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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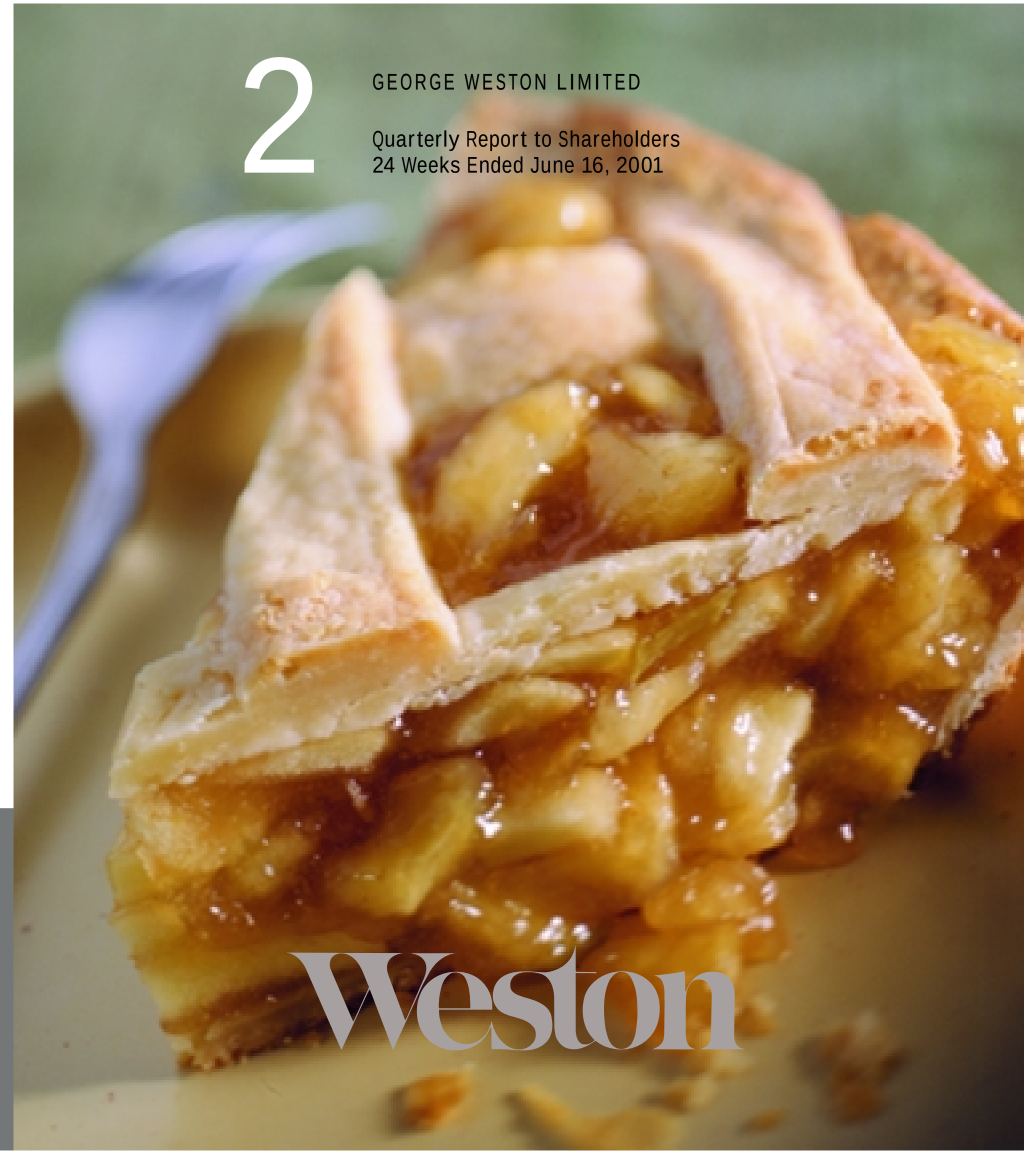

REPORT TO SHAREHOLDERS

George Weston Limited's second quarter net earnings per share increased 21% to 94 cents, compared to 78 cents in 2000. Excluding the effect of the 2000 budgeted income tax rate changes, trailing year net earnings per share improved 24% to $3.62 from $2.93 earned during the corresponding period at the end of the second quarter of 2000.

