GEORGE WESTON LIMITED

Corporate Profile

George Weston Limited is a broadly based Canadian company founded in 1882. It operates in two distinct business segments through Food Processing, which encompasses fresh and frozen bakeries, biscuit and dairy operations, as well as fish processing; and Food Distribution, operated by Loblaw Companies Limited, the largest food distributor in Canada.

Investor Relations

Shareholders, security analysts and investment professionals should direct their inquiries or requests to Mr. Geoffrey H. Wilson, Vice President, Industry and Investor Relations at the Company's Executive Office.

Additional financial information has been filed electronically with various securities regulators in Canada through SEDAR.

Ce rapport est disponible en français.

Weston

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GEORGE WESTON LIMITED

Quarterly Report to Shareholders
12 Weeks Ended March 24, 2001

Weston

Weston is one of the largest bread producers in North America. In 2000, production capacity in Food Processing increased in Canada with the opening of a new Atlantic Canada Bakery in Amherst, Nova Scotia and in the United States, with acquisitions in the fresh bread and biscuit operations.

REPORT TO SHAREHOLDERS

First quarter **George Weston Limited** net earnings per share increased to 57 cents, compared with 55 cents in 2000 which included a 9 cents per common share income tax effect of the first quarter 2000 federal budgeted tax rate reductions on future income tax balances. Excluding the effect of the 2000 budgeted income tax rate changes, earnings per share increased 24% and trailing year earnings per share have now improved 26% to $3.46 from $2.75 earned during the corresponding period at the end of the first quarter of 2000.

On February 19, 2001, Weston entered into an agreement to acquire Bestfoods Baking Company in the United States, from Unilever at a price of U.S. $1.765 billion or approximately Cdn. $2.7 billion in cash. The acquisition is subject to regulatory approval and is expected to close by mid-year.

Concurrently, the Company announced its intention to divest its dairy and fish processing operations in order to focus its Food Processing segment on the baked goods industry. In addition, the Company is considering selling down its interest in Loblaw Companies Limited by approximately 5%.

Operating Highlights

Sales increased 6% or $309 million to $5.1 billion in the quarter. **Food Processing** sales of $694 million were 9% ahead of 2000. Dairy and fresh and frozen baking operations continue to realize volume growth and generally firm pricing. The 2000 acquisitions by Stroehmann and Interbake's ice cream novelty cone business have contributed additional sales in line with expectations. Fresh farmed salmon market prices were softer than expected in the quarter, but increased canned sardine volumes, including the effect of the 2000 Stinson acquisition, more than offset the short term salmon decline. **Food Distribution,** operated by Loblaw Companies, had sales of $4.5 billion for the quarter, an increase of $258 million or 6%. Adjusting for the effect of the Quebec food service business and non-core Cash and Carry tobacco sales which were discontinued in the second half of 2000, sales increased over 8% in 2001. Sales from new stores complemented same-store sales growth of over 4% in the quarter, with some food price inflation now being felt. The comparable period last year showed a 3% increase in sales following the exceptional millennium sales late in 1999, and the inclusion of certain Loeb and other stores in the first quarter of 1999, which were subsequently sold as part of the Provigo acquisition.

Operating income increased 21% to $235 million from $195 million last year. **Food Processing's** operating income of $33 million was 50% higher than the $22 million earned in 2000, with improvements in all parts of the business. The 2000 acquisitions have all been successfully integrated into the existing operations and are contributing to the earnings growth as expected. Margins have remained generally firm, with cost management programs reducing operating expenses effectively, offsetting higher fuel and utilities costs. Lower salmon pricing has had a short term negative impact on aquaculture profitability, offset by higher canned fisheries earnings. Return on sales improved to 4.8% in the first quarter of 2001, from 3.5% last year. **Food Distribution** had operating income of $202 million, a $29 million or 17% increase over the $173 million earned in 2000. Operating margin improved to 4.4% from 4.0% in 2000, while trading margin (EBITDA divided by sales) improved to 6.0% from 5.5% in 2000. Margins continue to strengthen primarily from internal cost containment programs with earnings improvements realized in all major retail banners.

Interest expense increased to $46 million or 21% in 2001, resulting from increased average net borrowing levels offset by a decline in borrowing rates. The effective income tax rate decreased to 38.1% in 2001 mainly due to a decline in federal and provincial income tax rates.

