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GEORGE WESTON LIMITED
Quarterly Report to Shareholders
24 Weeks Ended June 15, 2002

Weston

George Weston Limited's second quarter 2002 basic net earnings per common share increased 26% to $1.18, compared to 94 cents in 2001. Adjusting for the discontinuance of goodwill charges, basic net earnings per common share increased by 17 cents or 17% over last year. Trailing year basic net earnings per common share, excluding goodwill charges, the unusual items in the fourth quarter 2001 and the effect of the 2000 budgeted income tax rate changes, improved 19% to $4.62 from $3.89 earned during the comparable period last year.

During the first quarter of 2002, the Company completed the sale of the Western portion of Bestfoods Baking (including certain licensing and distribution arrangements) to Grupo Bimbo, S.A. de C.V. for cash proceeds of U.S. $610 million or approximately Cdn. $950 million, which were used for debt repayment.

Operating Highlights

Sales increased 13.5% or $752 million to $6.3 billion in the second quarter and 15.3% or $1.6 billion to $12.3 billion year-to-date. **Food Processing** sales for the second quarter of $1.2 billion were 61.7% higher than last year with year-to-date sales of $2.4 billion, 66.2% ahead of 2001. The 2001 acquisition of George Weston Bakeries (formerly Bestfoods Baking) contributed additional sales in line with expectations. Excluding the effect of this acquisition, sales for the base fresh and frozen baking business together with Neilson Dairy, which were impacted by unseasonable weather in many regions, increased 3.0% during the quarter and were up 3.9% year-to-date. Within the *Heritage* fresh salmon operation, salmon market prices have started to show signs of improvement, however the effects of depressed world market prices for fresh salmon over the past four quarters have impacted overall segment sales growth. **Food Distribution**, operated by Loblaw Companies Limited ("Loblaw"), had sales of $5.3 billion for the quarter, an increase of 6.5% over last year and $10.3 billion year-to-date, an increase of 7.6%. Good sales growth continued to be experienced in all banners across the country. Same-store sales for the second quarter increased 4.1% and 4.8% year-to-date. Food price inflation remained low for the first half of the year with declines in the second quarter.

Operating income (earnings before interest, income taxes and goodwill charges) increased 21.0% or $66 million to $380 million for the second quarter and 24.2% or $133 million to $682 million year-to-date. Excluding the impact of implementing the new Canadian accounting standard for stock-based compensation and other stock-based payments in 2002, second quarter operating income increased 23.6% over 2001. **Food Processing** operating income for the second quarter of $108 million was 40.3% higher than the $77 million earned in 2001, driven by our 2001 George Weston Bakeries acquisition, sales growth and improved operating efficiencies. The continued softness in fresh salmon market prices negatively affected the *Heritage* fresh salmon operation's profitability for the second quarter and that of the Food Processing segment. As a result, operating margin (operating income divided by sales) for the second quarter decreased to 9.3% from 10.7% in 2001, although for the base baking and dairy business margins remained stable. **Food Distribution** operating income increased 14.8% to $272 million for the second quarter. Operating margin improved to 5.1% from 4.8% in 2001 due to better overall sales mix and a continued focus on cost control.

Interest expense for the quarter increased 33% to $56 million reflecting an increase in average net borrowing levels partially offset by a decline in average net borrowing rates. Interest coverage (operating income divided by interest expense) of 6.8 times for the quarter compared to 7.5 times for the comparable period in the prior year. The 2002 year-to-date effective income tax rate decreased to 33.6%, in line with declining Canadian federal and provincial income tax rates and the income tax impact of fair valuing the Loblaw equity forward contracts.

The Company's financial position and cash flow remain strong. As expected, the 2001 George Weston Bakeries acquisition temporarily increased the debt to equity ratio above our internal 1:1 guideline. The ratio at the end of the second quarter was 1.10:1, excluding the Domtar Exchangeable Debentures, compared to .98:1 last year and 1.47:1 at year end 2001.

