George Weston Limited
Quarterly Report to Shareholders

12 Weeks Ended March 27, 2004

Q1

Weston

FORWARD-LOOKING STATEMENTS

This Quarterly Report for George Weston Limited ("Weston") and its subsidiaries (collectively referred to as the "Company"), including the Management's Discussion and Analysis ("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 and ingredients, 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 the MD&A included in Weston's 2003 Annual Report. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements. In evaluating forward-looking statements, readers should specifically consider the various factors which could cause actual events or results to differ materially from such forward-looking statements.

Report to Shareholders

George Weston Limited's first quarter basic net earnings per common share were $0.88, a decrease of 8.3% compared to $0.96 in 2003. This decrease was attributed to the decline in operating results for the Weston Foods operating segment, including the negative impact of foreign currency translation due to the strengthened Canadian dollar relative to the United States dollar, combined with higher stock-based compensation costs net of the impact of the related equity derivatives due to the decline of Weston's and Loblaw Companies Limited's ("Loblaw") share price from year end.

Sales increased 2.9% to $6.6 billion for the quarter including the negative impact of approximately 2% due to foreign currency translation of the Weston Foods operating results. Sales were impacted positively by the 5.6% sales increase achieved by the Food Distribution operating segment, operated by Loblaw. Sales were impacted by the Weston Foods sales decline of 8.1% which includes a negative impact of approximately 10% due to foreign currency translation.

Operating income increased slightly to $344 million for the first quarter of 2004, compared to $342 million in 2003. Consolidated operating margin for the quarter declined slightly to 5.2% from 5.3% in 2003. Included in this quarter's results was a charge of $12 million (2003 – $2 million) for stock-based compensation net of the impact of the related equity derivatives due to the decline of Weston's and Loblaw's share price from year end. This resulted in a decrease to reported operating income growth of approximately 3% compared to the same period of 2003. In addition, the consolidated operating margin for the quarter was impacted positively by an increase in the Food Distribution operating margin to 5.3% from 5.0% in 2003 and negatively by a decrease in the Weston Foods operating margin to 4.5% from 7.4% in 2003.

Interest expense increased 49.1% to $79 million for the first quarter of 2004 primarily due to higher average borrowing levels and the lower net positive impact of the Company's interest rate, currency and equity derivative agreements. The effective income tax rate decreased to 29.1% compared to 33.6% in 2003 as a result of the Canadian federal statutory income tax rate decline and Loblaw's successful resolution in the quarter of certain previous year's income tax matters of $14 million which were partially offset by the net $3 million income tax expense related to stock-based compensation and the associated equity derivatives.

The outlook for the remainder of the year for Food Distribution is for continued good growth in sales and net earnings, although constrained by food price deflation in certain markets. Loblaw continues to successfully execute its strategic initiatives, improving its cost base and its consumer value proposition and positioning itself for sustainable future growth in conjunction with a solid capital investment program.

Weston Foods continues to produce sales and operating income growth in Canada. The current consumer trend away from traditional white flour based bakery products, the difficult food retail environment in the United States, and the ongoing industry-wide cost pressures from higher commodity, energy and employee related costs are expected to continue to negatively impact sales and earnings growth for Weston Foods as the year progresses.

Overall our competitive position in both operating segments continues to be strong as both businesses focus on their core strategies for the long term.

W. Galen Weston

W. Galen Weston
Chairman and President

Toronto, Canada
May 10, 2004

Management's Discussion and Analysis

The following MD&A for George Weston Limited should be read in conjunction with Weston's 2004 unaudited interim period consolidated financial statements and the accompanying notes included on pages 16 to 24 of this Quarterly Report and the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2003 and the related annual MD&A included in Weston's 2003 Annual Report. Weston's 2004 unaudited interim period consolidated financial statements and the accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. A glossary of terms and ratios used throughout this Quarterly Report can be found on page 94 of Weston's 2003 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, short term investments and the Domtar investment 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. The information in this MD&A is current to May 10, 2004, unless otherwise noted.

CONSOLIDATED RESULTS OF OPERATIONS

Sales Sales for the first quarter of 2004 increased 2.9%, or $184 million, to $6.6 billion from $6.4 billion in 2003. The impact of foreign currency translation due to the strengthening Canadian dollar on the Weston Foods operating segment negatively impacted consolidated sales by approximately 2% for the first quarter. The Company's consolidated sales were impacted by each of its reportable operating segments as follows:

- Negatively by 1.4% due to a sales decline of 8.1% at Weston Foods, due in part to the negative impact of foreign currency translation which negatively impacted Weston Foods reported sales growth by approximately 10%.
- Positively by 4.7% due to sales growth of 5.6% at Food Distribution with all regions across the country experiencing sales growth over the prior year.
- Marginally due to a sales decline of 26.1% at Fisheries which was impacted by the negative publicity directed toward the farmed salmon industry early in the quarter.

