George Weston Limited Q2/2003

Quarterly Report to Shareholders

24 Weeks Ended June 14, 2003

Weston

George Weston Limited's (the "Company") second quarter 2003 basic net earnings per common share increased 20% to $1.42 compared to $1.18 in 2002. The second quarter 2003 basic net earnings per common share included approximately 7 cents per common share from the positive net after-tax effect of stock-based compensation cost net of the gain from the fair value impact of the equity derivative agreements, which compares to a negative net after-tax effect of 3 cents in 2002. Sales increased 7% to $6.8 billion and operating income increased 13% to $431 million, with operating margin increasing to 6.4% from 6.0% last year. The Company continues to focus on the successful implementation of its operating and financial strategies.

Consolidated Results of Operations

Sales Sales for the second quarter increased 7%, to $6.8 billion, from $6.3 billion last year with year-to-date sales of $13.2 billion also 7% ahead of last year. Weston Foods second quarter sales were 3% behind last year while year-to-date sales were 2% behind 2002 impacted negatively by the strengthening Canadian dollar and the continued difficult sales environment in the United States. Food Distribution, operated by Loblaw Companies Limited ("Loblaw"), sales increased 9% compared to last year for both the second quarter and year-to-date with all regions across the country experiencing sales growth consistent with expectations. Fisheries second quarter sales were 4% behind last year, primarily due to lower harvest volumes offset by improved fresh salmon market prices, with year-to-date sales 5% ahead of 2002.

Operating Income Operating income for the second quarter of 2003 increased 13%, or $51 million, to $431 million which includes income of $12 million (2002 – cost of $8 million) related to stock-based compensation cost net of the gain from the fair value impact of the equity derivative agreements. Operating margin for the quarter improved to 6.4% from 6.0% in 2002. Operating income for 2003 year-to-date increased 13%, or $91 million, to $773 million with an operating margin of 5.9% compared to 5.5% in 2002. Weston Foods operating income increased 8% for the second quarter and 8% on a year-to-date basis. Food Distribution operating income increased 15% for both the quarter and year-to-date. Fisheries broke even for the quarter, however continued to experience operating losses on a year-to-date basis. EBITDA (see supplementary financial information on page 6) margin for the quarter and year-to-date improved to 8.3% and 7.8% from 7.8% and 7.4% in 2002, respectively.

Interest Expense Interest expense for the second quarter increased $1 million, or 2%, to $57 million from $56 million in 2002. Interest on long term debt increased by $5 million to $89 million as a result of an increase in average long term borrowing levels partially offset by a decline in average long term borrowing rates. Other long term interest includes the net positive effect of the Company's and Loblaw's interest rate, currency and equity derivative agreements of $28 million (2002 – $17 million). Net short term interest expense of $2 million compares to interest income of $4 million in 2002 due to higher average short term Canadian borrowing levels and rates combined with lower average short term United States investment rates partially offset by higher average short term United States investment levels. During the second quarter of 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. During the second quarter of 2003, $6 million (2002 – $7 million) of interest expense was capitalized to fixed assets.

Interest expense year-to-date decreased $7 million to $110 million, from $117 million in 2002, as a result of an increase in average short term investment levels combined with the positive effect of the Company's and Loblaw's interest rate, currency and equity derivative agreements partially offset by an increase in average long term borrowing levels.

Income Taxes The Company's year-to-date effective income tax rate decreased to 31.4% compared to 33.6% in 2002, as a result of the declining Canadian federal and provincial income tax rates and the income tax impact of fair valuing the Loblaw equity forwards.

Net Earnings Net earnings for the second quarter of 2003 increased $32 million, or 20%, to $193 million from $161 million in 2002 and increased 22% to $327 million year-to-date. Basic net earnings per common share, for the second quarter of 2003, increased 24 cents, or 20%, to $1.42 from $1.18 in 2002 and increased 40 cents, or 20%, to $2.38 year-to-date.

Reportable Operating Segments

Weston Foods Operating Results

Sales Weston Foods sales for the second quarter of $1.1 billion declined 3%, or $34 million, compared to last year with year-to-date sales of $2.2 billion 2% behind 2002. Adjusting for the negative impact of the strengthening Canadian dollar, sales for the second quarter were even with last year and 1% ahead of 2002 on a year-to-date basis. Overall volume improved slightly for the second quarter compared to last year and was 1% ahead of last year on a year-to-date basis impacted negatively by the continued sluggish sales environment in the United States. Growth with core customers, continued strategic positioning with alternate retail format and foodservice channels, strong promotional sales support programs and the rationalization of lower volume products continued during the second quarter of 2003.