The Company's financial position and cash flow remain strong. Cyclicality of working capital investments in inventory, net of accounts payable, in Loblaw Companies, typically results in an increase in the debt to equity ratio at the end of the first quarter. The ratio this year, at 1.07:1, excluding the Domtar Exchangeable Debentures, is comparable to the same period last year and typically improves throughout the year. The Bestfoods Baking acquisition will temporarily maintain this ratio above our internal 1:1 guideline.

Effective January 1, 2000, the Company adopted, retroactively without restatement, the new Canadian accounting standards for "Income Taxes" and "Employee Future Benefits". The combined effect of the initial adoption was a decrease in retained earnings of $98 million in 2000.

Capital investment during the quarter totalled $191 million, reflecting the Company's continuing commitment to maintain and renew its asset base. Operating cash flow, excluding the cyclical working capital investment in the first quarter, improved to $211 million from $179 million in 2000, principally from improved earnings. Cash flow from operations, excluding the effects of the acquisitions, is expected to approximate capital investments in 2001.

During the first quarter of 2001, Loblaw Companies issued $350 million of Medium Term Notes ("MTN") with an interest rate of 6.5% due 2011. In addition, $100 million of debentures became due and were retired by Loblaw Companies. Subsequent to the first quarter 2001, Loblaw Companies redeemed $50 million of debentures and issued an additional $90 million of MTN with an interest rate of 6.0% due 2008, related to its 2000 shelf prospectus. Loblaw Companies plans to file another shelf prospectus for MTN in the second quarter.

During the quarter, the Company renewed its Normal Course Issuer Bid to purchase on The Toronto Stock Exchange up to 6,572,970 of its common shares, representing approximately 5% of the common shares outstanding. The Company, in accordance with the rules and by-laws of The Toronto Stock Exchange, may purchase its shares at the then market prices of such common shares.

Outlook

The outlook for 2001 is positive, with good sales and earnings increases expected, driven by continued organic growth in Loblaw Companies and the opportunity to significantly increase our position in the bakery industry in the United States.

W. Galen Weston

W. GALEN WESTON
Chairman

Richard J. Currie

RICHARD J. CURRIE
President

Toronto, Canada
May 9, 2001

CONSOLIDATED STATEMENTS OF EARNINGS
(unaudited)

($ millions)	12 Weeks Ended March 24, 2001	March 25, 2000
SALES	$5,118	$4,809
OPERATING EXPENSES		
Cost of sales, selling and administrative expenses	4,792	4,532
Depreciation	91	82
	4,883	4,614
OPERATING INCOME	235	195
Interest expense (income)		
Short term	(9)	(6)
Long term	55	44
	46	38
EARNINGS BEFORE THE FOLLOWING:	189	157
Income taxes		
Provision	68	58
Other		(12)
	68	46
	121	111
Goodwill charges, net of tax of $1 (2000 – $1)	12	11
	109	100
Minority interest	34	28
NET EARNINGS FOR THE PERIOD	$ 75	$ 72
PER COMMON SHARE ($)		
Basic net earnings	$ .57	$ .55
Diluted net earnings	$ .56	$ .54
Market value – period end	$88.15	$49.25
Weighted average common shares outstanding (in millions)	131.5	131.4
Actual common shares outstanding (in millions)	131.5	131.4

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
(unaudited)

($ millions)	12 Weeks Ended March 24, 2001	March 25, 2000
RETAINED EARNINGS, BEGINNING OF PERIOD	$2,801	$2,525
Impact of adopting new accounting standards		(98)
Net earnings for the period	75	72
Premium on common shares purchased for cancellation		(8)
Stock option plan cash payments, net of tax of $3	(5)	
Net subsidiary stock option plan cash payments, net of tax of $3 (2000 – $.4)	(3)	(1)
Dividends declared per common share – 20¢ (2000 – 15¢)	(26)	(20)
RETAINED EARNINGS, END OF PERIOD	$2,842	$2,470