Operating Income Operating income for the first quarter of 2004 increased marginally to $344 million compared to $342 million in 2003, including a $12 million (2003 – $2 million) charge for stock-based compensation net of the impact of the related equity derivatives due to the decline of Weston's and Loblaw's market price per common share from year end. The Company's operating income was impacted by each of its reportable operating segments as follows:

- Negatively by 10.5% due to an operating income decline of 43.4% at Weston Foods, primarily due to lower operating margins, the negative impact of foreign currency translation and higher stock-based compensation cost net of the impact of the related equity derivatives.

- Positively by 10.5% due to an operating income increase of 13.5% at Food Distribution, primarily due to net improvements in operating margins partially offset by higher stock-based compensation cost net of the impact of the related equity derivatives.
- Marginally due to lower operating losses at Fisheries.

The Company's 2004 consolidated operating margin declined to 5.2% from 5.3% in 2003 and the consolidated EBITDA (see Supplementary Financial Information beginning on page 14) margin remained constant with the comparable period in 2003 at 7.3%. The consolidated operating margin declined in the first quarter of 2004 due to higher stock-based compensation cost net of the impact of the related equity derivatives and lower operating margins at Weston Foods, partially offset by improved operating margins at Food Distribution.

Interest Expense Interest expense for the first quarter of 2004 increased $26 million, or 49.1%, to $79 million from $53 million in 2003. The increase is explained as follows:

- Net long term interest expense increased $20 million, or 32.3% to $82 million from $62 million in 2003 as a result of an increase in average long term borrowing levels and the lower net positive effect of the Company's interest rate, currency and equity derivative agreements.
- Net short term interest expense of $2 million compared to interest income of $1 million in 2003 due primarily to lower average short term United States investment rates.
- During the first quarter of 2004, $5 million (2003 – $8 million) of interest expense was capitalized to fixed assets.

Income Taxes The Company's effective income tax rate decreased to 29.1% compared to 33.6% in 2003 as a result of declining Canadian federal income tax rate and Loblaw's successful resolution in the quarter of certain previous year's income tax matters of $14 million which were partially offset by the net $3 million income tax expense related to stock-based compensation and the associated equity derivatives. The Company's effective income tax rate also varies as the taxable income by jurisdiction varies from period to period.

Net Earnings Net earnings for the first quarter of 2004 decreased $13 million, or 9.7%, to $121 million from $134 million in 2003. Basic net earnings per common share for the first quarter of 2004 decreased $0.08, or 8.3%, to $0.88 from $0.96 in 2003 due to the decrease in net earnings partially offset by the impact of lower weighted average common shares outstanding due to the purchase for cancellation of approximately 3.5 million common shares over the last four quarters.

REPORTABLE OPERATING SEGMENTS

Weston Foods

Sales Weston Foods sales for the first quarter of $1.0 billion declined 8.1%, or $91 million compared to last year, negatively impacted by approximately 10% due to the impact of foreign currency translation. Overall volume increased by approximately 1% for the first quarter driven by the introduction of new and expanded product offerings and increased sales with alternate format retailers. The difficult sales environment being experienced by traditional food retailers in the United States as consumer shopping patterns continue to shift towards alternate retail channels continued. However, some improvements in the traditional food retail channel were experienced during the first quarter of 2004 over last year. In addition, the consumer trend toward lower carbohydrate ("low-carb") products, continued to negatively impact sales of traditional white flour based bakery products at an accelerated pace for the quarter. However, the overall decline being experienced in these traditional products is somewhat offset by the growth in the whole grain and premium product categories in which Weston Foods increased its participation through the introduction of several new premium and low-carb bread and cake products during the quarter. Although Weston Foods has responded quickly to changing consumer preferences by introducing low-carb and reduced-carbohydrate bakery products, it is too early to predict and quantify consumer demand for this new category of bakery products.

Operating Income Weston Foods operating income for the first quarter of $47 million decreased 43.4% compared to last year. Operating margin declined to 4.5% from 7.4% in 2003 and EBITDA margin also declined to 7.7% from 10.5% in 2003. The negative impact of foreign currency translation combined with higher stock-based compensation costs net of the impact of the related equity derivatives negatively impacted Weston Foods operating income growth by approximately 12% during the quarter. Although operating income for the quarter was positively impacted by the sales volume growth experienced, this was more than offset by the negative impact of higher materials, energy and employee related costs as a result of the significant inflation being experienced in these cost areas. In addition, the complexity associated with the introduction of several new and expanded product offerings during the quarter, including low-carb breads and cake products, resulted in higher operating costs during the quarter. As a result, the contribution from these new products is not expected to fully compensate for the declines being experienced in the traditional white flour based bakery products in the near term.

Food Distribution

Sales Food Distribution sales for the first quarter of $5.7 billion increased 5.6% or $301 million compared to last year. All regions across the country experienced sales growth over the prior year.