Capital investment during the second quarter totaled $231 million and $458 million year-to-date as the Company continues to maintain and renew its asset base and invest for growth across North America. Operating cash flow for the second quarter improved to $551 million from $400 million in 2001, as a result of higher earnings and an improvement in non-cash working capital.

During the second quarter, the Company completed the repayment of the unsecured credit facility used to finance the 2001 acquisition of George Weston Bakeries. In addition, the Company increased its commercial paper program to $500 million from $300 million, which is supported by the Company's cash, cash equivalents and short term investments, as well as $152 million in uncommitted facilities and $300 million in committed facilities. Also during the second quarter, Loblaw securitized $74 million of credit card receivables, yielding a minimal gain, which was measured using the same assumptions disclosed in the Company's 2001 Annual Report.

During the second quarter of 2002, the Company issued 10.6 million 5.15% Preferred Shares, Series II for $25.00 per share for net proceeds of $260 million. Also during the second quarter, Loblaw redeemed its $61 million Series 8, 10% Debentures. In the first quarter of 2002, the Company issued $250 million of 5.90% Medium Term Notes ("MTN") due 2009 and $150 million of 7.10% MTN due 2032. Also during the first quarter of 2002, Loblaw issued $200 million of 6.85% MTN due 2032.

In the first quarter of 2002, the Company implemented the new Canadian accounting standard Section 3870 "Stock-based Compensation and Other Stock-based Payments" (see note 1 of the unaudited interim period consolidated financial statements). The cumulative effect of implementing this standard was a decrease to consolidated retained earnings of $55 million, net of future income tax recoverable of $28 million. This decrease includes the Company's portion of the Loblaw's decrease to consolidated retained earnings of $25 million, which is net of future income tax recoverable of $23 million and the fair value impact of the equity forward contracts. Included in the 2002 consolidated operating income was a net charge of $25 million, $52 million net of the $27 million fair value impact of the equity derivative contracts, reflecting the year-to-date cost of the Company's stock options outstanding.

During July 2001, the Company implemented the new Canadian accounting standard Section 3062 "Goodwill and Other 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.

Outlook

In a tightening market, sales and earnings for both the Food Distribution and Food Processing segments, excluding fresh salmon, are expected to continue to grow solidly. Fresh salmon market prices, while improving, are still low and a return to profitability is dependent upon further significant improvements. Our $1.4 billion capital investment plan is strong and remains on track to ensure continued growth across the business.

W. Galen Weston
Chairman and President

Toronto, Canada
July 30, 2002

Consolidated Statements of Earnings
(unaudited)

($ millions)	12 Weeks Ended June 15, 2002	12 Weeks Ended June 16, 2001	24 Weeks Ended June 15, 2002	24 Weeks Ended June 16, 2001
Sales	**$ 6,324**	$ 5,572	**$ 12,322**	$ 10,690
Operating Expenses				
Cost of sales, selling and administrative expenses	**5,829**	5,165	**11,412**	9,957
Depreciation	**115**	93	**228**	184
	5,944	5,258	**11,640**	10,141
Operating Income	**380**	314	**682**	549
Interest expense (income)				
Short term	**(11)**	(13)	**(19)**	(22)
Long term	**67**	55	**136**	110
	56	42	**117**	88
Earnings Before the Following:	**324**	272	**565**	461
Income taxes	**106**	92	**190**	160
	218	180	**375**	301
Goodwill charges (2001 – net of tax of $2) (note 1)		13		25
	218	167	**375**	276
Minority interest	**57**	43	**106**	77
Net Earnings for the Period	**$ 161**	$ 124	**$ 269**	$ 199
Per Common Share ($)				
Basic net earnings	**$ 1.18**	$ 0.94	**$ 1.98**	$ 1.51
Diluted net earnings	**$ 1.17**	$ 0.94	**$ 1.96**	$ 1.50
Basic net earnings before goodwill charges, net of minority interest impact	**$ 1.18**	$ 1.01	**$ 1.98**	$ 1.65
Diluted net earnings before goodwill charges, net of minority interest impact	**$ 1.17**	$ 1.01	**$ 1.96**	$ 1.64
Market value – period end	**$ 123.50**	$ 94.00	**$ 123.50**	$ 94.00
Actual common shares outstanding (in millions)	**132.1**	131.5	**132.1**	131.5
Weighted average common shares outstanding (in millions)	**131.9**	131.5	**131.9**	131.5

