Contents

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited should be read in conjunction with the consolidated financial statements and the related notes on pages 42 to 65 of this Annual Report. A Glossary of Terms used throughout this Annual Report can be found on page 70.

Forward-Looking Statements

This Annual Report, including this MD&A, contains certain forward-looking statements. Such statements relate to, among other things, sales growth, the integration of operations of acquired businesses, the expansion and growth of the Company's business, future capital expenditures and the Company's business strategies. Forward-looking statements are subject to inherent uncertainties and risks including but not limited to: general industry and economic conditions, changes in the Company's relationships with its suppliers, pricing pressures and other competitive factors, the availability and cost of raw materials, fuels and utilities, the results of the Company's ongoing efforts to improve cost effectiveness, the rates of return on the Company's pension plan assets, changes in the regulatory requirements affecting the Company's business and the availability and terms of financing. Other risks are outlined in the Operating and Financial Risks and Risk Management sections of this MD&A. Consequently, actual results and events may vary significantly from those included, contemplated or implied by such statements.

Overview

George Weston Limited and its subsidiaries (the "Company" or "Weston") is a broadly based Canadian company, which has been participating in the food processing and distribution industry for over 120 years. The Company has two core reportable operating segments, Weston Foods and Food Distribution, and one non-core reportable operating segment, Fisheries. The Weston Foods segment is primarily engaged in the baking and dairy industries within North America. The Food Distribution segment, which is operated by Loblaw Companies Limited ("Loblaw"), Canada's largest food distributor, concentrates on food retailing and is increasing its offering of non-food products and services. The Fisheries segment is primarily engaged in the hatching, growing and processing of fresh farmed salmon in North America and Chile.

Vision

Weston seeks long term, stable growth in its operating segments through continuous capital investment supported by a strong balance sheet, thereby providing sustainable returns to its shareholders through a combination of common share appreciation and dividends. Weston strives to be the best in each of its reportable operating segments.

Operating and Financial Strategies

In order to be successful in delivering long term value and to fulfill its long term objectives of security and growth, the Company employs various operating and financial strategies, which minimize its exposure to risk. Although a few of them may carry some short term risk, the Company employs these various strategies in order to achieve its long term vision. Each of the Company's reportable operating segments has its own risk profile and operating risk management strategy.

Weston Foods' operating strategies include:

- focusing on core brands, products, customers and markets,
- the focused development of products to maximize market share and penetration,
- ongoing cost reduction initiatives to ensure a low cost operating structure,
- targeted acquisitions to broaden market penetration and expand geographic presence, and
- continuous capital investment to strategically position production facilities across North America, expand product lines and increase production capacity and efficiency.

Food Distribution's operating strategies include:

- using the cash flow generated in its business to invest in its future,
- owning its real estate, where possible, to maximize flexibility for product and business opportunities in the future,
- using a multi-format approach to maximize market share over the longer term,
- focusing on food but serve the consumer's everyday needs,
- creating customer loyalty and enhancing price competitiveness through a superior control label program, and
- constantly striving to improve its value proposition.

Fisheries' operating strategies include:

- the development of innovative value-added products,
- building upon its strong brand equity, and
- ongoing cost reduction initiatives to ensure low operating costs.

D'Italiano bread and rolls lead the Italian bread and roll segment. Consumers love the taste and larger size of *D'Italiano* crustini and sausage rolls. *D'Italiano* breads are great for sandwiches or as a side dish with any meal. *D'Italiano* products are "l'autentico."

The Company's financial strategies include:

- maintaining a strong balance sheet,
- using financial instruments to minimize the risks and costs of its financing and operating activities,
- reinvesting cash flow in the business, and
- maintaining liquidity and access to capital markets.

The Company believes that if it successfully implements and executes its various operating and financial strategies, plans and programs and continues to focus on "doing what we do best", it will continue to be well positioned to provide sustainable returns to its shareholders.

Key Performance Indicators

The Company continuously reviews and monitors its activities and key performance indicators, which it believes are critical to measuring whether the implementation of its operating and financial strategies are successful. Some of the Company's key operating performance indicators include: market share, new product development, customer service ratings, and operating and administrative cost management including productivity improvements and waste reduction. Some of the Company's key financial performance indicators are set out below.

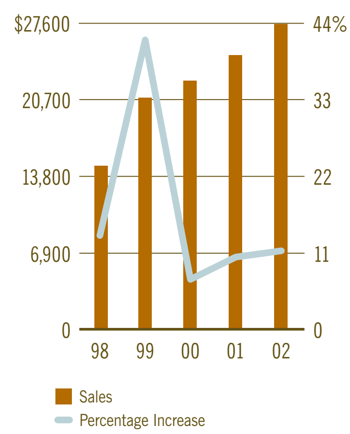
Key Financial Performance Indicators	2002	2001
Sales growth	11.3%	10.4%
Basic net earnings per common share growth (1)	18.0%	8.9%
Net debt (excluding Exchangeable Debentures) to equity ratio	1.00:1	1.47:1
Return on average common shareholders' equity	18.3%	18.4%
Common dividend payout ratio	24.0%	21.9%

(1) Basic net earnings per common share adjusted to exclude unusual items and goodwill charges. See Supplementary Financial Information found on page 41.

Consolidated Results of Operations

Sales Sales increased $2.7 billion, or 11.3%, to $27.4 billion from $24.7 billion in 2001. Excluding the impact of the 2001 Bestfoods Baking (renamed George Weston Bakeries) acquisition, sales increased 6.3%. Weston Foods 2002 sales, after adjusting for the 2001 George Weston Bakeries acquisition, increased 4.1% reflecting volume and dollar growth in core products and markets. Food Distribution 2002 sales increased 7.4% as a result of strong same-store sales growth and its continuous capital investment in retail square footage. Fisheries 2002 sales declined 44.7% compared to 2001, which included the results of the Connors canned sardine and seafood processing operations disposed of in 2001. Sales for the continuing fresh farmed salmon operations were impacted by depressed fresh salmon market prices and were essentially flat.

Sales and Percentage Increase
($ millions)



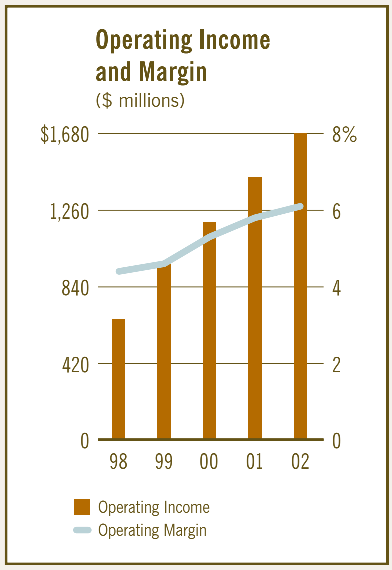
Arnold breads are a premium product line made with wholesome ingredients and deliver variety to the consumer: from creamy white buttery breads to 100% whole wheat, natural or crunchy grainy textures. *Arnold* products deliver a taste and experience you'll always enjoy!

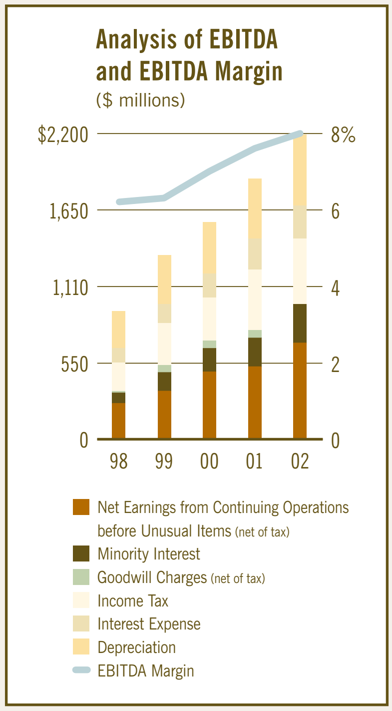
Operating Income Operating income increased $238 million, or 16.5%, to $1.7 billion, including a $32 million compensation cost ($19 million plus the $13 million fair value impact of the equity swaps and forwards) relating to the new Canadian accounting standard for stock-based compensation and other stock-based payments, which was implemented in 2002. Excluding this cost, operating income increased 18.8% over 2001. Weston Foods operating income increased 30.7% reflecting the inclusion of a full year's George Weston Bakeries results in 2002. Food Distribution operating income increased 14.8%. Fisheries continued to experience difficulties as operating losses increased to $26 million from $1 million in 2001.