The increase in sales resulted from a 2.0% same-store sales growth in the quarter and, during the latest four quarters, an increase of 2.3 million square feet of net retail square footage related to the opening of 62 new corporate and franchised stores and the closure of 63 stores, inclusive of stores which have undergone conversions and major expansions. During the first quarter of 2004, 12 new corporate and franchised stores were opened and 17 stores were closed resulting in a net increase of .5 million square feet or 1.2%. National food price inflation has declined from between 1% and 2% in 2003 to a nominal amount in 2004, with some markets experiencing food price deflation. Volumes through the stores increased consistently with sales with some minor impact from shifts in product mix. Non-food retail sales growth continued to outpace that of food retail sales growth in the quarter.

Operating Income Food Distribution operating income for the first quarter of $303 million increased 13.5%, or $36 million, compared to last year. Operating margin improved to 5.3% compared to 5.0% in 2003. EBITDA margin improved to 7.1% from 6.6% in 2003. The net improvement in operating margins resulted from efficiency improvements in supply chain and store operations and from leveraging fixed costs in stores opened during the last several years. These improvements were partially offset by a $7 million (2003 – $2 million) charge for stock-based compensation net of the impact of the related equity derivatives. Gross margin dollars increased proportionately to the overall sales increase. The gross margin percentage remained essentially unchanged with the comparable period in 2003. The investment in lower selling prices was offset by the improvement in inventory shrinkage and buying synergies.

Fisheries

Sales Fisheries sales for the first quarter of $34 million decreased 26.1%, or $12 million, compared to last year primarily due to lower harvest volumes and depressed demand which was impacted by the negative publicity directed toward the farmed salmon industry early in the quarter. Fresh salmon market average prices remained consistent with last year.

Operating Income Fisheries operating loss for the first quarter of $6 million compared to an operating loss of $8 million in 2003. Last year's first quarter results included a $2 million inventory loss as a result of the extremely cold weather experienced on the east coast of North America. A return to profitability remains dependent upon further price improvements.

CONSOLIDATED FINANCIAL CONDITION

Financial Ratios The Company's net debt (excluding the Exchangeable Debentures) (see Supplementary Financial Information beginning on page 14) to equity ratio for the first quarter of 2004 was 1.26:1 compared to 1.10:1 in the same period of 2003 and 1.15:1 at year end 2003. The increase in the first quarter in this ratio from the comparable period in 2003 resulted in part from the decrease in United States dollar denominated cash, cash equivalents and short term investments resulting from foreign currency translation and the decrease in shareholders' equity resulting from the translation of the Company's investment in self-sustaining foreign operations in the United States. Both of these decreases were due to the significant appreciation of the Canadian dollar relative to the United States dollar. In addition, the decrease in shareholders' equity due to the purchase for cancellation of Weston common shares along with the impact on net debt due to increased funding requirements, primarily due to defined benefit pension plan contributions, working capital requirements and the purchase for cancellation of Loblaw common shares also negatively impacted the net debt to equity ratio for the quarter. The interest coverage ratio for the first quarter of 2004 declined to 4.4 times compared to 6.5 times in the first quarter of 2003 due to higher interest expense.

The Company's rolling year return on average total assets (see Supplementary Financial Information beginning on page 14) at the end of the first quarter of 2004 of 11.8% was slightly lower than the return of 11.9% in the comparable period of 2003 and the year end 2003 return of 12.0%. The Company's rolling year return on average common shareholders' equity was 18.8% at the end of the first quarter of 2004 compared to 18.7% in the comparable period of 2003 and declined compared to the year end 2003 return of 19.4%.

Dividends On April 1, 2004, common dividends of $0.36 per common share and preferred dividends of $0.32 per preferred share, Series II were paid as declared by Weston's Board of Directors (the "Board"). On March 15, 2004, preferred dividends of $0.36 per preferred share, Series I were paid as declared by the Board. The quarterly common dividend increased by 20% over the prior year.

Outstanding Share Capital Weston's outstanding share capital is comprised of common shares and preferred shares. An unlimited number of common shares is authorized and 128.9 million common shares were outstanding at quarter end. An unlimited number of preferred shares Series I and Series II are authorized and 9.4 million preferred shares Series I and 10.6 million preferred shares Series II were outstanding at quarter end. Further information on the Company's outstanding share capital is provided in Note 9 to the unaudited interim period consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows used in Operating Activities First quarter 2004 cash flows used in operating activities were $275 million compared to $245 million in the comparable period of 2003. The change resulted mainly from an increased investment in non-food inventory by Loblaw.

On an annual basis, the cash flows from operating activities are expected to fund a significant portion of the Company's funding requirements including the anticipated 2004 capital investment activity of approximately $1.6 billion.

Cash Flows used in Investing Activities First quarter 2004 cash flows used in investing activities were $181 million compared to $156 million in 2003.

Capital investment for the first quarter of 2004 totaled $241 million (2003 – $224 million) as the Company continues its commitment to maintain and renew its asset base and invest for growth within North America.

During the first quarter of 2004, Loblaw, through its wholly owned subsidiary President's Choice Bank, securitized $55 million (2003 – $79 million) of credit card receivables under its securitization program yielding a minimal gain based on assumptions disclosed in Note 9 of the consolidated financial statements included in Weston's 2003 Annual Report.

