to 26.4% in the same period in 2023. The increase was primarily attributable to an increase in tax expense related to temporary differences in respect of the Company's investment in certain Loblaw shares as a result of GWL's participation in Loblaw's NCIB, the year-over-year impact of the non-taxable fair value adjustment of the Trust Unit liability, and the impact of other non-deductible items.

The adjusted effective tax rate⁽¹⁾ in the first quarter of 2024 was 28.8%, compared to 29.4% in the same period in 2023. The decrease was primarily attributable to the impact of other non-deductible items.

1.2 Consolidated Other Business Matters

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

(\$ millions)	12 Weeks Ended	
	Mar. 23, 2024	Mar. 25, 2023
NCIB - purchased and cancelled ⁽ⁱ⁾	\$ (145)	\$ (227)
Participation in Loblaw's NCIB ⁽ⁱⁱ⁾	154	188
Net cash flow from (used in) above activities	\$ 9	\$ (39)

(i) In the first quarter of 2024, \$13 million (2023 - \$4 million) of cash consideration related to common shares repurchased under the NCIB for cancellation was paid in the second quarter of 2024 (2023).

(ii) In the first quarter of 2024, \$28 million (2023 - nil) of cash consideration related to the sale of Loblaw shares was received in the second quarter of 2024.

NCIB - Purchased and Cancelled Shares In the first quarter of 2024, the Company purchased and cancelled 0.9 million shares under its NCIB (2023 - 1.4 million shares) for aggregate consideration of \$158 million (2023 - \$231 million). As at March 23, 2024, the Company had 133.8 million shares issued and outstanding, net of shares held in trusts (March 25, 2023 - 139.3 million shares).

In the first quarter of 2024, 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 note 11, "Share Capital" of the Company's first quarter 2024 interim financial statements for more information.

Participation in Loblaw's NCIB The Company participates in Loblaw's NCIB in order to maintain its proportionate percentage ownership interest. In the first quarter of 2024, Loblaw repurchased 1.2 million shares (2023 - 1.6 million shares) from the Company, for aggregate consideration of \$182 million (2023 - \$188 million).

SUBSEQUENT EVENT Subsequent to the end of the first quarter of 2024, GWL and two subsidiaries of Wittington Investments, Limited co-invested \$10 million in a third-party company, of which the Company contributed \$4 million.

Management's Discussion and Analysis

2. Results of Reportable Operating Segments

The following discussion provides details of the first quarter of 2024 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			
	Mar. 23, 2024	Mar. 25, 2023	\$ Change	% Change
Revenue	\$ 13,581	\$ 12,995	\$ 586	4.5%
Operating income	\$ 859	\$ 767	\$ 92	12.0%
Adjusted EBITDA ⁽¹⁾	\$ 1,542	\$ 1,446	\$ 96	6.6%
Adjusted EBITDA margin ⁽¹⁾	11.4%	11.1%		
Depreciation and amortization	\$ 690	\$ 675	\$ 15	2.2%

REVENUE Loblaw revenue in the first quarter of 2024 was \$13,581 million, an increase of \$586 million, or 4.5%, compared to the same period in 2023, driven by an increase in retail sales and in financial services revenue.

Retail sales were \$13,290 million, an increase of \$555 million, or 4.4%, compared to the same period in 2023. The increase was primarily driven by the following factors:

- food retail sales were \$9,409 million (2023 – \$9,011 million) and food retail same-store sales growth was 3.4% (2023 – 3.1%);
 - the CPI for Food Purchased from Stores was 2.6% (2023 – 10.5%), which was higher than Loblaw's internal food inflation; and
 - food retail traffic increased and basket size decreased.
- drug retail sales were \$3,881 million (2023 – \$3,724 million) and drug retail same-store sales growth was 4.0% (2023 – 7.4%);
 - pharmacy and healthcare services same-store sales growth was 7.3% (2023 – 4.7%). The number of prescriptions increased by 4.2% (2023 – decreased by 2.4%). On a same-store basis, the number of prescriptions increased by 4.0% (2023 – decreased by 1.9%) and the average prescription value increased by 2.0% (2023 – 6.0%); and
 - front store same-store sales growth was 0.7% (2023 – 10.3%). Front store same-store sales remained strong, led by beauty and cough and cold products, lapping double digit growth in the prior year.

In the last 12 months, 26 food and drug stores were opened, and 10 food and drug stores were closed, resulting in a net increase in retail square footage of 0.2 million square feet, or 0.3%.

Financial services revenue was \$361 million, an increase of \$35 million, or 10.7%, compared to the same period in 2023, primarily driven by higher interest income from growth in credit card receivables and higher sales attributable to *The Mobile Shop*.

OPERATING INCOME Loblaw operating income in the first quarter of 2024 was \$859 million, an increase of \$92 million, or 12.0%, compared to the same period in 2023. The increase was driven by an improvement in underlying operating performance of \$81 million and a favourable year-over-year net impact of adjusting items totaling \$11 million, as described below:

- the improvement in underlying operating performance of \$81 million was primarily due to:
 - 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; and
 - an improvement in the underlying operating performance of financial services.
- the favourable year-over-year net impact of adjusting items totaling \$11 million was primarily due to:
 - the favourable year-over-year impact of fair value adjustments on fuel and foreign currency contracts of \$10 million.

ADJUSTED EBITDA⁽¹⁾ Loblaw adjusted EBITDA⁽¹⁾ in the first quarter of 2024 was \$1,542 million, an increase of \$96 million, or 6.6%, compared to the same period in 2023, driven by an increase in retail of \$62 million, and an increase in financial services of \$34 million.

Retail adjusted EBITDA⁽¹⁾ increased by \$62 million compared to the same period in 2023, driven by an increase in retail gross profit of \$224 million, partially offset by an increase in retail SG&A of \$162 million.

- Retail gross profit percentage of 31.6% increased by 30 basis points compared to the same period in 2023, primarily driven by improvements in drug retail gross margins, mainly due to sales mix, and lower shrink.
- Retail SG&A as a percentage of sales was 20.7%, an increase of 40 basis points compared to the same period in 2023, primarily driven by the year-over-year impact of certain real estate activities and labour costs, and costs related to network optimization.

Financial services adjusted EBITDA⁽¹⁾ increased by \$34 million compared to the same period in 2023, primarily driven by higher revenue as described above and lower customer acquisition expenses and operating costs, including the marketing support funding in connection with the launch of PC Insiders World Elite Mastercard[®] and the benefits associated with the renewal of a long-term agreement with Mastercard. This increase was partially offset by higher contractual charge-offs due to the current macro-economic environment, and the year-over-year unfavourable impact of the expected credit loss provision.