Operating Income Weston Foods operating income for the second quarter of $117 million increased 8% compared to last year with year-to-date operating income of $200 million also 8% ahead of 2002. Operating margin for the quarter and year-to-date improved to 10.9% and 9.1% compared to 9.7% and 8.2% in 2002, respectively. EBITDA margin for the quarter and year-to-date also improved to 14.1% and 12.3% from 12.6% and 11.0% in 2002, respectively. Adjusting for the positive impact of stock-based compensation cost net of the gain from equity derivatives and the negative impact of foreign currency translation due to the strengthening Canadian dollar, Weston Foods operating income and margin for the quarter and year-to-date remained essentially flat with last year. Sales volume growth, the continued realization of anticipated synergies from the integration of George Weston Bakeries and the on-going focus on lower operating costs offset higher commodity, energy, pension and benefit costs.

Food Distribution Operating Results

Sales Food Distribution sales for the second quarter of $5.8 billion increased 9% compared to last year with year-to-date sales of $11.2 billion also 9% ahead of 2002. All regions across the country experienced sales growth consistent with expectations. Volume growth in some regions outpaced sales growth, reflecting a strategic investment in lower prices.

The increase in second quarter sales resulted from a 5.8% same-store sales growth in the quarter and an increase of 2.2 million square feet of net retail square footage related to the 71 new corporate and franchised stores opened net of 55 stores closed during the latest four quarters. During the second quarter of 2003, 12 new corporate and franchised stores were opened and 8 stores were closed resulting in a net increase of .5 million square feet. In the first two quarters of 2003, a total of 25 new corporate and franchised stores were opened and 23 stores were closed, resulting in a cumulative net increase of .6 million square feet. Consistent with 2002, national food price inflation for 2003 remained low.

Operating Income Food Distribution operating income for the second quarter of $314 million increased 15% compared to last year with year-to-date operating income of $581 million also 15% ahead of 2002. Operating margin for the quarter and year-to-date improved to 5.4% and 5.2% compared to 5.1% and 4.9% in 2002, respectively. All regions across the country realized earnings improvements over 2002. EBITDA margin for the quarter and year-to-date improved to 7.0% and 6.8% from 6.6% and 6.5% in 2002, respectively. An improvement in overall sales mix management at the store level, a focus on administrative cost control and operating efficiencies and reduced product costs from buying synergies continued to contribute to the improvement in margins.

Fisheries Operating Results

Sales Fisheries sales for the second quarter of $51 million decreased 4%, or $2 million, compared to last year primarily due to decreased harvest volumes partially offset by improved salmon market prices.

Operating Income Fisheries broke even for the quarter at the operating income level consistent with last year and experienced a year-to-date loss of $8 million compared to $7 million in 2002. Although prices have improved compared to last year, a return to profitability remains dependent on further price improvements.

Consolidated Financial Condition

Financial Ratios The Company's net debt to equity ratio (excluding the Exchangeable Debentures) of 1.12:1 at the end of the second quarter of 2003 compared to the 1.10:1 ratio in the same period of 2002. Consistent with prior years' trends, the Company expects the net debt to equity to improve throughout the remainder of the year. Shareholders' equity increased $95 million year-to-date, or 2%, to $4.5 billion. The interest coverage ratio improved to 7.6 times compared to 6.8 times at the end of the second quarter of 2002, due to higher operating income and lower interest expense.

The Company's rolling year return on average total assets was 11.8% at the end of the second quarter of 2003 compared to 11.4% for the comparable period of 2002 and was slightly higher than the year end 2002 return of 11.5%. The Company's rolling year return on average shareholders' equity was 18.7% at the end of the second quarter of 2003 compared to 19.3% in the comparable period of 2002 and improved slightly compared to the year end 2002 return of 18.3%.

Dividends As declared by the Company's Board of Directors (the "Board") in the second quarter, a quarterly common dividend of 30 cents per common share and a quarterly preferred dividend of 32 cents per preferred share, Series II were paid on July 1, 2003. On June 15, 2003, a quarterly preferred dividend of 36 cents per preferred share, Series I was also paid as declared by the Board.