Consolidated Statements of Retained Earnings
(unaudited)

($ millions)	24 Weeks Ended June 15, 2002	24 Weeks Ended June 16, 2001
Retained Earnings, Beginning of Period	**$ 3,260**	$ 2,801
Impact of implementing new accounting standard (note 1)	**(55)**	
Net earnings for the period	**269**	199
Stock option plan cash payments (2001 – net of tax of $3)		(5)
Net subsidiary stock option plan cash payments (2001 – net of tax of $3)		(4)
Dividends declared per common share – 48¢ (2001 – 40¢)	**(63)**	(53)
Dividends declared per preferred share – Series I – 76¢; Series II – 29¢	**(9)**	
Retained Earnings, End of Period	**$ 3,402**	$ 2,938

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

Consolidated Balance Sheets

($ millions)	As at June 15, 2002 (unaudited)	As at Dec. 31, 2001
Assets		
Current Assets		
Cash and cash equivalents	**$ 1,141**	$ 743
Short term investments	**411**	518
Accounts receivable	**1,053**	863
Inventories	**1,724**	1,780
Business held for sale		934
Current future income taxes	**154**	168
Prepaid expenses and other assets	**75**	54
	4,558	5,060
Fixed Assets	**6,467**	6,255
Goodwill (note 1)	**3,339**	3,339
Franchise Investments and Other Receivables	**310**	317
Future Income Taxes	**112**	129
Intangibles and Other Assets (note 1)	**1,217**	1,177
	$ 16,003	$ 16,277
Liabilities		
Current Liabilities		
Bank indebtedness	**$ 108**	$ 152
Commercial paper	**736**	466
Accounts payable and accrued liabilities	**3,137**	3,407
Current income taxes	**92**	179
Short term bank loans (note 4)	**16**	1,367
Long term debt due within one year	**116**	82
	4,205	5,653
Long Term Debt	**5,402**	4,908
Future Income Taxes	**105**	122
Other Liabilities	**793**	591
Minority Interest	**1,447**	1,377
	11,952	12,651
Shareholders' Equity		
Share Capital (note 2)	**588**	305
Retained Earnings	**3,402**	3,260
Cumulative Foreign Currency Translation Adjustment	**61**	61
	4,051	3,626
	$ 16,003	$ 16,277

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

Consolidated Cash Flow Statements

(unaudited)