On February 19, 2001, Weston entered into an agreement to acquire Bestfoods Baking Co., Inc. in the United States, from Unilever at a price of U.S. $1.765 billion or approximately Cdn. $2.7 billion in cash. The transaction closed in late July and the Company began integration with its existing baking operations. The valuation analysis has commenced and a final purchase equation is expected to be recorded by year end.

Following the closing, Weston announced that the western portion of Bestfoods Baking, which includes bakeries in Texas, Colorado, California and Oregon, principally the *Oroweat* business, will be put up for sale. All other bakeries will be retained.

The Company has also commenced the marketing process to divest its dairy and fish processing operations in order to concentrate its Food Processing segment on the baked goods industry. All of these divestitures are expected to be completed in the second half of the year. In addition, the Company is considering selling down its interest in Loblaw Companies Limited by approximately 5%.

Operating Highlights

Sales increased 8% or $390 million to $5.6 billion in the quarter. **Food Processing** sales of $720 million were 15% higher than last year with year-to-date sales of $1.4 billion, 12% ahead of 2000. Sales growth in the fresh and frozen baking operations reflects solid volume growth in Canada and the United States, supported by the recent acquisitions. The growth momentum in the dairy operation has continued throughout the second quarter. Fresh farmed salmon demand remains very good, but current world market excess supply has temporarily depressed market prices. Fisheries canned sales grew solidly as the Stinson acquisition was integrated into the existing business. **Food Distribution**, operated by Loblaw Companies, had sales of $5.0 billion for the quarter, an increase of 6%. Sales were strong across the country, with double digit growth outside Quebec (excluding discontinued 2000 status tobacco sales). Quebec's sales increased 2% (excluding discontinued 2000 food service sales) as sales from the capital investment program were largely offset by a concurrent retail store and wholesale rationalization program. Same-store sales grew by 4%.

The North American frozen bakery operations produce a wide selection of pre-fried donuts, bagels, cakes and pies.

REPORT TO SHAREHOLDERS

Operating income for the quarter increased 17% to $314 million from $268 million last year. Half year operating income has now improved by 19% to $549 million. **Food Processing** second quarter operating income of $77 million was 24% higher than the $62 million earned in 2000, mainly from sales growth and improved manufacturing efficiencies. Most of the 2000 acquisitions have been integrated for a complete year and are contributing to earnings growth as expected. Fisheries profitability was adversely affected by the current softness in farmed salmon market prices. Return on sales for the quarter improved to 10.7% in 2001 compared to 9.9% last year. **Food Distribution** had a second quarter operating income increase of $31 million or 15% to $237 million. Operating margin for the quarter improved to 4.8% from 4.4% in 2000, from increased sales, better mix management and a continued focus on operating and administrative costs.

Interest expense for the quarter increased 8% to $42 million and 14% year-to-date as a result of increased average net borrowing levels, partially offset by a decline in borrowing rates. Interest coverage (operating income divided by interest expense) for the quarter improved to 7.5 times from 6.9 last year, and to 6.2 times from 6.0 year-to-date. The effective income tax rate for the first half decreased in line with statutory rate reductions to approximately 37%, excluding the reductions to future income tax rates recorded in 2000 and 2001.

The Company's financial position and cash flow remain solid. The debt to equity ratio at the end of the second quarter at .98:1, excluding the Domtar Exchangeable Debentures, was comparable to the same period last year. The Bestfoods Baking acquisition will temporarily bring this ratio above our internal 1:1 guideline.

The Company has obtained a U.S. $2.0 billion (approximately Cdn. $3.0 billion) unsecured bridge loan, including U.S. $1.8 billion in term facilities to finance the Bestfoods Baking acquisition. The term facilities mature between 9 to 15 months from the purchase date.

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 $259 million and $450 million year-to-date as the Company continues to maintain and renew its asset base. Operating cash flow for the second quarter increased to $400 million from $325 million in 2000 due to improvements in earnings and working capital management. Cash flows from operations, excluding the effect of acquisitions, is expected to approximate capital investment in 2001.