Cash Flows from Financing Activities First quarter 2004 cash flows from financing activities were $513 million compared to $497 million in 2003. During the quarter, Weston issued $200 million of 5.05% Medium Term Notes ("MTN") due 2014 and Loblaw issued $200 million of 6.15% MTN due 2035, both pursuant to their respective 2003 Base Shelf Prospectuses. Also during the quarter, Weston repaid its $200 million Series A, 7.45% Debentures which matured during the quarter.

During the first quarter of 2004, Weston renewed its Normal Course Issuer Bid ("NCIB") to purchase on the Toronto Stock Exchange or enter into equity derivatives to purchase up to 6,442,692 of its common shares, representing approximately 5% of the common shares outstanding. Weston, 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 quarter, Weston purchased for cancellation 587,200 of its common shares for $59 million, pursuant to its NCIB and Loblaw purchased for cancellation 132,400 of its common shares for $8 million, pursuant to its NCIB. In addition, subsequent to quarter end, Loblaw purchased for cancellation 443,700 of its common shares for $27 million pursuant to its NCIB.

Subsequent to quarter end, Weston entered into interest rate swap contracts with a notional value of $200 million which mature in 2014. These interest rate swaps were designated as a fair value hedge of the $200 million of 5.05% MTN due 2014. Under the terms of the interest rate swaps, Weston will receive a fixed interest rate of 4.8% and pay floating interest rates.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period consolidated financial statements for each of the eight most recently completed quarters. This information was prepared in accordance with Canadian GAAP and was reported in Canadian dollars. Each of the quarters presented were 12 weeks in duration except for the third quarter which was 16 weeks for each of 2003 and 2002 and the fourth quarter of 2003 which was 13 weeks in duration due to the 53 week fiscal year in 2003.

Quarterly Financial Information (unaudited)

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
($ millions except where otherwise indicated)	**2004**	2003	2003	2002	2003	2002	2003	2002
Sales	**$ 6,583**	$ 6,399	$ 7,277	$ 6,615	$ 8,768	$ 8,509	$ 6,754	$ 6,324
Net earnings	**$ 121**	$ 134	$ 252	$ 231	$ 213	$ 190	$ 193	$ 161
Net earnings per common share ($)								
Basic	**$ .88**	$ .96	$ 1.87	$ 1.70	$ 1.55	$ 1.37	$ 1.42	$ 1.18
Diluted	**$ .88**	$ .96	$ 1.86	$ 1.70	$ 1.54	$ 1.36	$ 1.42	$ 1.17

Sales growth in 2004 has been impacted by the foreign currency translation at Weston Foods and the pricing activity and food price deflation at Food Distribution. The overall decrease in net earnings for the first quarter of 2004 was impacted as follows:

- Negatively by higher stock-based compensation net of the impact of the related equity derivatives,
- Negatively by the impact of the foreign currency translation and higher operating costs at Weston Foods,
- Positively by the impact of the operating efficiency improvements at Food Distribution,
- Negatively by the increase in interest expense, and
- Positively by the decline in income tax expense.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Management continually evaluates the estimates and assumptions it uses. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that the Company may undertake in the future. Actual results could differ from these estimates.

The estimates and assumptions described in this section depend upon subjective or complex judgments about matters that may be uncertain and changes in those estimates and assumptions could materially impact the consolidated financial statements.

Pension, Post-Retirement and Post-Employment Benefits Certain estimates and assumptions are used in actuarially determining the Company's defined pension and other benefit plans expense and accrued benefit plan obligations. These estimates and assumptions include management's best estimate of the expected long term rate of return on plan assets, salary escalation, retirement ages, expected growth of health care costs and discount rates. Market values are used to value benefit plan assets.

Three significant assumptions used to calculate the pension and other benefit plans expense and the related benefit obligations are the discount rate, the expected long term rate of return on plan assets and the expected growth rate of health care costs. These assumptions depend on various underlying factors such as economic conditions, investment performance, employee demographics and mortality rates. These assumptions may change in the future and may result in material changes in the pension and other benefit plans expense, and in accrued benefit plan assets and liabilities and could therefore materially affect the Company's operating income and consolidated balance sheet. The magnitude of any immediate impact however is mitigated by the fact that net actuarial gains and losses in excess of more than 10% of the greater of the accrued benefit plan obligation and the market value of the benefit plans assets are amortized on a straight-line basis over the average remaining service period of the active employees. Changes in financial market returns and interest rates could also result in changes in funding requirements for the Company's defined benefit pension plans.

The discount rate is based on current market interest rates, assuming a portfolio of Corporate AA bonds with terms to maturity that, on average, match the term of the obligation. The appropriate discount rate is determined at September 30 every year. For 2004, the discount rate for pension benefit plans and other benefit plans expense was 6.3% and 6.1% respectively and compared to 6.6% and 6.4% respectively in 2003. The expected long term rate of return on plan assets for pension benefit plans for each of 2004 and 2003 was 8.0%. The expected growth rate in health care costs was based on external data and the Company's own historical trends for health care costs and was, in 2004, consistent with that of 2003. A table illustrating the sensitivity of a 1% change in each of these significant assumptions on the accrued benefit plan obligations and benefit plan expense for pension and other benefit plans is included on page 52 of the MD&A section of Weston's 2003 Annual Report.