Liquidity and Capital Resources

Cash Flows from Operating Activities In the second quarter of 2003 cash flows from operating activities were $488 million compared to $515 million in the second quarter of 2002. This decrease resulted mainly from a change in non-cash working capital, primarily accounts receivables and inventories. On a year-to-date basis, cash flows from operating activities were $243 million compared to $165 million in 2002. The year-to-date improvement resulted primarily from an increase in net earnings before depreciation.

For the remainder of 2003, the cash flows from operating activities is expected to fund a substantial portion of the Company's anticipated 2003 capital investment activity of approximately $1.6 billion.

Cash Flows used in Investing Activities In the second quarter of 2003 cash flows used in investing activities were $102 million compared to $23 million in 2002. On a year-to-date basis, cash flows used in investing activities were $258 million compared to cash flows from investing activities of $596 million in 2002. The year-to-date change is primarily due to the proceeds from the disposition of the western portion of Bestfoods Baking which were received in 2002.

Capital investment for the second quarter of 2003 amounted to $310 million (2002 – $231 million) and $534 million (2002 – $458 million) year-to-date, as the Company continues its commitment to maintain and renew its asset base and invest in growth across North America.

During the second quarter of 2003, Loblaw, through its wholly owned subsidiary President's Choice Bank, securitized $75 million (2002 – $74 million) of credit card receivables, under its securitization program, $154 million (2002 – $74 million) year-to-date. The securitizations yielded a minimal loss based on assumptions consistent with those disclosed in Note 8 to the consolidated financial statements included in the Company's 2002 Annual Report.

Cash Flows used in Financing Activities In the second quarter of 2003 cash flows used in financing activities were $45 million compared to $55 million in 2002. On a year-to-date basis, cash flows from financing activities were $452 million compared to a use of $387 million in 2002. During the second quarter of 2002, the Company completed the repayment of the short term unsecured credit facility used to finance the 2001 George Weston Bakeries acquisition.

During the first quarter of 2003, the Company issued $100 million of 6.69% Medium Term Notes ("MTN") due 2033 and Loblaw issued $200 million of 6.54% MTN due 2033 both pursuant to their respective 2001 Base Shelf Prospectuses.

During the second quarter of 2003, the Company filed a new Base Shelf Prospectus, which permits the Company to issue an aggregate principal amount up to $750 million of MTN. Loblaw's 2001 Base Shelf Prospectus expired on May 24, 2003. During the second quarter, Loblaw filed a new Base Shelf Prospectus, which permits Loblaw to issue an aggregate principal amount up to $1.0 billion of MTN. Under this new 2003 Base Shelf Prospectus, Loblaw issued $200 million of 6.05% MTN due 2034 during the second quarter of 2003 and $55 million of 5.86% MTN due 2043 subsequent to the quarter end. Loblaw also repaid its $100 million 6.60% MTN, which matured during the second quarter.

During the first quarter of 2003, the Company renewed its Normal Course Issuer Bid ("NCIB") to purchase on the Toronto Stock Exchange or enter into equity derivative contracts to purchase up to approximately 5% of its common shares outstanding. The Company, in accordance with the rules and by-laws of the Toronto Stock Exchange, may purchase its shares at the then market prices of such shares.

During the first quarter of 2003, the Company entered into equity swaps to buy 886,700 of its common shares, at an average price of $92.49 with an initial term of six years, pursuant to its NCIB. During the second quarter of 2003, the Company purchased for cancellation 180,800 of its common shares for $16 million, pursuant to its NCIB.

Risks and Risk Management

Operating and financial risks and risk management strategies as disclosed on pages 33 to 38 in the Management's Discussion and Analysis ("MD&A") included in the Company's 2002 Annual Report remain substantially unchanged.

Accounting Standards Implemented in 2003

Effective January 1, 2003, the Company implemented the Accounting Guideline 14 – "Disclosure of Guarantees" issued by the Canadian Institute of Chartered Accountants (see Note 12 to the unaudited interim period consolidated financial statements). This guideline requires the Company to disclose significant information about guarantees it has provided without regard to the likelihood that the Company will have to make any payment under those guarantees.