Operating margin improved to 6.1% from 5.8% in 2001. EBITDA (see Supplementary Financial Information found on page 41) margin improved to 8.0% from 7.6% in 2001. Consolidated margins continued to improve due to better overall product mix management, a continued focus on administrative cost control and operating efficiencies, the synergies from the George Weston Bakeries integration realized as anticipated and volume growth in core products.

Interest Expense Interest expense consists primarily of interest on short and long term debt, the amortization of deferred financing costs, the interest impact of interest rate, currency and equity derivative agreements and interest income earned on short term investments. In 2002, interest expense increased $17 million, or 7.7%, to $238 million from $221 million in 2001. Net long term interest increased $44 million, or 18.2%, to $286 million from $242 million in 2001, as a result of an increase in average long term debt levels offset by the $77 million (2001 – $22 million) net positive interest impact of the Company's and Loblaw's interest rate, currency and equity derivative agreements. Weighted average long term debt levels increased by $1.5 billion in 2002, primarily as a result of refinancing the George Weston Baking acquisition financing from short term to long term debt. Net short term interest income increased to $18 million, mainly because of an increase in average net short term investment levels. During 2002, the Company completed the repayment of the short term unsecured credit facility used to finance the 2001 George Weston Bakeries acquisition and, as a result, moved from a net short term debt position to a net short term investment position. Food Distribution capitalizes interest incurred on debt related to real estate properties under development. During 2002, $30 million (2001 – $27 million) of interest expense was capitalized to these fixed assets.

The 2002 weighted average interest rate of fixed long term debt (excluding capital lease obligations and the Exchangeable Debentures) was 6.9% (2001 – 7.0%) and the weighted average term to maturity was 16 years (2001 – 16 years). The 2003 interest expense is expected to increase slightly due to higher average net borrowing levels.





The Company believes that if it successfully implements and executes its various operating and financial strategies, plans and programs and continues to focus on "doing what we do best", it will continue to be well positioned to provide sustainable returns to its shareholders.

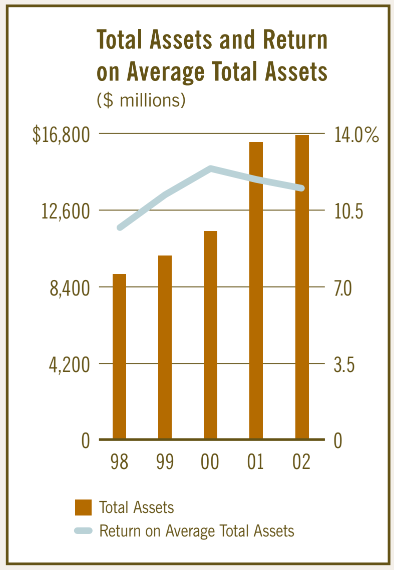
Income Taxes The Company's effective income tax rate decreased in 2002 to 32.6% compared to 35.2% in 2001, partially as a result of declining Canadian federal and provincial income tax rates. This decrease was also a result of the income tax impact of fair valuing Loblaw's equity forwards and the impact of the new Canadian accounting standard that provides for the discontinuance of goodwill amortization, which together resulted in a decrease of approximately 2% in the Company's 2002 effective income tax rate. The 2003 effective income tax rate is expected to decline in accordance with previously announced federal and provincial budgetary income tax rate reductions.

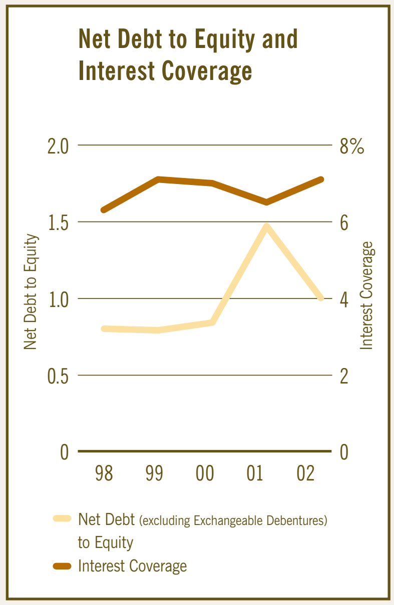
Net Earnings The Company's net earnings increased $108 million, or 18.6%, to $690 million from $582 million in 2001 due to the factors described herein. Basic net earnings per common share increased 63 cents, or 14.3%, to $5.05 from $4.42 in 2001. After adjusting the 2001 basic net earnings per common share to exclude unusual items and goodwill charges, basic net earnings per common share increased 77 cents, or 18.0%, over last year's $4.28 (see Supplementary Financial Information found on page 41).

Consolidated Financial Condition

Financial Ratios In 2002, the Company maintained a consistent financial position as measured by its strong financial ratios, balance sheet and cash flow. This position is expected to continue in 2003. The Company's 2002 return on average total assets of 11.5% declined slightly compared to the 2001 return of 11.9%. This return was negatively impacted by the 2002 stock-based compensation cost and the difficult year for Fisheries. After adjusting operating income for these two factors, the return was consistent with 2001. The Company expects this return to improve slightly in 2003 as the George Weston Bakeries integration continues and anticipated synergies are realized.

The Company's 2002 net debt to equity ratio (excluding the Exchangeable Debentures) was 1:1 compared to the 2001 ratio of 1.47:1. As expected, a combination of the proceeds realized from the disposition of the western portion of Bestfoods Baking, the refinancing of debt through the issuance of preferred shares and the 2002 earnings growth returned this ratio to the Company's internal guideline of a 1:1 ratio. The 2003 ratio is expected to improve slightly as retained earnings growth is expected to exceed debt financing requirements.





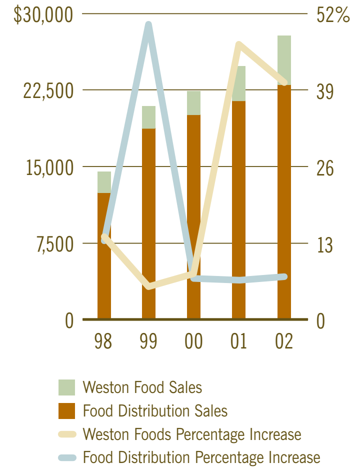
Food Distribution's tradition of quality and convenience continues through products like this meat lasagna. Made with a sauce containing 25% meat, this original member of the *Club Pack* pasta range helps families enjoy more time together by simplifying meal preparation.

The Company's 2002 return on average common shareholders' equity was 18.3% compared to the 2001 return of 18.4%. After adjusting for the stock-based compensation cost and the difficult year for Fisheries, this return improved slightly over the prior year. The five year average return on common shareholders' equity was 20.1%.

The 2002 interest coverage ratio improved to 7.1 times compared to 6.5 times in 2001 mainly due to improved earnings and the net positive interest impact of the Company's and Loblaw's interest rate, currency and equity derivative agreements.

Common Dividends The Company's common dividend policy is to maintain a common dividend payment equal to approximately 20% to 25% of the prior year's normalized basic net earnings per common share, giving consideration to the year end cash position, future cash flow requirements and investment opportunities. During 2002, the Company's Board of Directors (the "Board") declared quarterly dividends of 24 cents per common share. The annualized dividend per common share of 96 cents was equal to 24.0% of the 2001 normalized basic net earnings per common share and within the Company's common dividend policy range. Subsequent to year end, the Board declared a quarterly dividend of 30 cents per common share, payable April 1, 2003, which represented a 25.0% increase in the dividend rate per common share.