During the second quarter of 2001, Loblaw Companies issued $390 million of 6.0% Medium Term Notes ("MTN") due 2008 and $300 million of 7.1% MTN due 2016, and redeemed $50 million of debentures. Proceeds from these MTN issues were mainly used to repay short term commercial paper borrowings and contributed to the increase in the cash position during the quarter. This second quarter activity is in addition to the 2001 first quarter issuance of $350 million of 6.5% MTN due 2011 and the maturity of $100 million of debentures.

During the first 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 common shares at the then market prices of such shares.

Outlook

The outlook for the second half remains very positive with solid sales and earnings growth in both Food Distribution and Food Processing. The integration of the Bestfoods Baking operations with our existing United States business is now underway and we look forward to the many opportunities ahead in the baking industry in the United States.

W. Galen Weston

W. GALEN WESTON
Chairman

Richard J. Currie

RICHARD J. CURRIE
President

Toronto, Canada
August 1, 2001

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited)

($ millions)	12 Weeks Ended June 16, 2001	12 Weeks Ended June 17, 2000	24 Weeks Ended June 16, 2001	24 Weeks Ended June 17, 2000
SALES	$5,572	$5,182	$10,690	$9,991
OPERATING EXPENSES				
Cost of sales, selling and administrative expenses	5,165	4,830	9,957	9,362
Depreciation	93	84	184	166
	5,258	4,914	10,141	9,528
OPERATING INCOME	314	268	549	463
Interest expense (income)				
Short term	(13)	(4)	(22)	(10)
Long term	55	43	110	87
	42	39	88	77
EARNINGS BEFORE THE FOLLOWING:	272	229	461	386
Income taxes				
Provision	93	78	161	136
Other (note 3)	(1)		(1)	(12)
	92	78	160	124
	180	151	301	262
Goodwill charges (note 4)	13	12	25	23
	167	139	276	239
Minority interest	43	36	77	64
NET EARNINGS FOR THE PERIOD	$ 124	$ 103	$ 199	$ 175
PER COMMON SHARE ($)				
Basic net earnings	$ .94	$ .78	$ 1.51	$ 1.33
Diluted net earnings	$ .94	$ .78	$ 1.50	$ 1.32
Market value – period end	$94.00	$65.75	$ 94.00	$ 65.75
Weighted average common shares outstanding (in millions)	131.5	131.5	131.5	131.5
Actual common shares outstanding (in millions)	131.5	131.5	131.5	131.5

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(unaudited)

($ millions)	24 Weeks Ended June 16, 2001	24 Weeks Ended June 17, 2000
RETAINED EARNINGS, BEGINNING OF PERIOD	$2,801	$2,525
Impact of adopting new accounting standards		(98)
Net earnings for the period	199	175
Premium on common shares purchased for cancellation		(8)
Stock option plan cash payments, net of tax of $3 (2000 – $.4)	(5)	(1)
Net subsidiary stock option plan cash payments, net of tax of $3 (2000 – $2)	(4)	(3)
Dividends declared per common share – 40¢ (2000 – 30¢)	(53)	(39)
RETAINED EARNINGS, END OF PERIOD	$2,938	$2,551

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

CONSOLIDATED BALANCE SHEETS

($ millions)		As at June 16, 2001 (unaudited)	As at December 31, 2000
ASSETS			
Current Assets	Cash and cash equivalents	$ 992	$ 852
	Short term investments	435	418
	Accounts receivable	688	597
	Inventories	1,633	1,594
	Prepaid expenses and other assets	89	81
	Current future income taxes	178	191
		4,015	3,733
Franchise Investments and Other Receivables		200	198
Fixed Assets		5,170	4,896
Future Income Taxes		87	77
Goodwill		2,065	2,073
Other Assets		480	444
		$ 12,017	$ 11,421
LIABILITIES			
Current Liabilities	Bank indebtedness		$ 149
	Commercial paper	$ 702	703
	Accounts payable and accrued liabilities	2,285	2,689
	Current income taxes	48	105
	Long term debt due within one year	110	260
		3,145	3,906
Long Term Debt		4,025	2,986
Other Liabilities		379	311
Future Income Taxes		176	157
Minority Interest		1,213	1,157
		8,938	8,517
SHAREHOLDERS' EQUITY			
Common Share Capital		77	77
Retained Earnings		2,938	2,801
Cumulative Foreign Currency Translation Adjustment		64	26
		3,079	2,904
		$ 12,017	$ 11,421