Outlook

Our expectation for the remainder of 2003 is for continued strength in sales and earnings growth rates for Food Distribution with overall sales and earnings growth impacted by the challenges and uncertainties faced by Weston Foods' United States customers and competitors.

W. Galen Weston
Chairman and President

Toronto, Canada
July 24, 2003

Supplementary Information

This quarterly MD&A should be read in conjunction with the Company's unaudited interim period consolidated financial statements and the accompanying notes and the Company's 2002 Annual Report. A glossary of terms used throughout this Quarterly Report can be found on page 70 of the Company's 2002 Annual Report. In addition, this Quarterly Report includes the following terms: rolling year return on average total assets, which is defined as operating income for the latest four quarters divided by average total assets excluding cash, cash equivalents and short term investments and rolling year return on average shareholders' equity, which is defined as net earnings available to common shareholders for the latest four quarters divided by average total common shareholders' equity.

Supplementary Financial Information

The Company has included information on EBITDA because it believes certain readers of this Quarterly Report use this measure as a means of measuring financial performance. The term does not have a standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP") and, therefore, may not be comparable to similarily titled measures presented by other publicly traded companies. This measure should not be construed as an alternative to other earnings measures determined in accordance with Canadian GAAP.

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

	12 Weeks Ended June 14, 2003				12 Weeks Ended June 15, 2002			
($ millions)	**Weston Foods**	**Food Distribution**	**Fisheries**	**Consolidated**	Weston Foods	Food Distribution	Fisheries	Consolidated
Operating income	**$ 117**	**$ 314**		**$ 431**	$ 108	$ 272		$ 380
Depreciation	**35**	**91**	**$ 3**	**129**	32	80	$ 3	115
EBITDA	**$ 152**	**$ 405**	**$ 3**	**$ 560**	$ 140	$ 352	$ 3	$ 495

	24 Weeks Ended June 14, 2003				24 Weeks Ended June 15, 2002			
($ millions)	**Weston Foods**	**Food Distribution**	**Fisheries**	**Consolidated**	Weston Foods	Food Distribution	Fisheries	Consolidated
Operating income	**$ 200**	**$ 581**	**$ (8)**	**$ 773**	$ 185	$ 504	$ (7)	$ 682
Depreciation	**71**	**177**	**5**	**253**	64	159	5	228
EBITDA	**$ 271**	**$ 758**	**$ (3)**	**$ 1,026**	$ 249	$ 663	$ (2)	$ 910

The following table provides additional quarterly financial information.

	As at	
	June 14, 2003	June 15, 2002
Market price per common share ($)	**$ 102.00**	$ 123.50
Actual common shares outstanding (in millions)	**132.1**	132.1
Weighted average common shares outstanding (in millions)	**132.2**	131.9

Forward-Looking Statements

This Quarterly 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 on-going 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 the MD&A included in the Company's 2002 Annual Report. Consequently, actual results and events may vary significantly from those included, contemplated or implied by such forward-looking statements.

Consolidated Statements of Earnings

(unaudited)

($ millions except where otherwise indicated)	12 Weeks Ended June 14, 2003	12 Weeks Ended June 15, 2002	24 Weeks Ended June 14, 2003	24 Weeks Ended June 15, 2002
Sales	**$ 6,754**	$ 6,324	**$ 13,153**	$ 12,322
Operating Expenses				
Cost of sales, selling and administrative expenses	**6,194**	5,829	**12,127**	11,412
Depreciation	**129**	115	**253**	228
	6,323	5,944	**12,380**	11,640
Operating Income	**431**	380	**773**	682
Interest Expense (note 2)	**57**	56	**110**	117
Earnings Before the Following:	**374**	324	**663**	565
Income Taxes	**111**	106	**208**	190
Minority Interest	**70**	57	**128**	106
Net Earnings	**$ 193**	$ 161	**$ 327**	$ 269
Net Earnings per Common Share ($) (note 4)				
Basic	**$ 1.42**	$ 1.18	**$ 2.38**	$ 1.98
Diluted	**$ 1.42**	$ 1.17	**$ 2.38**	$ 1.96

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

Consolidated Statements of Retained Earnings

(unaudited)