Goodwill and Indefinite Life Intangible Assets Goodwill is not amortized and is assessed for impairment at the reporting unit level at least annually. Any potential goodwill impairment is identified by comparing the fair value of a reporting unit to its carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of the reporting unit exceeds its fair value, potential goodwill impairment has been identified and must be quantified by comparing the estimated fair value of the reporting unit's goodwill to its carrying value. Fair value of goodwill is estimated in the same manner as goodwill is determined at the date of acquisition in a business acquisition, that is, the excess of the fair value of the reporting unit over the fair value of the identifiable net assets of the reporting unit. Any goodwill impairment will result in a reduction in the carrying value of goodwill on the consolidated balance sheet and in the recognition of a non-cash impairment charge in operating income.

The Company determines the fair value of its reporting units by using a discounted cash flow model corroborated by other valuation techniques such as market multiples. The process of determining these fair values requires management to make estimates and assumptions of a long term nature including, but not limited to, projected future sales, earnings and capital investment, discount rates and terminal growth rates. Projected future sales, earnings and capital investment are consistent with strategic plans presented to the Company's Board of Directors. Discount rates are based on an industry weighted average cost of capital. These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies.

Intangible assets with indefinite lives, primarily consisting of Weston Foods' trademarks and brand names, are assessed for impairment at least annually. Any potential intangible asset impairment is identified by comparing the fair value of the indefinite life intangible asset to its carrying value. If the fair value of the intangible asset exceeds its carrying value, the intangible asset is not considered to be impaired. If the carrying value of the intangible asset exceeds its fair value, impairment is identified as the difference between the fair value and the carrying value and will result in a reduction in the carrying value of the intangible assets on the consolidated balance sheet and in the recognition of a non-cash impairment charge in operating income.

The Company determines the fair value of its trademarks and brand names by using the "Relief from Royalty Method", a discounted cash flow model. The process of determining the fair values requires management to make assumptions of a long term nature regarding projected future sales, terminal growth rates, royalty rates and discount rates. Projected future sales are consistent with strategic plans presented to Weston's Board and discount rates are based on an industry after tax cost of equity. These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies.

During the fourth quarter of 2003, the Company performed the annual goodwill and indefinite life intangible assets impairment tests and determined that there was no impairment to the carrying value of the goodwill or indefinite life intangible assets.

Income Taxes Future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Future income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and future income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment. The financial statement carrying values of assets and liabilities are subject to accounting estimates inherent in those balances. The income tax bases of assets and liabilities are based upon the interpretation of income tax legislation across various jurisdictions. The current and future income tax assets and liabilities are also impacted by expectations about future operating results and the timing of reversal of temporary differences as well as possible audits of tax filings by the regulatory authorities. Management believes it has adequately provided for income taxes based on current available information.

On an ongoing basis, future income tax assets are reviewed to determine if a valuation allowance is required and if it is deemed more likely than not that the future income tax assets will not be realized based on taxable income projections, a valuation allowance is recorded. As at December 31, 2003, total valuation allowances amounted to $97 million.

Changes or differences in these estimates or assumptions may result in changes to the current or future income tax balances on the consolidated balance sheet, a charge or credit to income tax expense and may result in cash payments or receipts.

ACCOUNTING STANDARDS IMPLEMENTED IN 2004

Effective January 1, 2004, the Company implemented the following accounting standards issued by the Canadian Institute of Chartered Accountants:

- Section 3063, "Impairment of Long-lived Assets", addresses the recognition, measurement and disclosure of impairment of long-lived assets held-for-use. Long-lived assets are reviewed for impairment when events or circumstances indicate that their carrying value exceeds the sum of the undiscounted cash flows expected from their use and eventual disposal. An impairment loss is measured as the amount by which the long-lived assets' carrying value exceeds the fair value. Accordingly, the Company reviews long-lived assets for impairment annually. Asset groups are reviewed for impairment at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. For purposes of annually reviewing Weston's long-lived assets for impairment, manufacturing assets are grouped together by major production category where cash flows are largely dependent on each other. For purposes of annually reviewing Loblaw's store assets for impairment, store net cash flows are grouped together by primary market areas where cash flows are largely dependent on each other. Primary markets refer to regional areas where Loblaw operates a number of store formats within close proximity of each other. If an indicator of impairment, such as sustained negative operating cash flows exists, then an estimate of undiscounted future cash flows of each such major production category for

Weston or store for Loblaw is prepared and compared to its carrying value. If Weston's manufacturing assets or Loblaw's store assets are determined to be impaired, the impairment loss is measured as the excess of the carrying value over its fair value. In addition, the Company evaluates the carrying value of Weston's manufacturing assets and Loblaw's store assets whenever events or changes in circumstances indicate that the carrying value of assets may not be recoverable. These events or changes in circumstances include a commitment to close, retire or transfer manufacturing assets for Weston and to close, relocate or convert a Loblaw store where the carrying value of the assets is greater than the expected future cash flows.