DEPRECIATION AND AMORTIZATION Loblaw depreciation and amortization in the first quarter of 2024 was \$690 million, an increase of \$15 million compared to the same period in 2023. The increase was primarily driven by an increase in depreciation of leased assets and IT assets, and an increase in depreciation of fixed assets related to conversions of retail locations, partially offset by the impact of prior year accelerated depreciation due to the reassessment of the estimated useful life of certain IT assets. Depreciation and amortization in the first quarter of 2024 included \$114 million (2023 – \$114 million) of amortization of intangible assets related to the acquisitions of Shoppers Drug Mart and Lifemark.

CONSOLIDATION OF FRANCHISES Loblaw has more than 500 franchise food retail stores in its network. Non-controlling interests at Loblaw represents 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 \$27 million in the first quarter of 2024. When compared to the same period in 2023, this represented an increase of \$11 million or 68.8%. The increase in non-controlling interests at Loblaw was primarily driven by an increase in franchisee earnings after profit sharing.

Management's Discussion and Analysis

2.2 Choice Properties Operating Results

(\$ millions except where otherwise indicated) For the periods ended as indicated	12 Weeks Ended			
	Mar. 23, 2024	Mar. 25, 2023	\$ Change	% Change
Revenue	\$ 349	\$ 325	\$ 24	7.4%
Net interest expense and other financing charges	\$ 65	\$ 35	\$ 30	85.7%
Net income	\$ 142	\$ 271	\$ (129)	(47.6)%
Funds from Operations ⁽¹⁾	\$ 187	\$ 177	\$ 10	5.6%

REVENUE Choice Properties revenue in the first quarter of 2024 was \$349 million, an increase of \$24 million, or 7.4%, compared to the same period in 2023 and included revenue from the sale of residential inventory in the first quarter of 2024 of \$11 million and revenue of \$197 million (2023 - \$189 million) generated from tenants within Loblaw.

Excluding the impact of the sale of residential inventory, revenue in the first quarter of 2024 was \$338 million, an increase of \$13 million, or 4.0%, compared to the same period in 2023, primarily driven by:

- higher rental rates primarily in the retail and industrial portfolios;
- higher capital recoveries;
- acquisitions and completed developments; and
- higher lease surrender revenue.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES Choice Properties net interest expense and other financing charges in the first quarter of 2024 were \$65 million compared to \$35 million in the same period in 2023. The increase of \$30 million was primarily driven by the unfavourable year-over-year impact of the fair value adjustment on the Class B LP units ("Exchangeable Units") of \$28 million as a result of the decrease in Choice Properties' unit price in the quarter.

NET INCOME Choice Properties recorded net income of \$142 million in the first quarter of 2024, compared to \$271 million in the same period in 2023. The decrease of \$129 million was primarily driven by:

- the unfavourable year-over-year change of the fair value adjustment of investment properties, including those held within equity accounted joint ventures, of \$95 million;
- the unfavourable year-over-year change of the fair value adjustment on investment in real estate securities of \$15 million as a result of a decrease in Allied's unit price; and
- higher net interest expense and other financing charges as described above;

partially offset by,

- an increase in revenue as described above.

FUNDS FROM OPERATIONS⁽¹⁾ Funds from Operations⁽¹⁾ in the first quarter of 2024 were \$187 million, an increase of \$10 million compared to the same period in 2023. The increase was primarily due to an increase in rental income, income from the sale of residential inventory and an increase in interest income, partially offset by an increase in interest expense.

3. Liquidity and Capital Resources

3.1 Cash Flows

(\$ millions) For the periods ended as indicated	12 Weeks Ended		
	Mar. 23, 2024	Mar. 25, 2023	\$ Change
Cash and cash equivalents, beginning of period	\$ 2,451	\$ 2,313	\$ 138
Cash flows from operating activities	\$ 854	\$ 914	\$ (60)
Cash flows used in investing activities	\$ (225)	\$ (362)	\$ 137
Cash flows used in financing activities	\$ (1,143)	\$ (991)	\$ (152)
Effect of foreign currency exchange rate changes on cash and cash equivalents	\$ 4	\$ –	\$ 4
Cash and cash equivalents, end of period	\$ 1,941	\$ 1,874	\$ 67

CASH FLOWS FROM OPERATING ACTIVITIES Cash flows from operating activities were \$854 million in the first quarter of 2024, a decrease of \$60 million compared to the same period in 2023. The decrease in cash flows from operating activities for the first quarter of 2024 was primarily driven by an unfavourable year-over-year change in both non-cash working capital and income taxes paid, partially offset by higher cash earnings and higher payments from cardholders on credit card receivables.

CASH FLOWS USED IN INVESTING ACTIVITIES Cash flows used in investing activities were \$225 million in the first quarter of 2024, a decrease of \$137 million compared to the same period in 2023. The decrease in cash flows used in investing activities was primarily driven by higher disposals of short-term investments, partially offset by a decrease in proceeds from disposal of assets and an increase in capital investments.

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

(\$ millions) For the periods ended as indicated	12 Weeks Ended		
	Mar. 23, 2024	Mar. 25, 2023	\$ Change
Loblaw	\$ 387	\$ 315	\$ 72
Choice Properties	80	180	(100)
Effect of consolidation	(38)	(98)	60
Publicly traded operating companies	429	397	32
GWL Corporate	–	–	–
Total capital investments ⁽ⁱ⁾	\$ 429	\$ 397	\$ 32

(i) Capital investments are the sum of fixed asset and investment properties purchases and intangible asset additions as presented in the Company's condensed consolidated statements of cash flows, and prepayments transferred to fixed assets in the current period.

CASH FLOWS USED IN FINANCING ACTIVITIES Cash flows used in financing activities were \$1,143 million in the first quarter of 2024, an increase of \$152 million compared to the same period in 2023. The increase in cash flows used in financing activities was primarily driven by higher issuances of short-term and long-term debt in the prior year, partially offset by lower repayments of long-term debt in the current year.