($ millions except where otherwise indicated)	24 Weeks Ended June 14, 2003	24 Weeks Ended June 15, 2002
Retained Earnings, Beginning of Period	**$ 3,712**	$ 3,260
Impact of implementing new accounting standard		(55)
Net earnings	**327**	269
Premium on common shares purchased for cancellation (note 9)	**(16)**	
Dividends declared		
Per common share – 60¢ (2002 – 48¢)	**(79)**	(63)
Per preferred share – Series I – 73¢ (2002 – 76¢)	**(7)**	(7)
– Series II – 64¢ (2002 – 29¢)	**(7)**	(2)
Retained Earnings, End of Period	**$ 3,930**	$ 3,402

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

Consolidated Balance Sheets

($ millions)	As at June 14, 2003 (unaudited)	As at Dec. 31, 2002
Assets		
Current Assets		
Cash and cash equivalents (note 5)	**$ 1,370**	$ 1,157
Short term investments (note 5)	**148**	398
Accounts receivable	**1,010**	964
Inventories	**1,980**	1,994
Future income taxes	**162**	144
Prepaid expenses and other assets	**81**	48
Total Current Assets	**4,751**	4,705
Fixed Assets	**7,157**	7,053
Goodwill and Intangible Assets (notes 6 & 7)	**3,691**	3,988
Future Income Taxes	**24**	43
Other Assets	**1,446**	874
Total Assets	**$ 17,069**	$ 16,663
Liabilities		
Current Liabilities		
Bank indebtedness	**$ 48**	$ 61
Commercial paper	**916**	715
Accounts payable and accrued liabilities	**3,047**	3,344
Income taxes	**86**	164
Short term bank loans	**50**	33
Long term debt due within one year (note 8)	**207**	110
Total Current Liabilities	**4,354**	4,427
Long Term Debt (note 8)	**5,686**	5,391
Future Income Taxes	**265**	146
Other Liabilities	**624**	728
Minority Interest	**1,663**	1,589
Total Liabilities	**12,592**	12,281
Shareholders' Equity		
Share Capital (notes 9 & 10)	**610**	609
Retained Earnings	**3,930**	3,712
Cumulative Foreign Currency Translation Adjustment	**(63)**	61
Total Shareholders' Equity	**4,477**	4,382
Total Liabilities and Shareholders' Equity	**$ 17,069**	$ 16,663

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

Consolidated Cash Flow Statements

(unaudited)		12 Weeks Ended		24 Weeks Ended	
($ millions)		**June 14, 2003**	June 15, 2002	**June 14, 2003**	June 15, 2002
Operating Activities					
Net earnings before minority interest		**$ 263**	$ 218	**$ 455**	$ 375
Depreciation		**129**	115	**253**	228
Future income taxes		**31**	23	**43**	32
Change in non-cash working capital		**88**	183	**(452)**	(442)
Acquisition restructuring and other charges, including income tax recoveries		**(24)**	(29)	**(60)**	(66)
Other		**1**	5	**4**	38
Cash Flows from Operating Activities		**488**	515	**243**	165
Investing Activities					
Fixed asset purchases		**(310)**	(231)	**(534)**	(458)
Short term investments		**219**	213	**218**	115
Proceeds from fixed asset sales		**14**	6	**21**	13
Business dispositions			3		941
Credit card receivables, after securitization		**(4)**	1	**77**	(17)
Franchise investments and other receivables		**(18)**	(22)	**(35)**	11
Other		**(3)**	7	**(5)**	(9)
Cash Flows (used in) from Investing Activities		**(102)**	(23)	**(258)**	596
Financing Activities					
Bank indebtedness		**(4)**	50	**(7)**	(44)
Commercial paper		**(72)**	(241)	**201**	270
Short term bank loans	– Issued	**8**	7	**17**	16
	– Retired		(46)		(1,367)
Long term debt	– Issued (note 8)	**200**		**500**	600
	– Retired (note 8)	**(101)**	(63)	**(102)**	(67)
Share capital	– Issued		283		283
	– Retired (note 9)	**(16)**		**(16)**	
Subsidiary share capital	– Issued (note 10)			**1**	
	– Retired (note 6)			**(41)**	
Dividends	– To shareholders	**(42)**	(32)	**(81)**	(62)
	– To minority shareholders	**(16)**	(13)	**(16)**	(13)
Other		**(2)**		**(4)**	(3)
Cash Flows (used in) from Financing Activities		**(45)**	(55)	**452**	(387)
Effect of foreign currency exchange rate changes on cash and cash equivalents (note 5)		**(174)**		**(224)**	24
Change in Cash and Cash Equivalents		**167**	437	**213**	398
Cash and Cash Equivalents, Beginning of Period		**1,203**	704	**1,157**	743
Cash and Cash Equivalents, End of Period		**$ 1,370**	$ 1,141	**$ 1,370**	$ 1,141

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

1. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited interim period consolidated financial statements (the "interim financial statements") were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods of application with those used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2002, except for the changes described below. Under Canadian GAAP, additional disclosure is required in annual financial statements and accordingly the interim financial statements should be read together with the audited annual consolidated financial statements and the accompanying notes included in George Weston Limited's 2002 Annual Report.