($ millions)	12 Weeks Ended June 15, 2002	12 Weeks Ended June 16, 2001	24 Weeks Ended June 15, 2002	24 Weeks Ended June 16, 2001
Operations				
Net earnings before minority interest	**$ 218**	$ 167	**$ 375**	$ 276
Depreciation and amortization	**115**	107	**228**	211
Future income taxes	**23**	20	**32**	16
Other	**7**	2	**30**	4
	363	296	**665**	507
Changes in non-cash working capital	**188**	104	**(423)**	(514)
Cash Flows from (used in) Operating Activities before the following:	**551**	400	**242**	(7)
Acquisition restructuring and other charges, including income tax recoveries	**(29)**	(25)	**(66)**	(46)
Cash Flows from (used in) Operating Activities	**522**	375	**176**	(53)
Investment				
Fixed asset purchases	**(231)**	(259)	**(458)**	(450)
Short term investments	**213**	83	**107**	(17)
Proceeds from fixed asset sales	**6**	26	**13**	30
Business acquisitions				(14)
Business dispositions	**3**		**941**	
Changes in franchise investments, other receivables and credit card receivables	**(21)**	(20)	**(6)**	(21)
Changes in other items	**5**	(3)	**12**	(14)
Cash Flows (used in) from Investing Activities	**(25)**	(173)	**609**	(486)
Financing				
Commercial paper	**(241)**	(588)	**270**	(1)
Short term bank loans (note 4)	**(39)**		**(1,351)**	
Long term debt – Issued		690	**600**	1,040
– Retired	**(63)**	(52)	**(67)**	(152)
Share capital (note 2) – Issued	**283**		**283**	
Subsidiary share capital – Retired				(1)
Dividends – To shareholders	**(32)**	(27)	**(62)**	(53)
– To minority shareholders	**(13)**	(10)	**(13)**	(20)
Other	**(5)**	25	**(3)**	15
Cash Flows (used in) from Financing Activities	**(110)**	38	**(343)**	828
Change in Cash	**387**	240	**442**	289
Cash, Beginning of Period	**646**	752	**591**	703
Cash, End of Period	**$ 1,033**	$ 992	**$ 1,033**	$ 992
Cash Position				
Cash	**$ 1,033**	$ 992	**$ 1,033**	$ 992
Short term investments	**411**	435	**411**	435
Commercial paper	**(736)**	(702)	**(736)**	(702)
Cash position	**$ 708**	$ 725	**$ 708**	$ 725
Other Cash Flow Information				
Net interest paid	**$ 97**	$ 57	**$ 144**	$ 109
Net income taxes paid	**$ 65**	$ 73	**$ 223**	$ 190

Cash is defined as cash and cash equivalents net of bank indebtedness.

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

1. Basis of Presentation

The unaudited interim period consolidated financial statements were prepared 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 for the year ended December 31, 2001, except for the changes described below. 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 2001 Annual Report.

Stock-Based Compensation Plan Effective January 1, 2002, the Company implemented the new standard issued by the Canadian Institute of Chartered Accountants ("the CICA") on stock-based compensation and other stock-based payments. The standard was implemented retroactively without restatement of prior period consolidated financial statements for stock options outstanding at January 1, 2002 that allow for settlement in cash at the option of the holder. The cumulative effect of implementation was a decrease to consolidated retained earnings of $55 million, net of future income tax recoverable of $28 million. This decrease includes the Company's portion of Loblaw's decrease to consolidated retained earnings of $25 million, which is net of future income tax recoverable of $23 million and the fair value impact of the equity forward contracts.

Compensation cost attributable to stock options that allow for settlement in cash at the option of the holder is accounted for using the intrinsic value method. The compensation cost included in consolidated operating income for 2002 was $25 million year-to-date, $52 million net of the $27 million fair value impact of the equity derivative contracts.

The Company accounts for stock options granted that are settled by issuing common shares as capital transactions and no compensation cost is recorded. Consideration paid by employees on the exercise of a stock option is credited to consolidated common share capital. The pro forma effect of accounting for these stock options under the fair value based accounting method is disclosed in Note 2.

Goodwill and Intangible Assets During July 2001, the Company implemented the new standard issued by the CICA on goodwill and other 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 the new standard, goodwill is no longer amortized but instead requires that the book value of goodwill 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 also require an annual test for impairment. Any permanent impairment in the book value of goodwill or intangible assets will be written off against consolidated earnings.

A review of the business combinations completed by the Company prior to July 1, 2001 was performed and no change was required to the book value of goodwill and no previously unrecognized intangible assets were recorded. The Company also performed the annual goodwill impairment test and determined that there was no impairment to the book value of goodwill. If this new standard had been applied during the 24 weeks ended June 16, 2001, consolidated net earnings would have increased by $18 million.