The standard was applied prospectively with no material impact on the financial condition or results of operations.

- Accounting guideline ("AcG") 13, "Hedging Relationships", addresses the identification, designation, documentation and effectiveness of hedging relationships for the purposes of applying hedge accounting and provides guidance with respect to the discontinuance of hedge accounting. Financial derivative instruments not designated within an AcG 13 compliant hedging relationship are measured at fair value with changes in fair value recorded in the consolidated statement of earnings in accordance with the Emerging Issues Committee ("EIC") Abstract 128, "Accounting for Trading Speculative or Non-Hedging Derivative Financial Instruments".

  Pursuant to the requirements of AcG 13, the Company has formally identified and documented the following hedging relationships: Weston's 3% Exchangeable Debentures as a hedge of the anticipated disposal of the Domtar investment; cross currency basis swaps and interest rate swaps as cash flow hedges against its exposure to fluctuations in the foreign currency exchange rate and interest rates on a portion of its United States dollar denominated assets, principally cash equivalents and short term investments held by Loblaw; Loblaw's interest rate swaps as a cash flow hedge of the variable interest rate exposure on commercial paper; commodity futures as a hedge of anticipated commodity purchases; and the electricity forward contract as a cash flow hedge of price volatility of the Company's electricity costs in Ontario, Canada. The effectiveness tests were also performed to establish that both at inception and prospectively the hedging relationships will be effective. The accounting policies for hedging relationships that meet the requirements prescribed by AcG 13, are consistent with those described in the notes to Weston's audited annual consolidated financial statements for the year ended December 31, 2003.

  Subsequent to quarter end, Weston entered into interest rate swaps designated as a fair value hedge of the $200 million of 5.05% MTN due 2014.

  Hedging relationships that ceased to be eligible for hedge accounting under AcG 13 were discontinued as of January 1, 2004 except for Weston's equity forward sale agreement based on 9.6 million Loblaw common shares as discussed below. The financial derivative instruments in the hedging relationships that ceased to be eligible for hedge accounting and were previously recorded on an accrual basis were fair valued as of January 1, 2004 and the resulting fair value loss was deferred and will be amortized over the original hedge term of approximately three years. The resulting impact on the financial condition and results of operation was not material. Subsequent changes in the fair value of these financial derivative instruments will be recognized in interest expense prospectively.

Effective the third quarter of 2004, hedge accounting will no longer be permissible for Weston's equity forward sale agreement based on 9.6 million Loblaw common shares as a result of the amendment to EIC 56, "Exchangeable Debentures". EIC 56 has been amended to conform with the provisions of AcG 13, which deal with items ineligible for hedge accounting, by rescinding the ability to use hedge accounting if an entity's investment in the underlying shares is consolidated or is accounted for by the equity method. The effective date to cease the hedge accounting described is the first fiscal period commencing after July 1, 2004. As a result of this amendment to EIC 56, effective for the third quarter of 2004, the Company will be required to recognize on a prospective basis, the fair value adjustments of this agreement in net earnings and may have a significant impact on quarterly net earnings, subject to the volatility of the market price per Loblaw common share. The fair value adjustment is a non-cash item and will ultimately be offset by the recognition of a gain on Weston's disposition of the 9.6 million Loblaw common shares. At quarter end, the non-cash fair value adjustment of $142 million has been deferred and recorded in the balance sheet in other assets and other liabilities. According to the transitional provisions, the non-cash fair value adjustment as of the effective date of the amendment to EIC 56 will remain deferred and included in other assets and other liabilities on the consolidated balance sheet and will be recognized in net earnings at maturity or upon termination of the forward sale agreement.

- Section 3110, "Asset Retirement Obligations", establishes standards for the recognition, measurement and disclosure of legal obligations associated with the cost to retire long-lived assets. A liability associated with the retirement of long-lived assets is recorded in the period in which the legal obligation is incurred at its estimated fair value and a corresponding asset is capitalized as part of the related asset and depreciated over its useful life. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted to reflect the passage of time and changes in the estimated future costs underlying the obligation.

  Accordingly, the Company has recognized a discounted liability associated with obligations arising from specific provisions in certain lease agreements regarding the exiting of leased properties at the end of the respective lease terms. As well, the Company has recognized a discounted liability associated with environmental decommissioning and remediation as required by environmental regulations which require that certain assets be decommissioned and/or remediated in a specified manner. The standard was implemented retroactively with restatement of the prior period consolidated financial statements. The cumulative effect of implementation was a decrease to opening retained earnings for 2003 of $9 million (net of future income taxes recoverable of $5 million), an increase in fixed assets of $3 million and an increase in other liabilities of $17 million. The impact on net earnings for each of 2003 and 2004 was not material.