FREE CASH FLOW⁽¹⁾

(\$ millions) For the periods ended as indicated	12 Weeks Ended		
	Mar. 23, 2024	Mar. 25, 2023	\$ Change
Cash flows from operating activities	\$ 854	\$ 914	\$ (60)
Less: Interest paid	245	239	6
Capital investments ⁽ⁱ⁾	429	397	32
Lease payments, net	220	204	16
Free cash flow ⁽¹⁾	\$ (40)	\$ 74	\$ (114)

(i) Capital investments are the sum of fixed asset and investment properties purchases and intangible asset additions as presented in the Company's condensed consolidated statements of cash flows, and prepayments transferred to fixed assets in the current period.

Management's Discussion and Analysis

Free cash flow⁽¹⁾ used in the first quarter of 2024 was \$40 million, compared to free cash flow⁽¹⁾ of \$74 million in the first quarter of 2023. The decrease in free cash flow⁽¹⁾ was primarily driven by an unfavourable year-over-year change in both non-cash working capital and income taxes paid and an increase in capital investments, partially offset by higher cash earnings and higher payments from cardholders on credit card receivables.

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. President's Choice Bank ("PC Bank") expects to obtain long-term financing for its credit card portfolio through the issuance of *Eagle Credit Card Trust*[®] ("Eagle") notes and Guaranteed Investment Certificates.

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:

(\$ millions)	Mar. 23, 2024					As at Mar. 25, 2023					Dec. 31, 2023				
	Loblaw	Choice Properties	Effect of consolidation	GWL Corporate	Total	Loblaw	Choice Properties	Effect of consolidation	GWL Corporate	Total	Loblaw	Choice Properties	Effect of consolidation	GWL Corporate	Total
	Bank indebtedness	\$ 1	\$ -	\$ -	\$ -	\$ 1	\$ 25	\$ -	\$ -	\$ -	\$ 25	\$ 13	\$ -	\$ -	\$ -
Demand deposits from customers	170	-	-	-	170	131	-	-	-	131	166	-	-	-	166
Short-term debt ⁽ⁱ⁾	450	-	-	-	450	600	-	-	-	600	850	-	-	-	850
Long-term debt due within one year	1,188	1,042	-	200	2,430	708	558	-	-	1,266	1,191	964	-	200	2,355
Long-term debt	7,059	5,446	-	249	12,754	7,031	6,149	-	449	13,629	6,661	5,731	-	249	12,641
Certain other liabilities ⁽ⁱⁱ⁾	285	-	519	-	804	240	-	507	-	747	280	-	520	-	800
Total debt excluding lease liabilities	\$ 9,153	\$ 6,488	\$ 519	\$ 449	\$ 16,609	\$ 8,735	\$ 6,707	\$ 507	\$ 449	\$ 16,398	\$ 9,161	\$ 6,695	\$ 520	\$ 449	\$ 16,825
Lease liabilities due within one year	1,459	-	(581)	-	878	1,409	2	(572)	2	841	1,455	-	(575)	-	880
Lease liabilities	7,970	1	(3,414)	2	4,559	7,782	1	(3,365)	4	4,422	8,003	1	(3,444)	3	4,563
Total debt including lease liabilities	\$ 18,582	\$ 6,489	\$ (3,476)	\$ 451	\$ 22,046	\$ 17,926	\$ 6,710	\$ (3,430)	\$ 455	\$ 21,661	\$ 18,619	\$ 6,696	\$ (3,499)	\$ 452	\$ 22,268

- (i) During the first quarter of 2024, PC Bank recorded a \$400 million net decrease of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts.
- (ii) As at March 23, 2024, certain other liabilities include financial liabilities of \$709 million related to the sale and leaseback of retail and industrial properties (March 25, 2023 - \$667 million; December 31, 2023 - \$710 million).

Management targets credit metrics consistent with those of an investment grade profile. GWL Corporate holds cash and cash equivalents and short-term investments and as a result monitors its leverage on a net debt basis. GWL Corporate has total debt including lease liabilities of \$451 million (March 25, 2023 - \$455 million; December 31, 2023 - \$452 million) and cash and cash equivalents and short-term investments of \$643 million (March 25, 2023 - \$699 million; December 31, 2023 - \$719 million), resulting in a net cash position of \$192 million (March 25, 2023 - \$244 million; December 31, 2023 - \$267 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 as at March 23, 2024 decreased compared to March 25, 2023, primarily due to an improvement in rolling year adjusted EBITDA⁽¹⁾. Loblaw retail segment debt to rolling year retail adjusted EBITDA⁽¹⁾ ratio as at March 23, 2024 remained consistent with the ratio as at December 31, 2023.
- 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 first quarter of 2024, the Company, Loblaw and Choice Properties were in compliance with their respective covenants.

As at the end of and throughout the first quarter of 2024, PC Bank and Choice Properties met all applicable regulatory requirements.

3.3 Components of Total Debt

For details on the Company's components of total debt, refer to note 10, "Long-Term Debt", of the Company's first quarter 2024 interim financial statements.

3.4 Financial Condition

	Mar. 23, 2024	As at	
		Mar. 25, 2023	Dec. 31, 2023
Rolling year adjusted return on average equity attributable to common shareholders of the Company ⁽¹⁾	25.4%	23.4%	24.7%
Rolling year adjusted return on capital ⁽¹⁾	14.0%	13.6%	14.0%

The rolling year adjusted return on average equity attributable to common shareholders of the Company⁽¹⁾ increased as at the end of the first quarter of 2024 compared to the end of the first quarter of 2023 and year end 2023, primarily due to an improvement in the Company's consolidated underlying performance and a decrease in average equity attributable to common shareholders of the Company⁽¹⁾.

As at the end of the first quarter of 2024, the rolling year adjusted return on capital⁽¹⁾ increased compared to the end of the first quarter of 2023 and was flat compared to year end 2023, primarily due to an improvement in the Company's consolidated underlying performance, which was partially offset and fully offset, respectively, by an increase in average capital⁽¹⁾.

Management's Discussion and Analysis

3.5 Credit Ratings

During 2023, S&P Global Ratings ("S&P") confirmed the following ratings and outlooks, and Dominion Bond Rating Service Morningstar ("DBRS") confirmed the following ratings and trends.

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

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

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

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

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

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

3.6 Dividends and Share Repurchases

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

(\$)	12 Weeks Ended	
	Mar. 23, 2024	Mar. 25, 2023
Dividends declared per share ⁽ⁱ⁾ :		
Common share	\$ 0.713	\$ 0.660
Preferred share:		
Series I	\$ 0.3625	\$ 0.3625
Series III	\$ 0.3250	\$ 0.3250
Series IV	\$ 0.3250	\$ 0.3250
Series V	\$ 0.296875	\$ 0.296875

- (i) Dividends declared in the first quarter of 2024 on common shares and Preferred Shares, Series III, Series IV and Series V were paid on April 1, 2024. Dividends declared in the first quarter of 2024 on Preferred Shares, Series I were paid on March 15, 2024.