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

2. Share Capital

(refer to Note 12 of the 2001 Audited Consolidated Financial Statements)

	As at	
($ millions)	**June 15, 2002**	Dec. 31, 2001
Common share capital	**$ 100**	$ 77
Preferred shares, Series I	**228**	228
Preferred shares, Series II	**260**	
	$ 588	$ 305

Preferred Shares, Series II (authorized - unlimited) During the second quarter of 2002, the Company issued 10.6 million 5.15% Preferred Shares, Series II for $25.00 per share for net proceeds of $260 million, which entitle the holder to a fixed cumulative preferred cash dividend of $1.2875 per share per annum. On or after April 1, 2009, the Company may, at its option, redeem for cash these outstanding preferred shares, in whole or in part, at $25.00 per share.

Stock-Based Compensation Plan At the end of the second quarter of 2002, the Company had 1,809,645 common stock options outstanding. During 2002, the Company issued 608,235 common shares for cash consideration of $23 million on the exercise of stock options and paid share appreciation value of $8 million ($13 million less tax of $5 million) on 197,204 stock options. In addition, 31,440 stock options were cancelled during 2002. Subsidiary stock option plan payments during 2002 were $6 million ($10 million less tax of $4 million).

During the first quarter of 2002, the Company granted 226,000 stock options at a weighted average exercise price per share of $100.00, which will be settled by issuing common shares. The weighted average grant-date fair value of these stock options was estimated using the Black-Scholes model for pricing options assuming a weighted average expected dividend yield of .96% annually, a weighted average risk free interest rate of 3.3%, a weighted average expected common stock price volatility of 26.0% and a weighted average expected option life of 3 years. If the fair value based accounting method had been used for these stock options, the Company's second quarter year-to-date consolidated net earnings would have decreased by $.8 million, with a minimal impact to basic and diluted net earnings per common share. This impact on consolidated net earnings and basic and diluted net earnings per common share excludes the effect of stock options granted before January 1, 2002.

3. Financial Instruments

(refer to Note 13 of the 2001 Audited Consolidated Financial Statements)

Interest Rate Derivatives During the second quarter of 2002, the Company sold swaptions that expire August 8, 2002. If exercised, the Company will enter into interest rate derivative agreements that mature in 2009 and convert a net notional $350 million of its 5.83% fixed rate debt into floating rate debt.

Equity Derivatives During 2002, the Company entered into equity derivative agreements based on 636,600 of its common shares at an average price of $115.13 per common share.

4. Short Term Bank Loans

During the second quarter of 2002, the Company completed the repayment of the unsecured credit facility used to finance the 2001 acquisition of George Weston Bakeries. In addition, during 2002, the Company issued $16 million of Series B Debentures due on demand, which are currently at an interest rate of 3.04%.

5. Segmented Information

(refer to Note 15 of the 2001 Audited Consolidated Financial Statements)

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**June 15, 2002**	June 16, 2001	**June 15, 2002**	June 16, 2001
Sales				
Food Processing	**$ 1,164**	$ 720	**$ 2,350**	$ 1,414
Food Distribution	**5,308**	4,985	**10,259**	9,530
Inter Group	**(148)**	(133)	**(287)**	(254)
Consolidated	**$ 6,324**	$ 5,572	**$ 12,322**	$ 10,690
Operating Income				
Food Processing	**$ 108**	$ 77	**$ 178**	$ 110
Food Distribution	**272**	237	**504**	439
Consolidated	**$ 380**	$ 314	**$ 682**	$ 549

	As at	
($ millions)	**June 15, 2002**	Dec. 31, 2001
Total Assets (1)		
Food Processing	**$ 5,382**	$ 5,954
Food Distribution	**10,253**	9,955
Consolidated	**$ 15,635**	$ 15,909

(1) Excludes the $368 million investment in Domtar common shares, which is effectively hedged as a result of issuing the 3% Exchangeable Debentures.

George Weston Limited

Corporate Profile

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

Investor Relations

Shareholders, security analysts and investment professionals should direct their 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.

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