OUTLOOK

The outlook for the remainder of the year for Food Distribution is for continued good growth in sales and net earnings, although constrained by food price deflation in certain markets. Loblaw continues to successfully execute its strategic initiatives, improving its cost base and its consumer value proposition and positioning itself for sustainable future growth in conjunction with a solid capital investment program.

Weston Foods continues to produce sales and operating income growth in Canada. The difficult food retail environment in the United States is causing realignment of our Weston Foods manufacturing facilities and distribution network. The current consumer trend away from traditional white flour based bakery products accelerated in this quarter and although Weston Foods has responded to these trends by introducing value added premium and low carb products, this has added complexity and cost. In addition, the ongoing industry-wide cost pressures from higher commodity, energy and employee related costs have been responded to with pricing increases in key product categories. The current trends are expected to continue to negatively impact sales and earnings growth for Weston Foods as the year progresses.

Overall our competitive position in both operating segments continues to be strong as both businesses focus on their core strategies for the long term.

ADDITIONAL INFORMATION

Additional financial information, including Weston's Annual Information Form, has been filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com.

SUPPLEMENTARY FINANCIAL INFORMATION

The Company reports its financial results in accordance with Canadian GAAP. However, the Company has included certain non-GAAP financial measures and ratios which it believes provide useful information to both management and readers of this Quarterly Report in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with Canadian GAAP.

EBITDA The Company believes EBITDA is useful as an indicator of its operational performance and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

The following tables reconcile EBITDA to Canadian GAAP measures reported in the unaudited consolidated statements of earnings:

	12 Weeks Ended Mar. 27, 2004			
($ millions)	**Weston Foods**	**Food Distribution**	**Fisheries**	**Consolidated**
Operating income	**$ 47**	**$ 303**	**$ (6)**	**$ 344**
Depreciation	**33**	**99**	**2**	**134**
EBITDA	**$ 80**	**$ 402**	**$ (4)**	**$ 478**

	12 Weeks Ended Mar. 22, 2003			
($ millions)	Weston Foods	Food Distribution	Fisheries	Consolidated
Operating income	$ 83	$ 267	$ (8)	$ 342
Depreciation	36	86	2	124
EBITDA	$ 119	$ 353	$ (6)	$ 466

The following table provides additional financial information:

	As at	
	Mar. 27, 2004	Mar. 22, 2003
Market price per common share ($)	**$ 98.15**	$ 93.75
Actual common shares outstanding (in millions)	**128.9**	132.3
Weighted average common shares outstanding (in millions)	**129.1**	132.3

Net Debt The Company calculates net debt as the sum of long term debt and short term debt less cash, cash equivalents and short term investments and believes this measure is useful in evaluating the amount of leverage employed by the Company. The Company calculates net debt excluding exchangeable debentures as net debt (as calculated above) less exchangeable debentures and believes this measure is also useful in evaluating the amount of leverage employed by the Company as the exchangeable debentures can be settled with the Company's investment in Domtar common shares included in other assets.

The following table reconciles net debt excluding exchangeable debentures to Canadian GAAP measures reported in the unaudited consolidated balance sheets:

	As at	
($ millions)	**Mar. 27, 2004**	Mar. 22, 2003
Bank indebtedness	**$ 111**	$ 58
Commercial paper	**1,114**	988
Short term bank loans	**76**	42
Long term debt due within one year	**307**	308
Long term debt	**6,032**	5,491
Less:		
Cash and cash equivalents	**1,034**	1,203
Short term investments	**538**	387
Net debt	**6,068**	5,297
Less: Exchangeable debentures	**373**	375
Net debt excluding exchangeable debentures	**$ 5,695**	$ 4,922

Total Assets The Company uses the return on average total assets ratio to measure the performance of operating assets and therefore excludes cash, cash equivalents, short term investments, and the Domtar investment from the total assets used in this ratio. The Company believes this results in a more accurate measure of the performance of its operating assets.

The following table reconciles total assets used in the return on average total assets measure to Canadian GAAP measures reported in the unaudited consolidated balance sheets:

	As at	
($ millions)	**Mar. 27, 2004**	Mar. 22, 2003 restated (1)
Total assets	**$ 17,584**	$ 16,945
Less:		
Cash and cash equivalents	**1,034**	1,203
Short term investments	**538**	387
Domtar investment	**367**	367
Total assets	**$ 15,645**	$ 14,988

(1) See Note 1 to the unaudited interim period consolidated financial statements.