Core Segments Sales[1] and Percentage Increase
($ millions)



(1) Includes intersegment sales

Results of Reportable Operating Segments

Weston Foods Operating Results

($ millions except where otherwise indicated)

	2002	2001	Change
Sales	$ 4,792	$ 3,412	40.4%
Operating income	$ 409	$ 313	30.7%
Operating margin	8.5%	9.2%	
EBITDA	$ 553	$ 416	32.9%
EBITDA margin	11.5%	12.2%	
Return on average total assets	9.3%	10.9%	

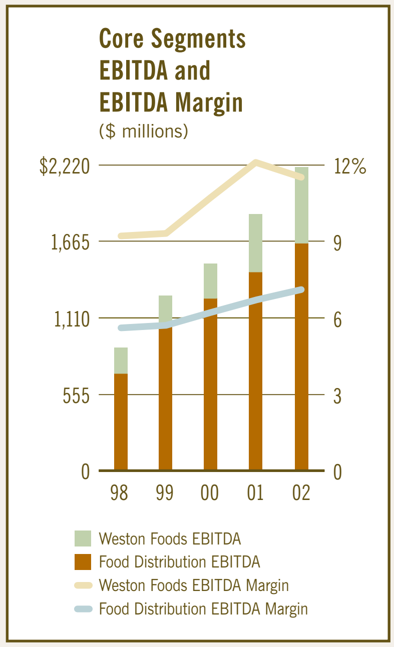
Sales Weston Foods sales increased 40.4% to $4.8 billion from $3.4 billion in 2001, reflecting the inclusion of an additional 30 weeks of George Weston Bakeries' results in 2002. Excluding the impact of the 2001 George Weston Bakeries acquisition, sales for the Weston Foods base operations increased 4.1% in 2002.

The Canadian operations continued its momentum of sales growth for the year, while sales for the United States operations were impacted by the sluggish sales environment in the the United States food retail market. The fresh baking operations in Canada achieved solid volume and dollar growth and sales volume in the United States was up slightly at a time when the industry was flat. The fresh baking operations sales growth was due to:
- growth with core customers including Loblaw,
- continued strategic positioning with alternate retail format channels,

Weston Foods will continue to focus on building its core brands, products, customers and markets while developing new lines of innovative products, rationalizing product lines and improving sales mix management.

- strong promotional spending to support volume growth,
- the rationalization of a number of lower volume products, and
- better than expected results from the *Thomas'* products rolled out into Canada.

The volume growth also reflects the strength of the Company's core fresh brands, particularly *D'Italiano*, *Entenmann's* and *Thomas'* in North America, *Country Harvest*, *Weston* and *Wonder* in Canada and *Arnold*, *Freihofer's*, *Maier's* and *Stroehmann* in the United States. During 2002, our *Wonder* brand was revitalized with new packaging, which created greater shelf presence. Our *Country Harvest* brand continues to lead the grain-based bread and bagel segments with new varieties and our *D'Italiano* brand continues to lead the growing Italian bread and roll category with outstanding products. Our *Weston* brand has a long heritage of providing excellent products. Considerable progress was made with the United States fresh bakery products, particularly *Entenmann's* products, which achieved modest sales volume growth after experiencing declining volume for a number of years.



The Canadian frozen baking operations experienced good sales growth. New products, such as the successful *President's Choice* microwaveable fruit pie line and the *Moulin Rouge* baguette, which was awarded the Grocery Industry's Grand Prix award for best new bakery product, and growth with core customers were the main contributors to the Canadian frozen bakery sales growth. The United States frozen baking operations experienced softness throughout the year as weakness within the traditional supermarket retail channel was offset by volume growth with alternate retail format channels.

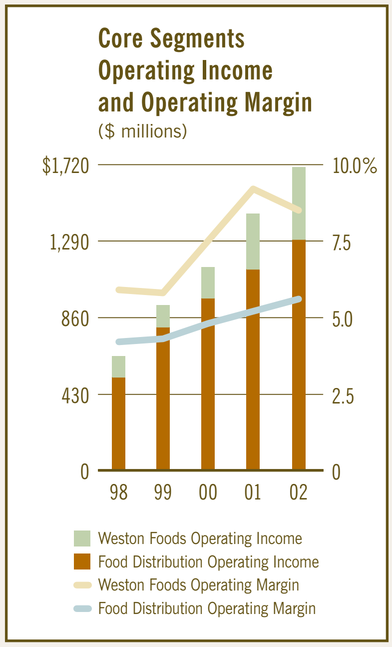
The United States specialty baking operations had its most successful year ever. 2002 private label sales were strong compared to 2001 due to focusing and aligning operations with its core customers. The Canadian dairy operations experienced good sales growth due to growth in the value-added product segment, specifically *Neilson Trutaste* fluid milk products, creams, lactose free products and egg nog, and growth with core customers.

In 2003, Weston Foods will continue to:
- build upon its core brands, products, customers and markets,
- provide strong marketing support to its core brands and products,
- concentrate on more effective and efficient selling methods including the rationalization of product lines and sales mix management,
- develop and expand new lines of innovative bakery products,
- develop unique, value-added products in its dairy operations,
- leverage its increased North American scale as a result of the 2001 strategic acquisition of George Weston Bakeries, and
- position itself with alternate retail format channels while maintaining its position with major retailers.

The Company anticipates that these initiatives will generate additional sales growth in 2003; however, the rate of growth will depend on improvements in the United States food retail sales environment and overall consumer confidence trends.

In 2002, our *Freihofer's* product line celebrated 90 years of providing its consumers a full assortment of fresh bread, rolls and cake products and is recognized for outstanding product quality.

Operating Income Weston Foods operating income increased 30.7% to $409 million from $313 million in 2001. Operating margin declined to 8.5% from 9.2% in 2001 and EBITDA margin also declined to 11.5% from 12.2% in 2001. While the George Weston Bakeries integration is on target and the anticipated synergies are being realized, margins were negatively impacted by the 2002 stock-based compensation cost as well as increased pension costs. Weston Foods margins continue to compare favourably with and exceed those of its major North American industry peers.



Weston Foods continued its momentum of earnings growth in 2002 and operating income increased as a result of:

- continued sales growth with core customers,
- a focus on lower operating costs including eliminating waste in its operations,
- applying technology to improve process applications and to enhance efficiencies,
- making strategic capital investment decisions to increase productivity, support growth and close higher cost facilities, and
- a niche facility acquisition in its frozen operations, which reduced distribution costs.

Fresh and frozen capacity constraints, which caused some logistical inefficiencies in Canada, were addressed during 2002 and new fresh and frozen baking capacity will be fully operational in 2003, which is expected to reduce operational costs.

A year and a half after the George Weston Bakeries acquisition, the integration and restructuring are proceeding as planned. The Company completed the planned disposition of the western portion of Bestfoods Baking in 2002, which allowed the Company to concentrate on its remaining core operations. The Company's main initiatives have been to simplify and streamline operations to remove any unnecessary complexity and costs (including focusing on reducing distribution costs), to integrate product strategies across the Weston Foods segment and to strategically invest capital in existing and new facilities and close higher cost facilities. As a result of these initiatives, by year end 2002 the Company had realized approximately one third of the synergies and cost savings it expects to achieve from this acquisition.

Weston Foods' 2002 return on average total assets was 9.3% compared to 10.9% in 2001. This return was negatively impacted by the 2002 stock-based compensation cost as well as increased pension costs. The Company expects this return to improve slightly in 2003 as the George Weston Bakeries integration continues and anticipated synergies are realized.

In 2003, the Company expects that the above initiatives along with the integration process will support operating income growth and that operating margins will remain stable.

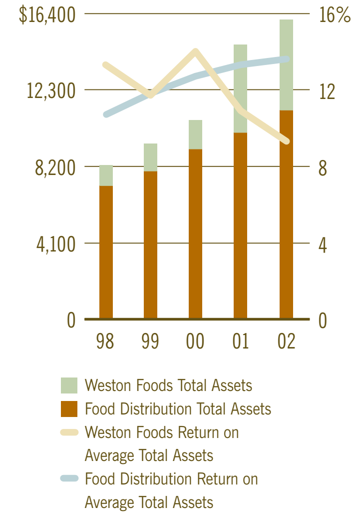
Weston Foods will continue to leverage its increased North American scale as a result of the 2001 strategic acquisition of George Weston Bakeries, with continuous capital investment to strategically position production facilities across North America, improve the efficiency of existing facilities and increase production capacity where growth opportunities exist.