The following table summarizes the Company's cash dividends declared subsequent to the end of the first quarter of 2024:

(\$)		
Dividends declared per share ⁽ⁱ⁾	- Common share	\$ 0.820
	- Preferred share:	
	Series I	\$ 0.3625
	Series III	\$ 0.3250
	Series IV	\$ 0.3250
	Series V	\$ 0.296875

- (i) Dividends declared in the second quarter of 2024 on common shares and Preferred Shares, Series III, Series IV and Series V are payable on July 1, 2024. Dividends declared in the second quarter of 2024 on Preferred Shares, Series I are payable on June 15, 2024.

SHARE REPURCHASES In the first quarter of 2024, the Company purchased and cancelled 0.9 million shares (2023 - 1.4 million shares) for aggregate consideration of \$158 million (2023 - \$231 million) under its NCIB. As at March 23, 2024, the Company had 133.8 million shares issued and outstanding, net of shares held in trusts (March 25, 2023 - 139.3 million shares).

For details on the Company's share capital, refer to note 11, "Share Capital", of the Company's first quarter 2024 interim financial statements.

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 2024. For a discussion of the Company's significant off-balance sheet arrangements, see Section 3.7, "Off-Balance Sheet Arrangements", of the Company's 2023 Annual Report.

Management's Discussion and Analysis

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. Each of the years ended December 31, 2023 and December 31, 2022 contained 52 weeks. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. When a fiscal year 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 quarterly financial information for each of the eight most recently completed quarters.

SELECTED QUARTERLY INFORMATION

(\$ millions except where otherwise indicated)	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2024 (12 weeks)	2023 (12 weeks)	2023 (12 weeks)	2022 (12 weeks)	2023 (16 weeks)	2022 (16 weeks)	2023 (12 weeks)	2022 (12 weeks)
Revenue	\$ 13,735	\$ 13,133	\$ 14,700	\$ 14,142	\$ 18,407	\$ 17,520	\$ 13,884	\$ 12,979
Operating income	971	957	1,076	1,264	1,231	1,474	1,099	649
Adjusted EBITDA ⁽¹⁾	1,623	1,507	1,694	1,590	2,019	1,951	1,733	1,588
Depreciation and amortization	613	582	602	577	763	729	585	552
Net earnings from continuing operations	\$ 492	\$ 652	\$ 247	\$ 135	\$ 944	\$ 1,185	\$ 782	\$ 874
Net earnings (loss) attributable to shareholders of the Company from continuing operations	246	436	(28)	(104)	624	903	508	650
Loblaw ⁽ⁱ⁾	243	221	285	279	329	293	267	204
Choice Properties	142	271	(445)	(579)	435	948	536	(12)
Effect of consolidation	(64)	3	142	180	(141)	(333)	(252)	474
Publicly traded operating companies	321	495	(18)	(120)	623	908	551	666
GWL Corporate	(85)	(69)	(20)	6	(13)	(19)	(53)	(26)
Net earnings (loss) available to common shareholders of the Company from continuing operations	236	426	(38)	(114)	610	889	498	640
Discontinued operations ⁽ⁱⁱ⁾	–	–	–	–	–	–	–	(6)
Net earnings (loss) available to common shareholders of the Company	236	426	(38)	(114)	610	889	498	634
Net earnings (loss) per common share (\$)								
- basic	\$ 1.76	\$ 3.04	\$ (0.28)	\$ (0.81)	\$ 4.46	\$ 6.20	\$ 3.59	\$ 4.35
Continuing operations	1.76	3.04	(0.28)	(0.81)	4.46	6.20	3.59	4.39
Discontinued operations ⁽ⁱⁱ⁾	–	–	–	–	–	–	–	(0.04)
Net earnings (loss) per common share (\$)								
- diluted	\$ 1.73	\$ 3.01	\$ (0.30)	\$ (0.83)	\$ 4.41	\$ 6.14	\$ 3.55	\$ 4.32
Continuing operations	1.73	3.01	(0.30)	(0.83)	4.41	6.14	3.55	4.36
Discontinued operations ⁽ⁱⁱ⁾	–	–	–	–	–	–	–	(0.04)
Adjusted diluted net earnings per common share ⁽¹⁾ from continuing operations (\$)	\$ 2.30	\$ 1.99	\$ 2.51	\$ 2.59	\$ 3.36	\$ 3.12	\$ 2.68	\$ 2.23

(i) Contribution from Loblaw, net of non-controlling interests.

(ii) In 2021, the Company completed the sale of the Weston Foods bakery business. The Company's interest in Weston Foods was presented separately as discontinued operations in the Company's 2022 results. Details are included in the Company's 2022 Annual Report available on the Company's website (www.weston.ca).

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

- Loblaw revenue was impacted by various factors including the following:
 - seasonality, which was greatest in the fourth quarter and least in the first quarter;
 - 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 has increased by 0.2 million square feet to 71.3 million square feet.
- Choice Properties revenue was impacted by the following:
 - foregone revenue from dispositions;
 - increased capital and operating recoveries;
 - higher rental rates in the retail and industrial portfolio;
 - contribution from acquisitions and development transfers;
 - an increase in lease surrender revenue; and
 - the sale of residential inventory.

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 9.1, "Non-GAAP and Other 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 driven by:
 - seasonality, which was greatest in the fourth quarter and least in the first quarter;
 - the timing of holidays; and
 - cost savings from operating efficiencies and benefits from strategic initiatives.
- change in Choice Properties' underlying operating performance driven by:
 - changes in revenue as described above;
 - the impact of the disposition of six office assets (the "Office Asset Sale") to Allied in the second quarter of 2022 which resulted in the unfavourable impact of foregone rental income, partially offset by the favourable impact from distribution income from Choice Properties' investment in real estate securities of Allied; and
 - an increase in general and administrative expenses.
- the year-over-year impact of changes in the effect of consolidation as described in Section 9, "Non-GAAP and Other Financial Measures", of this MD&A.
- the year-over-year impact of changes in GWL Corporate due to:
 - the fair value adjustment on other investments; and
 - higher income tax expense as a result of GWL's participation in Loblaw's NCIB.
- diluted net earnings (loss) per common share included the favourable impact of shares purchased for cancellation.