Basis of Consolidation

The interim financial statements include the accounts of George Weston Limited and its subsidiaries (the "Company") with provision for minority interest. The Company's interest in the voting share capital of its subsidiaries is 100% except for Loblaw Companies Limited ("Loblaw"), which was 61.6% at the end of the second quarter compared to 61.4% at year end 2002.

Stock-Based Compensation

Effective April 6, 2003, the Company amended its Employee Share Ownership Plan, which allows employees to acquire the Company's common shares through payroll deductions for up to 5% of their gross regular earnings. The Company will now contribute 15% of each employee's contribution to the plan, which will be recognized in operating income as a stock-based compensation cost when the contribution is made.

Comparative Information

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

2. Interest Expense

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**June 14, 2003**	June 15, 2002	**June 14, 2003**	June 15, 2002
Interest on long term debt	**$ 89**	$ 84	**$ 175**	$ 166
Other long term interest	**(28)**	(17)	**(52)**	(30)
Net long term interest	**61**	67	**123**	136
Net short term interest	**2**	(4)	**1**	(5)
Capitalized to fixed assets	**(6)**	(7)	**(14)**	(14)
Interest expense	**$ 57**	$ 56	**$ 110**	$ 117

Net interest paid in the second quarter and year-to-date was $81 million and $143 million (2002 – $97 million and $144 million), respectively.

3. Income Taxes

Net income taxes paid in the second quarter and year-to-date were $86 million and $251 million (2002 – $65 million and $223 million), respectively.

4. Basic and Diluted Net Earnings per Common Share

($ millions except where otherwise indicated)	12 Weeks Ended June 14, 2003	12 Weeks Ended June 15, 2002	24 Weeks Ended June 14, 2003	24 Weeks Ended June 15, 2002
Net earnings	**$ 193**	$ 161	**$ 327**	$ 269
Prescribed dividends on preferred shares	**(5)**	(5)	**(12)**	(8)
Net earnings available to common shareholders	**$ 188**	$ 156	**$ 315**	$ 261
Weighted average common shares outstanding (in millions)	**132.2**	131.9	**132.2**	131.9
Dilutive effect of stock-based compensation (in millions) (1)	**.4**	1.0	**.4**	1.0
Diluted weighted average common shares outstanding (in millions)	**132.6**	132.9	**132.6**	132.9
Basic net earnings per common share ($)	**$ 1.42**	$ 1.18	**$ 2.38**	$ 1.98
Dilutive effect of stock-based compensation per common share ($)		(.01)		(.02)
Diluted net earnings per common share ($)	**$ 1.42**	$ 1.17	**$ 2.38**	$ 1.96

(1) 204,000 of stock options at an exercise price of $100.00 per common share were outstanding at the end of the second quarter but were not recognized in the computation of diluted net earnings per common share because the options' exercise price was greater than the average market price of the common shares for the second quarter and year-to-date of 2003.

5. Cash, Cash Equivalents and Short Term Investments

The Company recorded an unrealized foreign currency exchange rate adjustment of $256 million year-to-date as a result of translating its United States dollar denominated cash, cash equivalents and short term investments of which $224 million related to cash and cash equivalents. The resulting decrease in cash, cash equivalents and short term investments is partially offset by the unrealized foreign currency exchange rate adjustment on the Company's cross currency basis swaps which was recognized in other assets.

6. Business Acquisitions

During the first quarter of 2003, the Company acquired a specialty bakery for $6 million, which resulted in the Company recognizing $2 million of goodwill.

When Loblaw purchases its own common shares, the Company accounts for the purchase as a step-by-step purchase of Loblaw. During the first quarter of 2003, Loblaw purchased 730,000 of its common shares for $41 million pursuant to its Normal Course Issuer Bid ("NCIB"), which resulted in the Company recognizing $19 million of goodwill.