Food Distribution Operating Results

($ millions except where otherwise indicated)

	2002	2001	Change
Sales	$ 23,082	$ 21,486	7.4%
Operating income	$ 1,295	$ 1,128	14.8%
Operating margin	5.6%	5.2%	
EBITDA	$ 1,649	$ 1,443	14.3%
EBITDA margin	7.1%	6.7%	
Return on average total assets	13.6%	13.3%	

Sales Food Distribution sales increased 7.4% to $23.1 billion from $21.5 billion in 2001. All regions across the country experienced sales growth, overcoming the effects of Food Distribution's intensified lower pricing in Quebec and a minimal impact from the Ontario Fortinos strike, as well as slower sales growth in the second quarter of 2002 attributable to a two week strike in the Saskatchewan Superstore business and unseasonable weather in Ontario and Quebec. Food Distribution's lower pricing in Quebec continues to yield increasing volumes in that region. The increase in sales resulted from a 4.6% same-store sales growth and a 6.9% increase in net retail square footage related to the opening of 75 new corporate and franchised stores and the closure of 58 stores. Food Distribution's strategy of significant annual capital investment has proven successful and is reflected in the strong sales and same-store sales growth experienced over the past few years. National food price inflation remained low during 2002, while 2001 sales growth included some impact from food price inflation early in 2001 (principally in meat and fresh fruits and vegetables).



Food Distribution's control label program, which includes *President's Choice*, *PC*, *President's Choice Organics*, *no name*, *Club Pack*, *GREEN*, *TOO GOOD TO BE TRUE* and *EXACT*, provided sales growth. Control label sales reached $4.9 billion in 2002 and penetration, measured as control label sales as a percentage of Food Distribution's retail sales, increased to 23.6% from 21.9% in 2001. Food Distribution introduced approximately 1,000 new control label products in 2002, including 100 new *PC* general merchandise products.

Food Distribution continues to position itself in the general merchandise and gas bar categories in Eastern Canada, building on its success in Western Canada. Food Distribution expects that the continued capital investment in its store network, the expansion of non-food/general merchandise offerings, the opening of additional gas bars and the ongoing introduction of new control label products will generate continued sales growth.

Our *Heritage* products make it easy for consumers to purchase salmon by attractively packaging and conveniently labelling each tray with simple cooking instructions and nutritional information. The best before date guarantees freshness and the *Heritage* brand provides an assurance of premium quality Atlantic salmon.

Operating Income Food Distribution's operating income in 2002 increased $167 million, or 14.8%, reaching $1.3 billion, including a $14 million compensation cost ($21 million less the $7 million fair value impact of its equity forwards) relating to the new Canadian accounting standard for stock-based compensation and other stock-based payments implemented in 2002. Gross margins strengthened and operating margin improved to 5.6% from 5.2% in 2001. All regions across the country realized earnings improvements over 2001. EBITDA margin improved to 7.1% from 6.7% in 2001 and compares favourably with Food Distribution's North American industry peers. Margins continue to improve as a result of better overall sales mix management at the store level, the continued focus on administrative cost control and operating efficiencies (including a focus on controlling retail shrink and retail labour management), reduced product costs as a result of buying synergies and the maturing of stores opened during the past few years. Food Distribution expects continued operating income growth over each of the next few years consistent with recent history as a result of a combination of continued sales increases, a continued focus on the Food Distribution initiatives described above, the optimization of its supply chain and logistics opportunities and the continued rollout of *President's Choice Financial* services and products.

Food Distribution's 2002 return on average total assets was 13.6% compared to 13.3% in 2001. This return continues to increase after accounting for the significant capital investment activity over the last few years.

Fisheries Operating Results

($ millions except where otherwise indicated)	2002	2001	Change
Sales	$ 219	$ 396	(44.7)%
Operating income	$ (26)	$ (1)	n/a
Operating margin	(11.9)%	(0.3)%	
EBITDA	$ (17)	$ 12	n/a
EBITDA margin	(7.8)%	3.0 %	
Return on average total assets	(8.5)%	(0.3)%	

n/a – change not relevant

Sales Fisheries sales declined 44.7% to $219 million from $396 million in 2001, which included the results of the Connors canned sardine and seafood processing operations that were disposed of during the fourth quarter of 2001. After adjusting for this disposition, the Fisheries base operations sales were essentially flat. Fisheries sales continue to be impacted by depressed fresh salmon market prices and excess capacity leading to excess supply of product, particularly related to Chilean producers. Prices have shown signs of improvement over 2002; however, supply volatility continues to impact pricing and sales growth.

Operating Income Fisheries operating loss of $26 million compared to a loss of $1 million in 2001, which included the results of the Fisheries operations that were disposed of during the fourth quarter of 2001. After adjusting for these dispositions, the Fisheries base operations continued to experience operating losses due to the ongoing softness in fresh salmon market prices. Fisheries results were also negatively impacted by disease issues during the year, which the Company is continuing to monitor and manage. The Fisheries base operations margins and return on total assets were also impacted by the factors noted above. During 2003, although price improvements are expected to continue, a return to profitability for the Fisheries segment, which will be closely monitored, is highly dependent upon further price improvements.

Food Distribution believes that to be successful in the Canadian food distribution industry it must provide consumers with the best in one-stop shopping and continually introduce innovative products and convenient services that meet their everyday household needs.

Liquidity and Capital Resources

Major Cash Flow Components

($ millions)	2002	2001	Change
Cash flows from operating activities	$ 1,323	$ 961	37.7 %
Cash flows used in investing activities	$ (334)	$ (4,032)	(91.7)%
Cash flows (used in) from financing activities	$ (575)	$ 2,962	n/a

n/a – change not relevant

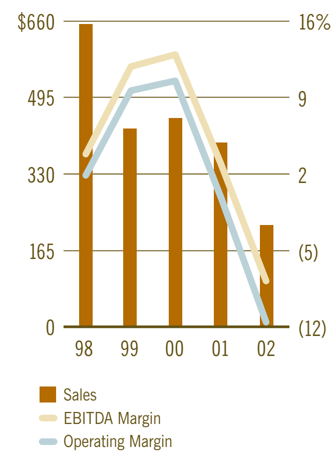
Sources of Liquidity The Company obtains its short term financing through a combination of cash generated from operating activities, cash, cash equivalents, short term investments, bank indebtedness and commercial paper programs. The Company's cash, cash equivalents and short term investments, as well as $277 million in uncommitted credit facilities and $300 million in committed credit facilities extended by several banks, support the Company's $500 million commercial paper program. Loblaw's cash, cash equivalents and short term investments, as well as $845 million in operating lines of credit extended by several banks, support its $1.2 billion commercial paper program. The Company's and Loblaw's commercial paper borrowings generally mature less than three months from the date of issuance although the term can be up to 364 days.

Securitization of credit card receivables provides President's Choice Bank ("PC Bank"), a wholly owned subsidiary of Loblaw, with an additional source of funds for the operation of its business. Under PC Bank's securitization program, a portion of the total interest in the credit card receivables is sold to an independent Trust. PC Bank securitized $244 million (2001 – $112 million) of credit card receivables during 2002. Additional information on PC Bank's credit card receivables and securitization is set out in Note 8 to the consolidated financial statements.

The Company obtains its long term financing primarily through Medium Term Note ("MTN") programs. The Company plans to refinance existing long term debt as it matures and may obtain additional long term financing for other operating uses or strategic reasons.

In the normal course of business, the Company enters into certain arrangements such as providing comfort letters to third party lenders in connection with financing activities, including the financing obtained by certain franchisees (with no recourse liability to the Company), and establishing standby letters of credit. These arrangements are for varying terms. The aggregate gross potential liability related to the Company's standby letters of credit is approximately $460 million (2001 – $438 million) against which the Company has $583 million (2001 – $588 million) in credit facilities available to draw on. Loblaw has provided a guarantee, on behalf of PC Bank, to MasterCard International Incorporated for U.S. $50 million (2001 – U.S. $12 million) relating to PC Bank's obligations to meet its settlement commitments arising from its credit card program.