Management's Discussion and Analysis

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 Accounting Standards.

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 first quarter of 2024 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, 2023 and the MD&A included in the Company's 2023 Annual Report, which are hereby incorporated by reference. The Company's 2023 Annual Report and AIF are available at www.sedarplus.ca. Those risks and risk management strategies remain unchanged.

7. Future IFRS Accounting Standard

IFRS 18 In April 2024, IFRS 18, "Presentation and Disclosure in Financial Statements" was issued to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1 "Presentation of Financial Statements", impacts the presentation of primary financial statements and notes, including the statement of earnings where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. The standard will also require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company is currently assessing the impact of the new standard.

8. Outlook⁽²⁾

The Company's 2024 outlook remains unchanged and it continues to expect adjusted net earnings⁽¹⁾ 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 while advancing its growth initiatives with the goal of delivering consistent operational and financial results in 2024. Loblaw's businesses remain well positioned to meet the everyday needs of Canadians.

For the full-year 2024, Loblaw continues to expect:

- its retail business to grow earnings faster than sales;
- adjusted net earnings per common share⁽¹⁾ growth in the high single-digits;
- to continue investing in its store network and distribution centres by investing a net amount of \$1.8 billion in capital expenditures, which reflects gross capital investments of approximately \$2.2 billion, net of approximately \$400 million of proceeds from property disposals; and
- to return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

Choice Properties Choice Properties is focused on capital preservation, delivering stable and growing cash flows and net asset value appreciation, all with a long-term focus. Its high-quality portfolio is primarily leased to necessity-based tenants and logistics providers, who are less sensitive to economic volatility and therefore provide stability to its overall portfolio. Choice Properties continues to experience positive leasing momentum across its portfolio and is well positioned to complete its 2024 lease renewals. Choice Properties also continues to advance its development program, with a focus on commercial developments in the near term, which provides 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 is confident that its business model, stable tenant base, strong balance sheet and disciplined approach to financial management will continue to position the business well for future success. In 2024, Choice Properties will continue to focus on its core business of essential retail and industrial, its growing residential platform and its robust development pipeline, and is targeting:

- stable occupancy across the portfolio, resulting in 2.5% - 3.0% year-over-year growth in Same-Asset NOI, cash basis⁽ⁱ⁾;
- annual FFO⁽¹⁾ per unit diluted⁽ⁱ⁾ in a range of \$1.02 to \$1.03, reflecting 2.0% - 3.0% year-over-year growth; and
- strong leverage metrics, targeting Adjusted Debt to EBITDAFV⁽ⁱ⁾ slightly below 7.5x.

(i) For more information on these measures see the 2023 Annual Report filed by Choice Properties, which is available on www.sedarplus.ca or at www.choicereit.ca.

Management's Discussion and Analysis

9. Non-GAAP and Other Financial Measures

The Company uses non-GAAP and other 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, effect of consolidation, 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 earnings before income taxes, adjusted income taxes and adjusted effective tax rate. The Company believes these non-GAAP and other financial measures provide useful information to both management and investors with regard to accurately assessing the Company's financial performance and financial condition for the reasons outlined below.

Further, certain non-GAAP measures and other financial 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 www.sedarplus.ca or at www.loblaw.ca or www.choicereit.ca, respectively.

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

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

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

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

(\$ millions)	12 Weeks Ended									
	Mar. 23, 2024					Mar. 25, 2023				
	Loblaw	Choice Properties	Effect of consolidation	GWL Corporate	Consolidated	Loblaw	Choice Properties	Effect of consolidation	GWL Corporate	Consolidated
Net earnings attributable to shareholders of the Company					\$ 246					\$ 436
Add impact of the following:										
Non-controlling interests					246					216
Income taxes					264					234
Net interest expense and other financing charges					215					71
Operating income	\$ 859	\$ 207	\$ (86)	\$ (9)	\$ 971	\$ 767	\$ 306	\$ (102)	\$ (14)	\$ 957
Add (deduct) impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 114	\$ -	\$ -	\$ -	\$ 114	\$ 114	\$ -	\$ -	\$ -	\$ 114
Fair value adjustment of investment in real estate securities	-	30	-	-	30	-	15	-	-	15
Fair value adjustment on investment properties	-	3	13	-	16	-	(92)	43	-	(49)
Fair value adjustment of derivatives	(7)	-	-	-	(7)	3	-	-	-	3
Loss (gain) on sale of non-operating properties	-	-	-	-	-	1	-	(2)	-	(1)
Adjusting items	\$ 107	\$ 33	\$ 13	\$ -	\$ 153	\$ 118	\$ (77)	\$ 41	\$ -	\$ 82
Adjusted operating income	\$ 966	\$ 240	\$ (73)	\$ (9)	\$ 1,124	\$ 885	\$ 229	\$ (61)	\$ (14)	\$ 1,039
Depreciation and amortization excluding the impact of the above adjustment ⁽ⁱ⁾	576	1	(79)	1	499	561	1	(95)	1	468
Adjusted EBITDA	\$ 1,542	\$ 241	\$ (152)	\$ (8)	\$ 1,623	\$ 1,446	\$ 230	\$ (156)	\$ (13)	\$ 1,507

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

The following items impacted adjusted EBITDA in 2024 and 2023:

Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark 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.

The acquisition of Lifemark in 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 in 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.

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.

Management's Discussion and Analysis

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

Loss (gain) on sale of non-operating properties In the first quarter of 2024, Loblaw did not record any gain or loss related to the sale of non-operating properties (2023 - loss of \$1 million).

In the first quarter of 2023, Choice Properties disposed of a property and incurred a loss which was recognized in fair value adjustment of investment properties. On consolidation, the Company recorded the property as fixed assets, which was recognized at cost less accumulated depreciation. As a result, in the first quarter of 2023, on consolidation, an incremental gain of \$2 million was recognized in operating income.

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

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

(\$ millions)	12 Weeks Ended	
	Mar. 23, 2024	Mar. 25, 2023
Net interest expense and other financing charges	\$ 215	\$ 71
Add impact of the following:		
Fair value adjustment of the Trust Unit liability	59	192
Adjusted net interest expense and other financing charges	\$ 274	\$ 263

In addition to certain items described in the "Adjusted EBITDA" section above, the following item impacted adjusted net interest expense and other financing charges in 2024 and 2023:

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.