7. Goodwill and Intangible Assets

Changes in the carrying value of goodwill and intangible assets were as follows:

($ millions)	Weston Foods	Food Distribution	Fisheries	June 14, 2003 Total	Dec. 31, 2002 Total
				As at	
Goodwill, beginning of period	**$ 1,656**	**$ 1,682**	**$ 9**	**$ 3,347**	$ 3,339
Goodwill acquired during the period	**2**	**19**		**21**	8
Impact of foreign currency translation	**(228)**			**(228)**	
Goodwill, end of period	**1,430**	**1,701**	**9**	**3,140**	3,347
Trademarks and brand names	**627**			**627**	627
Marine site licences			**14**	**14**	14
Impact of foreign currency translation	**(90)**			**(90)**	
Goodwill and intangible assets	**$ 1,967**	**$ 1,701**	**$ 23**	**$ 3,691**	$ 3,988

8. Long Term Debt

During the first quarter of 2003, the Company issued $100 million of 6.69% Medium Term Notes ("MTN") due 2033 and Loblaw issued $200 million of 6.54% MTN due 2033. Loblaw issued $200 million of 6.05% MTN due 2034 and repaid its $100 million 6.60% MTN during the second quarter. Subsequent to quarter end, Loblaw issued $55 million of 5.86% MTN due 2043.

9. Share Capital

NCIB

During the second quarter of 2003, the Company purchased for cancellation 180,800 of its common shares for $16 million, pursuant to its NCIB.

10. Stock-Based Compensation

The Company recognized in operating income a compensation cost related to its stock option plans of $29 million (2002 – $13 million) in the second quarter and $37 million (2002 – $52 million) year-to-date and a gain on the fair value impact of equity derivatives of $41 million (2002 – $5 million) in the second quarter and $48 million (2002 – $27 million) year-to-date.

During the first quarter of 2003, the Company granted 685,129 stock options to 91 employees at an exercise price of $93.35 per common share under its existing stock option plan, which allows for settlement in cash at the option of the employee. During the first quarter, the Company issued 6,812 common shares for cash consideration of $.3 million on the exercise of stock options. During the first half of 2003, the Company paid the share appreciation value of $7 million (2002 – $8 million), net of tax of $3 million (2002 – $5 million) on the exercise of 199,136 (2002 – 197,204) stock options. In addition, 42,240 stock options were forfeited or cancelled during the first half of 2003. During the first quarter, Loblaw issued 30,000 common shares for cash consideration of $1 million on the exercise of stock options. During the first half of 2003, Loblaw paid the share appreciation value of $9 million (2002 – $10 million), net of tax of $5 million (2002 – $7 million) on the exercise of 439,441 (2002 – 534,557) stock options. In addition, 72,387 of Loblaw's stock options were forfeited or cancelled during the first half of 2003.

During the first quarter of 2003 the Company granted 252,285 share appreciation rights to 63 employees at an exercise price of $93.35 per common share under its existing share appreciation right plan, which will be settled in cash. As well, 4,000 share appreciation rights were forfeited or cancelled during the first half of 2003. No share appreciation rights were exercised.

During 2002, the Company granted 226,000 stock options to 18 employees at an exercise price per common share of $100.00, which will be settled by issuing common shares. The grant-date fair value of these stock options was estimated using the Black-Scholes model for pricing options assuming an expected dividend yield of .96% annually, an average risk free interest rate of 3.3%, an average expected common stock price volatility of 26.0% and an average expected option life of three years. If the fair value method had been used for these stock options in 2003, the Company's net earnings would have decreased by $.5 million, with a minimal impact to basic and diluted net earnings per common share. This impact on net earnings and basic and diluted net earnings per common share excludes the effect of 239,115 stock options that were granted before January 1, 2002, which will be settled by issuing common shares.

At the end of the second quarter of 2003, a total of 2,100,259 (2002 – 1,953,645) stock options and share appreciation rights were outstanding and represented approximately 1.6% (2002 – 1.5%) of the Company's issued and outstanding common shares, which is within regulatory guidelines.