Non-Core Segment Fisheries Sales and Margin
($ millions)

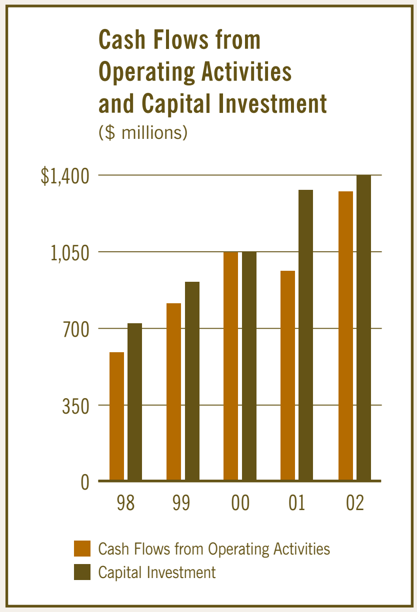


For over 90 years, *Maier's* quality breads have been available to consumers. The success of *Maier's* products continues today with its famous Italian-style bread and *Maier's Country* line of variety breads.

The Company has the following sources from which it can fund its 2003 cash requirements: cash, cash equivalents, short term investments, bank indebtedness, cash flows generated from operating activities, commercial paper programs, MTN programs and additional credit card receivables securitization from future growth in the PC Bank operations. In 2003, the Company anticipates no difficulty in obtaining long term financing in view of its current credit ratings and its past experience in the capital markets.

Credit Ratings (Canadian Standards)	Dominion Bond Rating Service ("DBRS")	Standard & Poor's ("S&P")
Commercial paper	R-1 (low)	A-1 (low)
Medium term notes	A (low)	A–
Exchangeable debenture	BBB (high)	
Preferred shares	Pfd-2 (low)	P-2
Other notes and debentures	A (low)	A–

Cash Flows from Operating Activities 2002 cash flows from operating activities increased $362 million, or 37.7%, to $1.3 billion compared to $961 million in 2001. The increase mainly resulted from improved net earnings before depreciation and amortization and an increase in non-cash income taxes. The depreciation increase reflects the Company's continuing commitment to invest for growth across all reportable operating segments. The increase in non-cash income taxes primarily reflects an increase in the difference between income tax depreciation over accounting depreciation, mainly a result of a full year's inclusion of George Weston Bakeries. During 2002, increased investment in non-cash working capital, principally inventory, by Food Distribution was offset by improved working capital management in other reportable operating segments. The 2002 working capital position was $278 million compared to a deficiency of $593 million in 2001. The change in the working capital position was mainly due to a decrease in net short term borrowings (principally as a result of refinancing the unsecured short term credit facility to long term debt), an increase in inventory levels and an increase in credit card receivables due to an increase in the number of accounts (net of securitization) offset by the 2002 disposition of the western portion of Bestfoods Baking.



The 2003 cash flows from operating activities are expected to increase at a rate consistent with operating earnings growth (excluding the impact of the acquisition restructuring and other charges which are not considered part of normal operations) and are expected to fund a significant portion of the Company's anticipated 2003 capital investment activity.

Cash Flows used in Investing Activities 2002 cash flows used in investing activities were $334 million compared to $4.0 billion in 2001. Adjusting for the 2001 George Weston Bakeries acquisition and the 2002 disposition of the western portion of Bestfoods Baking, cash flows used in investing activities were relatively stable.

Food Distribution's strategy of significant capital investment has proven successful and is reflected in strong sales and same-store sales growth. Over the past three years, sales growth and same-store sales growth have averaged 7.1% and 4.5%, respectively.

Capital investment reached $1.4 billion (2001 – $1.3 billion), reflecting the Company's continuing commitment to maintain and renew its asset base and invest for growth across North America. Weston Foods' capital investment was $311 million (2001 – $188 million). The capital was directed towards two plant expansions, the construction of two new plants, two facility acquisitions and facility betterments and upgrades. Weston Foods' capital investment benefited all of its operations to varying degrees and strengthened its processing and distribution capabilities. Food Distribution's capital investment was $1.1 billion (2001 – $1.1 billion). Approximately 80% of its capital investment was for new stores, renovations or expansions and the remainder was for its distribution network, information systems and other infrastructure that support store growth. Food Distribution's continued capital investment activity benefited all regions to varying degrees and strengthened its existing store base. Food Distribution continued to roll out its new enlarged store layout, which is designed to accommodate a greater selection of general merchandise products. Food Distribution's capital investment program increased net retail square footage by 6.9% over 2001, which includes the impact of store openings and closures during the year. The 75 (2001 – 61) new franchised and corporate stores added 2.6 million square feet of retail space (2001 – 1.9 million), net of 58 (2001 – 62) store closures. The 2002 average corporate store size increased 5% to 48,900 square feet (2001 – 46,400) and the average franchised store size increased 2% to 23,400 square feet (2001 – 22,900). Fisheries' capital investment was $7 million (2001 – $34 million), the majority of which was directed towards updated feeding system technology and equipment.

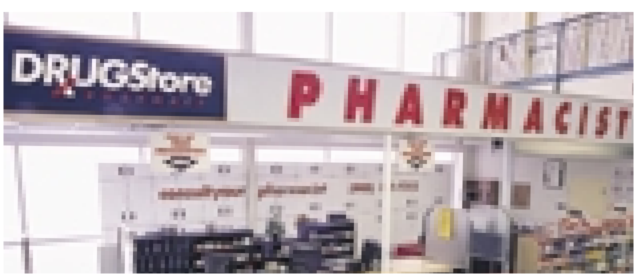
The Company expects to continue its capital investment pace in 2003. Capital investment in 2003 is estimated at $1.6 billion (approximately $300 million for Weston Foods, $1.3 billion for Food Distribution and $10 million for Fisheries). Weston Foods' 2003 capital investment will focus on the integration of George Weston Bakeries, the completion of a new facility and plant expansion in eastern Canada and routine capital upgrades across the segment. Food Distribution plans to open, expand or renovate more than 160 corporate and franchised stores throughout Canada. Fisheries' 2003 capital investment will focus on routine capital upgrades.

Cash Flows used in/from Financing Activities 2002 cash flows used in financing activities was $575 million compared to cash flows from financing activities of $3.0 billion in 2001. During 2002, the Company or Loblaw completed the following financing activities:

- issued $600 million of MTN,
- issued 10.6 million Preferred Shares, Series II for net proceeds of $260 million,
- issued $33 million of Series B Debentures,
- repaid the $1.4 billion remaining balance on the short term unsecured credit facility,
- redeemed the $61 million Series 8 Debentures,
- repaid the $10 million BA Range Note as it matured,
- Loblaw purchased for cancellation, pursuant to its Normal Course Issuer Bid ("NCIB"), 309,000 of its common shares for $17 million, and
- the Company purchased for cancellation, pursuant to its NCIB, 327,400 of its common shares for $33 million.

During 2001, the Company or Loblaw completed the following financing activities:

- issued $1.5 billion of MTN,
- issued $466 million of Series A Debentures,
- issued 9.4 million Preferred Shares, Series I for net proceeds of $228 million,
- obtained a $2.8 billion short term unsecured credit facility used to finance the George Weston Bakeries acquisition,
- repaid $1.4 billion of the short term unsecured credit facility,
- repaid $100 million of MTN and $100 million of Provigo Inc. Debentures as they matured,



With 370 in-store pharmacies and more than 1,000 pharmacists across Canada, Food Distribution's time-pressed customers appreciate the convenience of having their prescriptions filled while they shop for groceries and purchase all their health care needs.

- redeemed $50 million of Series 5 Debentures,
- Loblaw purchased for cancellation, pursuant to its NCIB, 12,600 of its common shares for $1 million, and
- the Company purchased for cancellation, pursuant to its NCIB, 8,100 of its common shares for $1 million.

See Notes 13 and 15 to the consolidated financial statements for the terms and details of the debt and share capital transactions.