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.

(\$ millions except where otherwise indicated)	12 Weeks Ended	
	Mar. 23, 2024	Mar. 25, 2023
Adjusted operating income ⁽ⁱ⁾	\$ 1,124	\$ 1,039
Adjusted net interest expense and other financing charges ⁽ⁱ⁾	274	263
Adjusted earnings before taxes	\$ 850	\$ 776
Income taxes	\$ 264	\$ 234
Add (deduct) impact of the following:		
Tax impact of items excluded from adjusted earnings before taxes ⁽ⁱⁱ⁾	33	26
Outside basis difference in certain Loblaw shares	(52)	(32)
Adjusted income taxes	\$ 245	\$ 228
Effective tax rate applicable to earnings before taxes	34.9%	26.4%
Adjusted effective tax rate applicable to adjusted earnings before taxes	28.8%	29.4%

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

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

In addition to certain items described in the "Adjusted EBITDA" and "Adjusted Net Interest Expense and Other Financing Charges" sections above, the following item impacted adjusted income taxes and the adjusted effective tax rate in 2024 and 2023:

Outside basis difference in certain Loblaw shares The Company recorded a deferred tax expense of \$52 million in the first quarter of 2024 (2023 - \$32 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.

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

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

(\$ millions except where otherwise indicated)	12 Weeks Ended	
	Mar. 23, 2024	Mar. 25, 2023
Net earnings attributable to shareholders of the Company	\$ 246	\$ 436
Less: Prescribed dividends on preferred shares in share capital	(10)	(10)
Net earnings available to common shareholders of the Company	\$ 236	\$ 426
Less: Reduction in net earnings due to dilution at Loblaw	(2)	(2)
Net earnings available to common shareholders for diluted earnings per share	\$ 234	\$ 424
Net earnings attributable to shareholders of the Company	\$ 246	\$ 436
Adjusting items (refer to the following table)	76	(144)
Adjusted net earnings attributable to shareholders of the Company	\$ 322	\$ 292
Less: Prescribed dividends on preferred shares in share capital	(10)	(10)
Adjusted net earnings available to common shareholders of the Company	\$ 312	\$ 282
Less: Reduction in net earnings due to dilution at Loblaw	(2)	(2)
Adjusted net earnings available to common shareholders for diluted earnings per share	\$ 310	\$ 280
Diluted weighted average common shares outstanding (in millions)	134.9	140.7

Management's Discussion and Analysis

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

	12 Weeks Ended											
	Mar. 23, 2024						Mar. 25, 2023					
	Net Earnings Available to Common Shareholders of the Company					Diluted Net Earnings Per Common Share (\$)	Net Earnings Available to Common Shareholders of the Company					Diluted Net Earnings Per Common Share (\$)
(\$ millions except where otherwise indicated)	Loblaw ⁽ⁱ⁾	Choice Properties	Effect of consolidation	GWL Corporate	Consolidated	Consolidated	Loblaw ⁽ⁱ⁾	Choice Properties	Effect of consolidation	GWL Corporate	Consolidated	Consolidated
As reported	\$ 243	\$ 142	\$ (64)	\$ (85)	\$ 236	\$ 1.73	\$ 221	\$ 271	\$ 3	\$ (69)	\$ 426	\$ 3.01
Add (deduct) impact of the following ⁽ⁱⁱ⁾ :												
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 45	\$ -	\$ -	\$ -	\$ 45	\$ 0.34	\$ 45	\$ -	\$ -	\$ -	\$ 45	\$ 0.32
Fair value adjustment of investment in real estate securities	-	30	(2)	-	28	0.21	-	15	(1)	-	14	0.10
Fair value adjustment on investment properties	-	4	10	-	14	0.10	-	(92)	49	-	(43)	(0.30)
Fair value adjustment of derivatives	(4)	-	-	-	(4)	(0.03)	1	-	-	-	1	0.01
Loss (gain) on sale of non-operating properties	-	-	-	-	-	-	1	-	(2)	-	(1)	(0.01)
Outside basis difference in certain Loblaw shares	-	-	-	52	52	0.39	-	-	-	32	32	0.23
Fair value adjustment of the Trust Unit liability	-	-	(59)	-	(59)	(0.44)	-	-	(192)	-	(192)	(1.37)
Fair value adjustment on Choice Properties' Exchangeable Units	-	(67)	67	-	-	-	-	(95)	95	-	-	-
Adjusting items	\$ 41	\$ (33)	\$ 16	\$ 52	\$ 76	\$ 0.57	\$ 47	\$ (172)	\$ (51)	\$ 32	\$ (144)	\$ (1.02)
Adjusted	\$ 284	\$ 109	\$ (48)	\$ (33)	\$ 312	\$ 2.30	\$ 268	\$ 99	\$ (48)	\$ (37)	\$ 282	\$ 1.99

(i) Contribution from Loblaw, net of non-controlling interests.

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

EFFECT OF CONSOLIDATION The Company believes that a breakdown of the effect of consolidation is useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

The following table provides a breakdown of the effect of consolidation for certain key performance metrics.

(\$ millions)	12 Weeks Ended									
	Mar. 23, 2024					Mar. 25, 2023				
	Revenue	Operating Income	Adjusted EBITDA ⁽ⁱ⁾	Net Interest Expense and Other Financing Charges	Adjusted Net Earnings Available to Common Shareholders ⁽ⁱ⁾	Revenue	Operating Income	Adjusted EBITDA ⁽ⁱ⁾	Net Interest Expense and Other Financing Charges	Adjusted Net Earnings Available to Common Shareholders ⁽ⁱ⁾
Elimination of intercompany rental revenue	\$ (198)	\$ (14)	\$ (14)	\$ –	\$ (12)	\$ (189)	\$ (28)	\$ (28)	\$ –	\$ (23)
Elimination of internal lease arrangements	3	(14)	(108)	(28)	10	2	(21)	(116)	(26)	4
Elimination of intersegment real estate transactions	–	(30)	(30)	–	(26)	–	(10)	(12)	–	(10)
Recognition of depreciation on Choice Properties' investment properties classified as fixed assets by the Company and measured at cost	–	(15)	–	–	(15)	–	–	–	–	(4)
Fair value adjustment on investment properties	–	(13)	–	(1)	–	–	(43)	–	–	–
Unit distributions on Exchangeable Units paid by Choice Properties to GWL	–	–	–	(75)	75	–	–	–	(74)	74
Unit distributions on Trust Units paid by Choice Properties, excluding amounts paid to GWL	–	–	–	53	(53)	–	–	–	52	(52)
Fair value adjustment on Choice Properties' Exchangeable Units	–	–	–	67	–	–	–	–	95	–
Fair value adjustment of the Trust Unit liability	–	–	–	(59)	–	–	–	–	(192)	–
Tax expense on Choice Properties related earnings	–	–	–	–	(27)	–	–	–	–	(37)
Total	\$ (195)	\$ (86)	\$ (152)	\$ (43)	\$ (48)	\$ (187)	\$ (102)	\$ (156)	\$ (145)	\$ (48)

(i) See reconciliation of adjusted EBITDA and adjusted net earnings available to common shareholders of the Company above.