11. Financial Instruments

During the first quarter of 2003, the Company entered into equity swaps to buy 886,700 of its common shares at an average forward price of $92.49 per common share, with an initial term of six years, pursuant to its NCIB. Also, Loblaw entered into equity forwards to buy 1,103,500 of its common shares at an average forward price of $56.39 per common share, with an initial term of 10 years, pursuant to its NCIB.

12. Guarantees

Effective January 1, 2003, the Company implemented Accounting Guideline 14 – "Disclosure of Guarantees", issued by the Canadian Institute of Chartered Accountants, which requires a guarantor to disclose in its notes to the consolidated financial statements significant information about guarantees it has provided. Under this guideline, a guarantee is defined as a contract or indemnification agreement, which requires the Company to make payments (cash, financial instruments, other assets, the Company's own shares or the provision of services) to a third party contingent on future events. These payments are contingent on either (i) changes in an underlying interest rate, security price, commodity price, foreign exchange rate or other variables that are related to an asset, liability or an equity security of the guaranteed party, (ii) the failure of another entity to perform under an obligating agreement or (iii) the failure of another party to pay its indebtedness when due (a "Guarantee"). The disclosures are required even when the likelihood of the guarantor having to make any payment under the Guarantee is remote.

The Company has provided to third parties the following significant Guarantees:

Standby Letters Of Credit

Loblaw has established a standby letter of credit for the benefit of an independent Trust with respect to the credit card receivables securitization program of President's Choice Bank, a wholly owned subsidiary of Loblaw. This standby letter of credit could be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables, after the cash reserve account established pursuant to the securitization agreement has been depleted. Loblaw believes that the likelihood of this occurrence is remote. The aggregate gross potential liability under this arrangement, which represents 15% of the securitized credit card receivables amount, is approximately $77 million.

A standby letter of credit has been established by Loblaw in the amount of $35 million for the benefit of an independent Trust which provides loans to Loblaw's franchisees for their purchase of inventory and fixed assets. In the event that a franchisee defaults on its loan and Loblaw has not, within a specified time period, (i) assumed the loan, (ii) purchased the assets over which security has been taken, or (iii) increased the amount of the standby letter of credit by the outstanding amount under the loan, the Trust may draw upon this standby letter of credit.

Lease Obligations

In connection with historical dispositions of certain of its assets, the Company has assigned leases to third parties. The Company remains contingently liable for these lease obligations in the event any of the assignees are in default of their lease obligations. The estimated amount for minimum rent, which does not include other lease related expenses such as property tax and common area maintenance charges, is $189 million.

Indemnification Provisions

The Company from time to time enters into agreements in the normal course of its business, such as service arrangements and leases, and in connection with business or asset acquisitions or dispositions. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breach of representations and warranties and for future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and can extend for an unlimited period of time. Given the nature of these indemnification provisions, the Company is unable to reasonably estimate its total maximum potential liability as certain indemnification provisions do not provide for a maximum potential amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

13. Segment Information

The Company has three reportable operating segments: Weston Foods, Food Distribution and Fisheries. The accounting policies of the segments are the same as those described herein and in the Company's 2002 Annual Report. The Company measures each segment's performance based on operating income. No segment is reliant on any single external customer.

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**June 14, 2003**	June 15, 2002	**June 14, 2003**	June 15, 2002
Sales				
Weston Foods	**$ 1,077**	$ 1,111	**$ 2,206**	$ 2,258
Food Distribution	**5,798**	5,308	**11,174**	10,259
Fisheries	**51**	53	**97**	92
Intersegment	**(172)**	(148)	**(324)**	(287)
Consolidated	**$ 6,754**	$ 6,324	**$ 13,153**	$ 12,322
Operating Income				
Weston Foods	**$ 117**	$ 108	**$ 200**	$ 185
Food Distribution	**314**	272	**581**	504
Fisheries			**(8)**	(7)
Consolidated	**$ 431**	$ 380	**$ 773**	$ 682

Corporate Profile

George Weston Limited ("Weston") is a broadly based Canadian company founded in 1882 and is one of North America's largest food processing and distribution companies. Weston has three reportable operating segments: Weston Foods, Food Distribution and 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 Atlantic fresh farmed salmon in North America and Chile.

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.

This Quarterly Report to Shareholders includes selected information on Loblaw Companies Limited, a subsidiary of the Company and a public reporting company with shares trading on the Toronto Stock Exchange.

Weston

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Ce rapport est disponible en français.