At year end 2002, the Company had $100 million of MTN available to issue under its 2001 $1.5 billion Base Shelf Prospectus and Loblaw had $700 million of MTN available to issue under its 2001 $1.5 billion Base Shelf Prospectus. Subsequent to year end 2002, the Company issued $100 million of 6.69% MTN due 2033 and Loblaw issued $200 million of 6.54% MTN due 2033.

The Company intends to renew its NCIB to purchase on the Toronto Stock Exchange or enter into equity derivatives to purchase up to 5% of its common shares outstanding. The Company believes that the market price of its common shares could be such that their purchase may be an attractive and appropriate use of funds in light of potential benefits to remaining shareholders. During 2002, the Company entered into equity swaps to buy 800,000 of its common shares, at an average forward price of $115.01 with an initial term of six years, pursuant to its NCIB. Subsequent to year end, the Company entered into equity swaps to buy 886,700 of its common shares, at an average forward price of $92.49 with an initial term of six years, pursuant to its NCIB.

Operating Risks and Risk Management

In the normal course of its business, the Company's reportable operating segments are exposed to operating risks that have the potential to affect its operating results. Each segment has its own operating and risk management strategies, which help to minimize these operating risks.

Commodity Prices Weston Foods operating results are directly impacted by fluctuations in the price of commodities such as wheat, flour, sugar, vegetable oil and cocoa. In order to minimize the effect of these fluctuations on current operating results and to lessen the resulting uncertainty of future financial results, the Company hedges certain of its anticipated commodity purchases to manage its current and anticipated exposure to fluctuations in commodity prices. During 2002, the Company entered into commodity future or option contracts, which limit price fluctuations on certain commodities for approximately six months, on average, into 2003.

Pension, Post-Retirement and Post-Employment Benefits In order to measure the obligations and expenses of pension, post-retirement and post-employment benefit plans, the Company is required to set various actuarial assumptions including a long term estimate of the expected rate of return on plan assets, the discount rate and the growth rate of health care costs. Because these assumptions are forward-looking and longer term in nature, actual results may differ.

The following table outlines the 2003 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses. The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities in each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce certain sensitivities. The impact of such changes is mitigated through the amortization of actuarial gains or losses in accordance with Canadian generally accepted accounting principles ("GAAP").

Fisheries, through its *Heritage* product line, continues to leverage its strong brand equity with its customers and to be the leader in the development of innovative and consumer-friendly salmon products.

($ millions except where otherwise indicated)	Pension Benefit Plans: Accrued Benefit Obligation	Pension Benefit Plans: Benefit Expense	Other Benefit Plans: Accrued Benefit Obligation	Other Benefit Plans: Benefit Expense
Expected long term rate of return on plan assets		8.0%		
Impact of: 1% increase		$ (10)		
1% decrease		$ 10		
Discount rate	6.6%	6.6%	6.4%	6.4%
Impact of: 1% increase	$ (164)	$ (21)	$ (36)	$ (5)
1% decrease	$ 187	$ 28	$ 42	$ 6
Growth rate of health care costs (1)			9.0%	9.0%
Impact of: 1% increase			$ 34	$ 7
1% decrease			$ (30)	$ (6)

(1) Trending to 5.0% in 2010 and remaining at that level thereafter.

For 2003, the Company has assumed an 8.0% (2002 – 8.0%) expected long term rate of return on plan assets based on the plan asset mix and the active management of its plan assets. At year end 2002, the Company's defined benefit pension plan assets had a 10 year annualized return of 9.0%.

Over the past three years, the poor performance in the financial markets combined with interest rates at 40 year lows have negatively impacted the funding of the Company's defined benefit pension plans. During 2002, the Company contributed $20 million (2001 – $10 million) to its defined benefit pension plans. During 2003, the Company expects to contribute approximately $86 million to these plans. In addition, contributions are also made to various multi-employer benefit plans providing pension benefits in which approximately 52% of the Company employees participate.

Electricity Prices In 2002, the Government of Ontario, Canada deregulated the supply of electricity. In order to minimize the risk of higher electricity prices, the Board approved the Company's entry into a three year initial term electricity forward purchase contract, which expires May 2005. This contract maintains a portion of the Company's electricity costs at approximately 2001 rates.

Seasonality The Company's operations, specifically inventory levels, sales volumes and product mix, are impacted to some degree by certain holiday periods throughout the year. Each of the Company's reportable segments continuously monitors the impact holidays may have on its operations and adjusts inventory levels and production and delivery schedules as required. As Food Distribution increases its offering of general merchandise it may increase the number of seasonal products offered and, therefore, its operations may be more subject to seasonal fluctuations.

Industry Changes in the North American food industry are driven by consumer needs. The industry is impacted by changing demographic and economic trends such as changes in disposable income, increasing ethnic diversity, nutritional awareness and time availability. Over the last several years, consumers have demanded more quality, value and convenience.

Brownberry products, led by wide pan sandwich breads, natural breads and the introduction of *Brownberry Dutch Country* sliced breads in the premium segment, also include premium buns, rolls, bagels, croutons and stuffing products.

All operating segments continuously evaluate the markets they operate in and will enter new markets and review acquisitions, such as the 2001 George Weston Bakeries acquisition, when opportunities arise. With any acquisition, there is inherent risk related to the Company's ability to integrate the acquired business and to achieve the anticipated operating improvements. The Company will also exit a particular market and reallocate assets elsewhere when there is a strategic advantage in doing so.

Weston Foods' strategy to operate on a North American scale, as supported by the 2001 George Weston Bakeries acquisition, allows the Company to effectively manage and minimize its exposure to industry risk.

Food Distribution pursues a strategy of enhancing profitability on a market-by-market basis by using a multi-format approach. By operating across Canada through corporate stores, franchised stores and associated stores as well as servicing independent accounts, Food Distribution strategically minimizes and balances its exposure to industry risk.

Fisheries operates hatcheries, ocean pens and processing plants in three strategic geographic areas – the east coast of Canada and the United States, the west coast of Canada and southern Chile – to minimize its exposure to industry risk.

Competitive The Company regularly reviews and monitors operating plans and results including market share in its reportable operating segments. When necessary, the segments will modify their operating strategies including relocating production facilities or stores, reviewing pricing and adjusting product offerings, brand positioning and/or marketing programs to take into account competitive activity. A significant competitive advantage the Company has developed is its brands. All segments focus on brand development and building upon their core brand equity.

Weston Foods' brands provide it with a strategic advantage over its competitors. Its premium and popular brands, including *Arnold*, *Country Harvest*, *D'Italiano*, *Entenmann's*, *Freihofer's*, *Maier's*, *Neilson*, *Stroehmann*, *Thomas'*, *Weston* and *Wonder*, provide Weston Foods with strong core brands and product lines that enhance consumer loyalty, trusted as they are for quality, great taste and freshness. As a result of softness in the United States food retail market, the Company anticipates that there will be significant competitive business restructuring in 2003. Although the outcome and the impact, if any, on the Company's consolidated financial results from this anticipated restructuring is uncertain, the Company will closely monitor the United States food retail market and, if required, adjust its strategies and programs as necessary.

Food Distribution's control label program, which includes *President's Choice*, *PC*, *President's Choice Organics*, *no name*, *Club Pack*, *GREEN*, *TOO GOOD TO BE TRUE* and *EXACT*, enhances customer loyalty by offering superior value and provides some protection against national brand pricing strategies. Recently, Food Distribution has seen the introduction of non-traditional competitors, such as mass merchandisers and warehouse clubs, who continue to increase their offerings of products typically associated with supermarkets. In order to compete effectively and efficiently, Food Distribution is developing and operating new departments and services that complement the traditional supermarket layout as well as enhancing its non-food product and service offerings. Food Distribution maintains a significant portfolio of owned retail real estate and, whenever practical, pursues a strategy of purchasing sites for future store locations. This enhances Food Distribution's operating flexibility.

Weston Foods' brands, including *Arnold*, *Country Harvest*, *D'Italiano*, *Entenmann's*, *Freihofer's*, *Maier's*, *Neilson*, *Stroehmann*, *Thomas'*, *Weston* and *Wonder*, provide Weston Foods with strong core brands and product lines that enhance consumer loyalty, trusted as they are for quality, great taste and freshness.