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

CONSOLIDATED BALANCE SHEETS

($ millions)		As at March 24, 2001 (unaudited)	December 31, 2000
ASSETS			
Current Assets	Cash and cash equivalents	$ 752	$ 852
	Short term investments	518	418
	Accounts receivable	690	597
	Inventories	1,590	1,594
	Prepaid expenses and other assets	95	81
	Current future income taxes	201	191
		3,846	3,733
Franchise Investments and Other Receivables		199	198
Fixed Assets		5,007	4,896
Future Income Taxes		85	77
Goodwill		2,061	2,073
Other Assets		463	444
		$11,661	$11,421
LIABILITIES			
Current Liabilities	Bank indebtedness		$ 149
	Commercial paper	$ 1,290	703
	Accounts payable and accrued liabilities	2,192	2,689
	Current income taxes	52	105
	Long term debt due within one year	160	260
		3,694	3,906
Long Term Debt		3,348	2,986
Other Liabilities		321	311
Future Income Taxes		174	157
Minority Interest		1,179	1,157
		8,716	8,517
SHAREHOLDERS' EQUITY			
Common Share Capital		77	77
Retained Earnings		2,842	2,801
Cumulative Foreign Currency Translation Adjustment		26	26
		2,945	2,904
		$11,661	$11,421

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

CONSOLIDATED CASH FLOW STATEMENTS
(unaudited)

($ millions)	12 Weeks Ended March 24, 2001	March 25, 2000
OPERATIONS		
Net earnings before minority interest	$ 109	$ 100
Depreciation and amortization	104	94
Future income taxes	(4)	(11)
Other	2	(4)
	211	179
Changes in non-cash working capital	(618)	(445)
Cash Flows used in Operating Activities before the following:	(407)	(266)
Acquisition restructuring and other charges, including income tax recoveries	(21)	(22)
Cash Flows used in Operating Activities	(428)	(288)
INVESTMENT		
Fixed asset purchases	(191)	(130)
Short term investments	(100)	50
Proceeds from fixed asset sales	4	2
Business acquisitions	(14)	(40)
Net (increase) decrease in other items	(12)	2
Cash Flows used in Investing Activities	(313)	(116)
FINANCING		
Commercial paper	587	634
Long term debt – Issued	350	200
– Retired	(100)	(103)
Common share capital – Issued		7
– Retired		(8)
Subsidiary common share capital – Issued		8
– Retired	(1)	(2)
Dividends – To shareholders	(26)	(16)
– To minority shareholders	(10)	
Other	(10)	(2)
Cash Flows from Financing Activities	790	718
Increase in Cash	49	314
Cash, Beginning of Period	703	505
Cash, End of Period	$ 752	$ 819
Cash position: Cash	$ 752	$ 819
Short term investments	518	262
Commercial paper	(1,290)	(1,277)
Cash position	$ (20)	$ (196)
Other cash flow information		
Net interest paid	$ 52	$ 27
Net income taxes paid	$ 117	$ 95

Cash is defined as cash and cash equivalents net of bank indebtedness.
See accompanying notes to the unaudited interim period consolidated financial statements.

NOTES

(1) BASIS OF PRESENTATION

The unaudited interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. The preparation of financial data is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. These unaudited interim period consolidated financial statements should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Company's 2000 Annual Report.

For 2001, the Company adopted the new Canadian Institute of Chartered Accountants accounting standards, Section 1751 "Interim Financial Statements" and Section 3500 "Earnings per Share", ("EPS"), retroactively with restatement of the prior period. Section 3500 requires the presentation of basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the Company is required to use the "treasury stock method" to compute the dilutive effect of options versus the "if converted method".

Certain prior period's information was reclassified to conform with the current period's presentation.

(2) STOCK OPTIONS

The Company has granted common stock options, 2,580,080 of which are outstanding at period end. Stock options have up to a 7 year term, are exercisable at the designated common share price and vest 20% cumulatively on each anniversary date of the grant after the first anniversary. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option or option holders may elect to receive in cash the share appreciation value equal to the excess of the market price at the date of exercise over the specified option price.

(3) SEGMENTED INFORMATION

($ millions)	Quarter Ended March 24, 2001	March 25, 2000
SALES		
Food Processing	$ 694	$ 637
Food Distribution	4,545	4,287
Inter Group	(121)	(115)
Consolidated	$5,118	$4,809
OPERATING INCOME		
Food Processing	$ 33	$ 22
Food Distribution	202	173
Consolidated	$ 235	$ 195

NOTES

(4) SUBSEQUENT EVENT

On February 19, 2001, the Company entered into an agreement to acquire Bestfoods Baking Company in the United States, from Unilever at a price of U.S. $1.765 billion or approximately Cdn. $2.7 billion in cash. The acquisition is subject to regulatory approval and is expected to close mid-year.

Subsequent to period end, Loblaw Companies Limited issued $90 million of Medium Term Notes with an interest rate of 6.0% due 2008, and redeemed the Series 5, $50 million 10% Debentures.