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

CONSOLIDATED CASH FLOW STATEMENTS

(unaudited)

($ millions)	12 Weeks Ended June 16, 2001	12 Weeks Ended June 17, 2000	24 Weeks Ended June 16, 2001	24 Weeks Ended June 17, 2000
OPERATIONS				
Net earnings before minority interest	$ 167	$ 139	$ 276	$ 239
Depreciation and amortization	107	96	211	190
Future income taxes	20	26	16	15
Other	2	7	4	3
	296	268	507	447
Changes in non-cash working capital	104	57	(514)	(388)
Cash Flows from (used in) Operating Activities before the following:	400	325	(7)	59
Acquisition restructuring and other charges, including income tax recoveries	(25)	(18)	(46)	(40)
Cash Flows from (used in) Operating Activities	375	307	(53)	19
INVESTMENT				
Fixed asset purchases	(259)	(203)	(450)	(333)
Short term investments	83	(24)	(17)	26
Proceeds from fixed asset sales	26	4	30	6
Business acquisitions		(199)	(14)	(239)
Changes in franchise investments, other receivables and credit card receivables	(20)	21	(21)	16
Net changes in other items	(3)	(11)	(14)	(4)
Cash Flows used in Investing Activities	(173)	(412)	(486)	(528)
FINANCING				
Commercial paper	(588)	(325)	(1)	309
Long term debt – Issued	690	450	1,040	650
– Retired	(52)	(3)	(152)	(106)
Common share capital – Issued				7
– Retired				(8)
Subsidiary common share capital – Issued		3		11
– Retired			(1)	(2)
Dividends – To shareholders	(27)	(19)	(53)	(35)
– To minority shareholders	(10)	(8)	(20)	(8)
Other	25	(7)	15	(9)
Cash Flows from Financing Activities	38	91	828	809
Increase (decrease) in Cash	240	(14)	289	300
Cash, Beginning of Period	752	819	703	505
Cash, End of Period	$ 992	$ 805	$ 992	$ 805
Cash position: Cash	$ 992	$ 805	$ 992	$ 805
Short term investments	435	286	435	286
Commercial paper	(702)	(953)	(702)	(953)
Cash position	$ 725	$ 138	$ 725	$ 138
Other cash flow information				
Net interest paid	$ 57	$ 48	$ 109	$ 75
Net income taxes paid	$ 73	$ 67	$ 190	$ 162

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, 2,563,530 of which were 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) INCOME TAXES

In accordance with the income tax accounting standard, the cumulative effects of a change in federal or provincial income tax rates on future income tax assets and liabilities are included in the Company's consolidated financial statements at the time of substantial enactment. The effect of the proposed reduction in the Ontario provincial income tax rate of 1.5% for each of 2002, 2003, 2004 and 2005 was reported as a $1 million reduction to future income tax expense in 2001.

NOTES

(4) GOODWILL CHARGES

Goodwill charges include income tax recovery of $2 million (2000 – $1 million) for the 24 weeks ended June 16, 2001.

(5) SEGMENTED INFORMATION

($ millions)	12 Weeks Ended June 16, 2001	12 Weeks Ended June 17, 2000	24 Weeks Ended June 16, 2001	24 Weeks Ended June 17, 2000
SALES				
Food Processing	$ 720	$ 626	$ 1,414	$ 1,263
Food Distribution	4,985	4,688	9,530	8,975
Inter Group	(133)	(132)	(254)	(247)
Consolidated	$ 5,572	$ 5,182	$ 10,690	$ 9,991
OPERATING INCOME				
Food Processing	$ 77	$ 62	$ 110	$ 84
Food Distribution	237	206	439	379
Consolidated	$ 314	$ 268	$ 549	$ 463

(6) SUBSEQUENT EVENT

On February 19, 2001, the Company entered into an agreement to acquire Bestfoods Baking Co., Inc. in the United States, from Unilever at a price of U.S. $1.765 billion or approximately Cdn. $2.7 billion in cash. The transaction closed in late July. The acquisition will be accounted for using the purchase method with the allocation of the purchase price to the assets and liabilities acquired expected to be recorded by year end.