Fisheries' product innovation is its strategic point of differentiation from its competitors. Fisheries, through its *Heritage* product line, continues to leverage its strong brand equity with its customers and to be a leader in the development of innovative and consumer-friendly salmon products.

Labour The Company has good relations with its employees and unions and, although it is possible, does not anticipate any unusual difficulties in renegotiating agreements. The Company, however, is willing to accept the short term costs of labour disruption in order to negotiate competitive labour costs and operating conditions for the longer term. Low cost, non-union competitors continue to be a threat to Food Distribution's cost structure.

Leadership Development The experience and skills of the Company's management team are critical to its growth initiatives and strategies. It is imperative that the Company continually develop its employees. Therefore, the Company supports leadership development initiatives that ensure its ability to sustain good execution in the long term by building strong leaders throughout all levels of its operations.

Insurance The Company effectively limits its exposure to risk through a combination of appropriate levels of self-insurance and the purchase of an integrated insurance program. Insurance is arranged on a multi-year basis with reliable, financially stable insurance companies as rated by A.M. Best Company, Inc. The integrated insurance program will expire at the end of 2003. The Company is actively working with the current insurance providers to negotiate a multi-year program, as well as evaluating alternatives with other insurance providers. The Company combines comprehensive loss prevention programs and the active management of claims handling and litigation processes by using internal professionals and external technical expertise to reduce and manage the risk it retains.

Food Safety The Company has for many years had food safety programs and procedures that proactively minimize food safety risks to the consumer. Food safety programs address safe food handling and preparation standards, ensure co-packing arrangements and suppliers of food product adhere to safe standards, and that best practices are in place for storage and distribution of food product. The Company is also intensifying the campaign for consumer awareness on safe food handling and consumption. In addition, procedures are in place to manage food crises, should they occur, which identify risks, ensure that communication with consumers is clear, immediate and precise, and ensure that potentially harmful products are removed from inventory immediately.

Environmental, Health and Safety The Company has effective environmental programs in place and has established policies aimed at ensuring compliance with all applicable environmental legislative requirements. To this end, the Company has initiated environmental risk assessments and audits using internal and external resources, as well as using communication tools to raise awareness among employees throughout its operating segments.

The Company endeavours to be socially and environmentally responsible, and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with environmental stewardship and ecological considerations. Environmental committees throughout the Company meet regularly to monitor and ensure the maintenance of responsible operations. Environmental protection requirements do not and are not expected to have a material effect on the Company's consolidated financial condition or results of operations. The Company has a health and safety program designed to address health and wellness, workplace safety and compliance with internal and regulatory guidelines for occupational health and safety. This health and safety program is subject to compliance audits. Environmental risk assessments and compliance audits for health and safety are used as an effective means of identifying current and potential risks. The results show that there are no significant issues or risks to report. The Environmental, Health and Safety Committee of the Board receives reports which review outstanding issues, identify new legislative concerns and outline related communication efforts.

Moulin Rouge baguettes, made with flour imported from France, won the Grocery Industry's Grand Prix award for best new bakery product. Our *Moulin Rouge* brand expanded its offering to other popular varieties including European Sourdough and a Parisian loaf made using the original baguette recipe.

Third Party Service Providers *President's Choice Financial* services are provided by Amicus Bank, a member of the CIBC group of companies. PC Bank uses third party service providers to process credit card transactions, to operate call centres and to monitor credit and fraud for the *President's Choice Financial* MasterCard. In order to minimize operating risk, PC Bank and Loblaw actively manage and monitor their relationship with all third party service providers. PC Bank has developed a vendor management policy, approved by its Board of Directors, and provides its Board with regular reports on vendor management and risk assessment.

In addition, Food Distribution's control label products are manufactured under contract by third party vendors. The vendors are held to high standards of quality.

Financial Risks and Risk Management

In the normal course of its business, the Company is exposed to financial risks that have the potential to affect its operating results. These risks and the Company's risk management strategies are discussed below.

The Company maintains treasury centres that operate under policies and guidelines approved by the Board, covering funding, investing, foreign exchange, equity and interest rate management. The Company's policies and guidelines prevent it from using any financial instrument for speculative purposes. Risks relating to the Company's financing activities include changes in interest rates, foreign currency exchange rates and the market price of the Company's and Loblaw's common shares. The Company uses financial instruments to minimize the risks and costs associated with its financing activities and its stock-based compensation plans. See Note 17 to the consolidated financial statements for detailed information on the Company's financial instruments.

Counterparty The successful completion of a financial transaction depends on the ability of both parties to meet their financial commitments under the contract. The Company has sought to minimize potential counterparty risk and losses by implementing a policy which allows such transactions only with counterparties that have at a minimum an A rating by S&P or DBRS, placing risk adjusted limits on its exposure to any single counterparty and having master netting agreements with its counterparties. These netting agreements allow for the legal right to settle different transactions with the same counterparty on a net basis.

Credit The Company's exposure to credit risk relates mainly to PC Bank's credit card receivables. PC Bank manages the *President's Choice Financial* MasterCard and the *PC* points loyalty program. PC Bank grants credit to its customers on the *President's Choice Financial* MasterCard with the intention of increasing the loyalty of Food Distribution customers and Food Distribution profitability. In order to minimize the associated credit risk, PC Bank employs credit scoring techniques which are considered leading in the industry, actively monitors its credit card portfolio and reviews techniques and technology that can improve the effectiveness of its collection process.

Foreign Exchange The Company enters into currency derivative agreements to manage its current and anticipated exposure to fluctuations in foreign currency exchange rates. These agreements limit the Company's exposure to foreign currency exchange rate fluctuations on the Company's United States dollar denominated net investment in self-sustaining foreign operations, on Loblaw's United States dollar denominated net assets, principally cash, cash equivalents and short term investments and/or on United States dollar denominated commitments or anticipated transactions.

Food Distribution has more than 5,000 control label products, marketed under the brand names *President's Choice*, *PC*, *President's Choice Organics*, *no name*, *Club Pack*, *GREEN*, *TOO GOOD TO BE TRUE* and *EXACT*, which enhance customer loyalty by offering superior value and provide some protection against national brand pricing strategies.

Interest Rate The Company enters into interest rate derivative agreements to manage its current and anticipated exposure to fluctuations in interest rates and market liquidity. On an ongoing basis, the Company monitors market conditions and the impact of interest rate fluctuations on its fixed/floating interest rate exposure mix. The cross currency basis swaps entered into by the Company have an embedded interest rate component and are therefore sensitive to interest rate fluctuations.

Common Stock Market Price The Company enters into equity derivative agreements to manage its current and anticipated exposure to fluctuations in the market prices of the Company's and Loblaw's common shares. These agreements change in value as the market price of the underlying common shares changes and provide a partial offset to fluctuations in the Company's stock-based compensation cost or an offset to any repayment risk associated with the Series A, 7.00% and Series B Debentures issued by the Company.

Accounting Standards and Disclosure Changes Implemented in 2002

As of the fourth quarter, the Company amended its reportable operating segments. In light of the full year's inclusion of George Weston Bakeries' results in 2002 and in order to provide shareholders with an enhanced view of senior management's operational focus and the way that senior management organizes the Company to make operating decisions and assess performance, the Company determined that it has three reportable operating segments: Weston Foods, Food Distribution and Fisheries. The Company views Weston Foods and Food Distribution as core segments and Fisheries as a non-core segment. In prior years, the Company reported Weston Foods and Fisheries as one segment, Food Processing.

In July 2001, the Company implemented the new Canadian accounting standard Section 3062 "Goodwill and Intangible Assets" for the acquisition of George Weston Bakeries and effective January 1, 2002, the Company implemented this standard prospectively for all goodwill and intangible assets that existed prior to July 1, 2001. Under Section 3062, goodwill is no longer amortized but instead the carrying value of goodwill must be tested annually for impairment. In addition, the amortization of intangible assets is no longer required unless the intangible asset has a limited life, in which case it will be amortized over its estimated useful life. Intangible assets not subject to amortization must be tested annually for impairment. During the fourth quarter of 2002, the Company performed the annual goodwill and intangible assets impairment tests and determined that there was no impairment to the carrying value of the goodwill or the intangible assets. If this new standard had been applied to 2001 results, net earnings would have increased by $37 million, which includes a $16 million minority interest impact, and basic net earnings per common share would have increased 28 cents. See Notes 1 and 10 to the consolidated financial statements for additional information.