Management's Discussion and Analysis

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

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

(\$ millions)	12 Weeks Ended	
	Mar. 23, 2024	Mar. 25, 2023
Cash flows from operating activities	\$ 854	\$ 914
Less: Interest paid	245	239
Capital investments ⁽ⁱ⁾	429	397
Lease payments, net	220	204
Free cash flow	\$ (40)	\$ 74

(i) Capital investments are the sum of fixed asset and investment properties purchases and intangible asset additions as presented in the Company's condensed consolidated statements of cash flows, and prepayments transferred to fixed assets in the current period.

ROLLING YEAR ADJUSTED RETURN ON AVERAGE EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS OF THE COMPANY AND ADJUSTED RETURN ON CAPITAL The Company uses the following metrics to measure its leverage and profitability. The definitions of these ratios are presented below.

Rolling Year Adjusted Return on Average Equity Attributable to Common Shareholders of the Company Adjusted net earnings available to common shareholders of the Company for the last four quarters divided by average total equity attributable to common shareholders of the Company. Refer to Section 3.4, "Financial Condition", of this MD&A.

Rolling Year Adjusted Return on Capital Tax-effected adjusted operating income for the last four quarters divided by average capital where capital is defined as total debt, plus equity attributable to shareholders of the Company, less cash and cash equivalents, and short-term investments. Refer to Section 3.4, "Financial Condition", of this MD&A.

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 Accounting Standards issued in January 2022.

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

(\$ millions)	12 Weeks Ended	
	Mar. 23, 2024	Mar. 25, 2023
Net income	\$ 142	\$ 271
(Deduct) add impact of the following:		
Adjustment to fair value of unit-based compensation	(1)	(1)
Fair value adjustment on Exchangeable Units	(67)	(95)
Fair value adjustment on investment properties	1	(76)
Fair value adjustment on investment property held in equity accounted joint ventures	2	(16)
Fair value adjustment of investment in real estate securities	30	15
Capitalized interest on equity accounted joint ventures	3	3
Unit distributions on Exchangeable Units	75	74
Internal expenses for leasing	2	2
Funds from Operations	\$ 187	\$ 177

9.1 Non-GAAP and Other Financial Measures - Selected Comparative Reconciliation

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

ADJUSTED EBITDA The following table reconciles 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.

(\$ millions)	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2024	2023	2023	2022	2023	2022	2023	2022
	(12 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(16 weeks)	(16 weeks)	(12 weeks)	(12 weeks)
Net earnings (loss) attributable to shareholders of the Company from continuing operations	\$ 246	\$ 436	\$ (28)	\$ (104)	\$ 624	\$ 903	\$ 508	\$ 650
Add (deduct) impact of the following:								
Non-controlling interests	\$ 246	\$ 216	\$ 275	\$ 239	\$ 320	\$ 282	\$ 274	\$ 224
Income taxes	\$ 264	\$ 234	\$ 169	\$ 213	\$ 202	\$ 276	\$ 244	\$ 113
Net interest expense (income) and other financing charges	\$ 215	\$ 71	\$ 660	\$ 916	\$ 85	\$ 13	\$ 73	\$ (338)
Operating income	\$ 971	\$ 957	\$ 1,076	\$ 1,264	\$ 1,231	\$ 1,474	\$ 1,099	\$ 649
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 114	\$ 114	\$ 115	\$ 115	\$ 154	\$ 151	\$ 116	\$ 114
Fair value adjustment of investment in real estate securities	30	15	(27)	20	45	69	31	159
Fair value adjustment on investment properties	16	(49)	34	(226)	1	(313)	(21)	102
Fair value adjustment of derivatives	(7)	3	14	11	(6)	(6)	5	4
Gain on sale of non-operating properties	–	(1)	(1)	(50)	(15)	(3)	(3)	(4)
Fair value adjustment on non-operating properties	–	–	9	(6)	–	–	–	–
(Recoveries) charges related to PC Bank commodity tax matters	–	–	(13)	–	–	–	37	111
Transaction costs and other related expenses	–	–	–	–	–	–	–	13
Foreign currency translation and other company level activities	–	–	–	–	–	1	–	2
Adjusting items	\$ 153	\$ 82	\$ 131	\$ (136)	\$ 179	\$ (101)	\$ 165	\$ 501
Adjusted operating income	\$ 1,124	\$ 1,039	\$ 1,207	\$ 1,128	\$ 1,410	\$ 1,373	\$ 1,264	\$ 1,150
Depreciation and amortization excluding the impact of the above adjustment ⁽ⁱ⁾	\$ 499	\$ 468	\$ 487	\$ 462	\$ 609	\$ 578	\$ 469	\$ 438
Adjusted EBITDA	\$ 1,623	\$ 1,507	\$ 1,694	\$ 1,590	\$ 2,019	\$ 1,951	\$ 1,733	\$ 1,588

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

Management's Discussion and Analysis

ADJUSTED NET EARNINGS AVAILABLE TO COMMON SHAREHOLDERS FROM CONTINUING OPERATIONS AND ADJUSTED DILUTED NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS The 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.

(\$ millions)	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2024	2023	2023	2022	2023	2022	2023	2022
	(12 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(16 weeks)	(16 weeks)	(12 weeks)	(12 weeks)
Continuing Operations	\$ 236	\$ 426	\$ (38)	\$ (114)	\$ 610	\$ 889	\$ 498	\$ 640
Add (deduct) impact of the following ⁽ⁱ⁾ :								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 45	\$ 45	\$ 45	\$ 41	\$ 60	\$ 60	\$ 44	\$ 44
Fair value adjustment of investment in real estate securities	28	14	(25)	18	42	64	28	146
Fair value adjustment on investment properties	14	(43)	(7)	(225)	1	(262)	(17)	85
Fair value adjustment of derivatives	(4)	1	5	5	(2)	(3)	2	2
Gain on sale of non-operating properties	–	(1)	(1)	(19)	(8)	(1)	(1)	(2)
Outside basis difference in certain Loblaw shares	52	32	(16)	3	(18)	(18)	10	(18)
Fair value adjustment of the Trust Unit liability	(59)	(192)	382	662	(219)	(277)	(202)	(576)
Fair value adjustment on non-operating properties	–	–	3	(2)	–	–	–	–
(Recoveries) charges related to PC Bank commodity tax matters	–	–	(6)	–	–	–	15	45
Transaction costs and other related expenses	–	–	–	–	–	–	–	7
Remeasurement of deferred tax balances	–	–	–	–	–	–	–	(46)
Foreign currency translation and other company level activities	–	–	–	–	–	1	–	1
Adjusting items Continuing Operations	\$ 76	\$ (144)	\$ 380	\$ 483	\$ (144)	\$ (436)	\$ (121)	\$ (312)
Adjusted Continuing Operations	\$ 312	\$ 282	\$ 342	\$ 369	\$ 466	\$ 453	\$ 377	\$ 328

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

(\$ except where otherwise indicated)	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2024	2023	2023	2022	2023	2022	2023	2022
	(12 weeks)	(12 weeks)	(12 weeks)	(12 weeks)	(16 weeks)	(16 weeks)	(12 weeks)	(12 weeks)
Continuing Operations	\$ 1.73	\$ 3.01	\$ (0.30)	\$ (0.83)	\$ 4.41	\$ 6.14	\$ 3.55	\$ 4.36
Add (deduct) impact of the following ⁽ⁱ⁾ :								
Amortization of intangible assets acquired with Shoppers Drug Mart and Lifemark	\$ 0.34	\$ 0.32	\$ 0.33	\$ 0.29	\$ 0.43	\$ 0.42	\$ 0.32	\$ 0.31
Fair value adjustment of investment in real estate securities	0.21	0.10	(0.19)	0.13	0.30	0.45	0.20	0.99
Fair value adjustment on investment properties	0.10	(0.30)	(0.05)	(1.60)	0.01	(1.82)	(0.12)	0.58
Fair value adjustment of derivatives	(0.03)	0.01	0.04	0.03	(0.01)	(0.02)	0.01	0.01
Gain on sale of non-operating properties	–	(0.01)	(0.01)	(0.13)	(0.05)	(0.01)	(0.01)	(0.02)
Outside basis difference in certain Loblaw shares	0.39	0.23	(0.12)	0.02	(0.13)	(0.13)	0.07	(0.12)
Fair value adjustment of the Trust Unit liability	(0.44)	(1.37)	2.83	4.69	(1.60)	(1.92)	(1.45)	(3.94)
Fair value adjustment on non-operating properties	–	–	0.02	(0.01)	–	–	–	–
(Recoveries) charges related to PC Bank commodity tax matters	–	–	(0.04)	–	–	–	0.11	0.31
Transaction costs and other related expenses	–	–	–	–	–	–	–	0.05
Remeasurement of deferred tax balances	–	–	–	–	–	–	–	(0.31)
Foreign currency translation and other company level activities	–	–	–	–	–	0.01	–	0.01
Adjusting items Continuing Operations	\$ 0.57	\$ (1.02)	\$ 2.81	\$ 3.42	\$ (1.05)	\$ (3.02)	\$ (0.87)	\$ (2.13)
Adjusted Continuing Operations	\$ 2.30	\$ 1.99	\$ 2.51	\$ 2.59	\$ 3.36	\$ 3.12	\$ 2.68	\$ 2.23
Diluted weighted average common shares outstanding (in millions)	134.9	140.7	134.8	141.3	137.3	144.1	139.5	146.3

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

10. Forward-Looking Statements

This Quarterly Report, including this MD&A, contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Quarterly Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, strategic initiatives and restructuring, regulatory changes including further healthcare reform, future liquidity, planned capital investments, and the status and impact of IT systems implementations. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, in Section 3, "Liquidity and Capital Resources", Section 7, "Future IFRS Accounting Standard", Section 8, "Outlook", and Section 9, "Non-GAAP and Other 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" sections of the Company's 2023 Annual Report and the Company's AIF for the year ended December 31, 2023. Such risks and uncertainties include:

- changes in economic conditions, including inflation, price increases from suppliers, levels of employment, costs of borrowing, household debt, political uncertainty and government regulation, the impact of natural disasters, war or acts of terrorism, pandemics, changes in interest rates, tax rates, or exchange rates, and access to consumer credit;
- 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;
- changes to any of the laws, rules, regulations or policies applicable to the Company's business;
- inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory or control shrink;
- failure to realize benefits from investments in the Company's new IT systems and related processes;
- 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;
- 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 attract and retain colleagues may impact the Company's ability to effectively operate and achieve financial performance goals;
- 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 maintain an effective supply chain and consequently an appropriate assortment of available product at the store and digital retail level;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements;
- failure by Choice Properties to effectively and efficiently manage its property and leasing management processes;
- 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 realize the anticipated benefits associated with the Company's strategic priorities and major initiatives, including revenue growth, anticipated cost savings and operating efficiencies, or organizational changes that may impact the relationships with franchisees and Associates;
- failure to adapt to environmental and social risks, including failure to execute against the Company's climate change and social equity initiatives;
- 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;
- adverse outcomes of legal and regulatory proceedings and related matters;
- failure to effectively respond to consumer trends or heightened competition, whether from current competitors or new entrants to the marketplace; and
- the inability of the Company to effectively develop and execute its strategy.

Management's Discussion and Analysis

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including without limitation, the section entitled "Operating and Financial Risks and Risk Management" in the Company's AIF for the year ended December 31, 2023. 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.

11. Additional Information

Additional information about the Company has been filed electronically with various securities regulators in Canada through SEDAR+ and is available online at www.sedarplus.ca.

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

Toronto, Canada
May 6, 2024

Footnote Legend

- (1) Refer to Section 9, "Non-GAAP and Other Financial Measures", of the Company's 2024 First Quarter Management's Discussion and Analysis.
- (2) To be read in conjunction with Section 10, "Forward-Looking Statements", of the Company's 2024 First Quarter Management's Discussion and Analysis.
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