Effective January 1, 2002, the Company implemented the new Canadian accounting standard Section 3870 "Stock-based Compensation and Other Stock-based Payments". The cumulative effect of implementation was a decrease to retained earnings of $55 million ($125 million less future income tax recoverable of $28 million, the $32 million fair value impact of Loblaw's equity forwards and a $10 million minority interest impact). This decrease includes the Company's portion of Loblaw's decrease to its retained earnings of $25 million ($80 million less future income tax recoverable of $23 million and the $32 million fair value impact of its equity forwards). See Notes 1 and 16 to the consolidated financial statements for additional information.

Our *Stroehmann* brand, known for its king-size white bread, also produces *Dutch Country* potato bread, one of the best-selling brands of soft variety breads. *D'Italiano* Italian bread and rolls continues to be one of Weston Foods' most successful brands.

Future Accounting Standards

The Canadian Institute of Chartered Accountants (the "CICA") issued several new accounting pronouncements, some of which are being revised, which the Company will be required to adopt in the future. The Company closely monitors changes in accounting standards and is assessing the impact, if any, on its consolidated financial statements of the following pronouncements:

- Accounting Guideline 14 – "Disclosure of Guarantees". This guideline requires a guarantor to disclose significant information about guarantees it has provided, without regard to the probability that the guarantor will have to make any payments under those guarantees and is in addition to the requirements under Section 3290, "Contingencies". This guideline is effective for interim and annual periods beginning on or after January 1, 2003 and will be implemented in the first quarter of 2003.

- Section 3063 – "Impairment of Long-Lived Assets" and revised Section 3475 – "Disposal of Long-Lived Assets and Discontinued Operations". Section 3063 establishes standards for the recognition, measurement, presentation and disclosure of the impairment of long-lived assets that are held for use and is effective for fiscal years beginning on or after April 1, 2003. The Company intends to implement Section 3063 in the first quarter of 2004. The revised Section 3475 establishes the criteria for recognition, measurement, presentation and disclosure of the disposal of long-lived assets including the presentation and disclosure of discontinued operations and is applicable for disposal activities initiated after May 1, 2003.

- Accounting Guideline 13 – "Hedging Relationships". This guideline addresses the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. This guideline is being reviewed by the CICA and will be reissued. The effective implementation date was deferred to fiscal years beginning on or after July 1, 2003.

- Draft Accounting Guideline – "Consolidation of Special Purpose Entities" ("SPE"). This draft guideline establishes the principles for determining when an entity should consolidate the activities of an SPE in its consolidated financial statements. This draft guideline is being reviewed by the CICA and is expected to be reissued.

- Exposure Draft amending Section 3870 – "Stock-based Compensation and Other Stock-based Payments". The proposed amendments would require the recognition of an expense for all employee stock-based compensation transactions and eliminate the current option to disclose the pro forma effect of such transactions on net earnings and basic net earnings per common share in the notes to the consolidated financial statements. These amendments would be effective for fiscal years beginning on or after January 1, 2004.

Outlook

The Company had another successful year in 2002, maintaining a consistent financial position and good cash flow generation, while continuing its $1.4 billion annual capital investment program. Management believes the financial strength of the Company and the strategic deployment of its financial resources will allow for the continued successful implementation of the Company's operating and financial strategies. While the United States consumer is showing signs of stress, management is confident that 2003 will be another successful year for the Company.

The Company has established a solid platform from which it can generate additional value for consumers and shareholders. As a measure of the Company's success, over the past five years Weston's common share price appreciation has yielded an average annual 18.3% return and the annual return on common shareholders' equity has averaged 20.1%.

Quarterly Financial Information

The following is a summary of selected quarterly financial information. Each quarter represents a 12 week period, except the third quarter, which represents a 16 week period.

($ millions except where otherwise indicated)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Sales	**2002**	**$ 5,998**	**$ 6,324**	**$ 8,509**	**$ 6,615**	**$ 27,446**
	2001	$ 5,118	$ 5,572	$ 7,788	$ 6,183	$ 24,661
EBITDA	**2002**	**$ 415**	**$ 495**	**$ 619**	**$ 656**	**$ 2,185**
	2001	$ 326	$ 407	$ 542	$ 596	$ 1,871
Operating income	**2002**	**$ 302**	**$ 380**	**$ 463**	**$ 533**	**$ 1,678**
	2001	$ 235	$ 314	$ 405	$ 486	$ 1,440
Interest expense	**2002**	**$ 61**	**$ 56**	**$ 72**	**$ 49**	**$ 238**
	2001	$ 46	$ 42	$ 81	$ 52	$ 221
Income taxes	**2002**	**$ 84**	**$ 106**	**$ 128**	**$ 151**	**$ 469**
	2001	$ 68	$ 92	$ 114	$ 161	$ 435
Net earnings	**2002**	**$ 108**	**$ 161**	**$ 190**	**$ 231**	**$ 690**
	2001	$ 75	$ 124	$ 143	$ 240	$ 582
Earnings Per Common Share ($)						
Basic						
Net earnings	**2002**	**$ .80**	**$ 1.18**	**$ 1.37**	**$ 1.70**	**$ 5.05**
	2001	$ .57	$ .94	$ 1.09	$ 1.82	$ 4.42
Earnings before goodwill charges, net of minority interest impact	**2002**	**$ .80**	**$ 1.18**	**$ 1.37**	**$ 1.70**	**$ 5.05**
	2001	$ .63	$ 1.01	$ 1.17	$ 1.88	$ 4.70
Diluted						
Net earnings	**2002**	**$ .79**	**$ 1.17**	**$ 1.36**	**$ 1.70**	**$ 5.02**
	2001	$ .56	$ .94	$ 1.08	$ 1.80	$ 4.37
Earnings before goodwill charges, net of minority interest impact	**2002**	**$ .79**	**$ 1.17**	**$ 1.36**	**$ 1.70**	**$ 5.02**
	2001	$ .62	$ 1.01	$ 1.16	$ 1.86	$ 4.65

Supplementary Financial Information

The Company included information on EBITDA and basic earnings per common share before goodwill charges and unusual items because it believes certain readers of this Annual Report use these measures as a means of measuring financial performance. The terms do not have a standardized meaning prescribed by Canadian GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies. These measures should not be construed as alternatives to cash from operations or other earnings and liquidity measures as determined in accordance with Canadian GAAP.

The following tables reconcile EBITDA to the Canadian GAAP measures reported in the Consolidated Statements of Earnings.

				2002
($ millions)	Weston Foods	Food Distribution	Fisheries	Consolidated
Operating income	$ 409	$ 1,295	$ (26)	$ 1,678
Depreciation	144	354	9	507
EBITDA	$ 553	$ 1,649	$ (17)	$ 2,185

				2001
($ millions)	Weston Foods	Food Distribution	Fisheries	Consolidated
Operating income	$ 313	$ 1,128	$ (1)	$ 1,440
Depreciation	103	315	13	431
EBITDA	$ 416	$ 1,443	$ 12	$ 1,871

The following table reconciles basic earnings per common share before goodwill charges and unusual items to basic net earnings per common share reported in the Consolidated Statements of Earnings.

($ millions except where otherwise indicated)	2002	2001
Net earnings available to common shareholders	$ 666	$ 581
Goodwill charges (net of minority interest impact and tax)		37
Unusual items (net of tax)		(55)
Adjusted earnings available to common shareholders	$ 666	$ 563
Weighted average common shares outstanding (in millions)	131.9	131.5
Basic net earnings per common share ($)	$ 5.05	$ 4.42
Basic earnings per common share before goodwill charges and unusual items ($)	$ 5.05	$ 4.28