Consolidated Statements of Earnings

(unaudited) ($ millions except where otherwise indicated)	12 Weeks Ended Mar. 27, 2004	Mar. 22, 2003
Sales	**$ 6,583**	$ 6,399
Operating Expenses		
Cost of sales, selling and administrative expenses	**6,104**	5,933
Depreciation	**134**	124
Restructuring and other charges (note 2)	**1**	
	6,239	6,057
Operating Income	**344**	342
Interest Expense (note 3)	**79**	53
Earnings Before the Following:	**265**	289
Income Taxes (note 4)	**77**	97
	188	192
Minority Interest	**67**	58
Net Earnings	**$ 121**	$ 134
Net Earnings per Common Share ($) (note 5)		
Basic and diluted	**$ .88**	$ .96

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

Consolidated Statements of Retained Earnings

(unaudited) ($ millions except where otherwise indicated)	12 Weeks Ended Mar. 27, 2004	Mar. 22, 2003
Retained Earnings, Beginning of Period as Previously Reported	**$ 4,046**	$ 3,712
Impact of implementing new accounting standard (note 1)	**(9)**	(9)
Retained Earnings, Beginning of Period as Restated	**$ 4,037**	$ 3,703
Net earnings	**121**	134
Premium on common shares purchased for cancellation (note 9)	**(58)**	
Dividends declared		
Per common share – $.36 (2003 – $.30)	**(46)**	(40)
Per preferred share – Series I – $.36 (2003 – $.36)	**(4)**	(4)
– Series II – $.32 (2003 – $.32)	**(3)**	(3)
Retained Earnings, End of Period	**$ 4,047**	$ 3,790

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

Consolidated Balance Sheets

($ millions)	As at Mar. 27, 2004 (unaudited)	Dec. 31, 2003 restated (note 1)
Assets		
Current Assets		
Cash and cash equivalents	**$ 1,034**	$ 965
Short term investments	**538**	545
Accounts receivable	**992**	935
Inventories	**2,095**	2,049
Future income taxes	**143**	152
Prepaid expenses and other assets	**61**	52
Total Current Assets	**4,863**	4,698
Fixed Assets	**7,856**	7,746
Goodwill and Intangible Assets (notes 6 & 7)	**3,580**	3,542
Future Income Taxes	**78**	79
Other Assets	**1,207**	1,279
Total Assets	**$ 17,584**	$ 17,344
Liabilities		
Current Liabilities		
Bank indebtedness	**$ 111**	$ 108
Commercial paper	**1,114**	696
Accounts payable and accrued liabilities	**2,672**	2,971
Income taxes	**54**	181
Short term bank loans	**76**	67
Long term debt due within one year (note 8)	**307**	307
Total Current Liabilities	**4,334**	4,330
Long Term Debt (note 8)	**6,032**	5,832
Future Income Taxes	**232**	228
Other Liabilities	**630**	689
Minority Interest	**1,853**	1,811
Total Liabilities	**13,081**	12,890
Shareholders' Equity		
Share Capital (notes 9 & 10)	**608**	608
Retained Earnings	**4,047**	4,037
Cumulative Foreign Currency Translation Adjustment (note 11)	**(152)**	(191)
Total Shareholders' Equity	**4,503**	4,454
Total Liabilities and Shareholders' Equity	**$ 17,584**	$ 17,344

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

Consolidated Cash Flow Statements

(unaudited)		12 Weeks Ended	
($ millions)		**Mar. 27, 2004**	Mar. 22, 2003
Operating Activities			
Net earnings before minority interest		**$ 188**	$ 192
Depreciation		**134**	124
Restructuring and other charges (note 2)		**1**	
Future income taxes		**16**	12
Change in non-cash working capital		**(644)**	(576)
Other		**30**	3
Cash Flows used in Operating Activities		**(275)**	(245)
Investing Activities			
Fixed asset purchases		**(241)**	(224)
Short term investments		**14**	(1)
Proceeds from fixed asset sales		**8**	7
Credit card receivables, after securitization		**60**	81
Franchise investments and other receivables		**(7)**	(17)
Other		**(15)**	(2)
Cash Flows used in Investing Activities		**(181)**	(156)
Financing Activities			
Bank indebtedness		**2**	(3)
Commercial paper		**418**	273
Short term bank loans	– Issued	**9**	9
Long term debt (note 8)	– Issued	**400**	300
	– Retired	**(200)**	(1)
Share capital	– Retired (note 9)	**(59)**	
Subsidiary share capital	– Issued		1
	– Retired (note 6)	**(8)**	(41)
Dividends	– To shareholders	**(46)**	(39)
Other		**(3)**	(2)
Cash Flows from Financing Activities		**513**	497
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents		**12**	(50)
Change in Cash and Cash Equivalents		**69**	46
Cash and Cash Equivalents, Beginning of Period		**965**	1,157
Cash and Cash Equivalents, End of Period		**$ 1,034**	$ 1,203

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

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, 2003, 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 2003 Annual Report.

Basis of Consolidation

The interim financial statements include the accounts of George Weston Limited ("Weston") and its subsidiaries (collectively referred to as the "Company") with provision for minority interest. Weston's interest in the voting share capital of its subsidiaries is 100% except for Loblaw Companies Limited ("Loblaw"), which was 61.7% at the end of the first quarter and at year end 2003.

Fixed Assets

Section 3063, "Impairment of Long-lived Assets", addresses the recognition, measurement and disclosure of impairment of long-lived assets held-for-use. Long-lived assets are reviewed for impairment when events or circumstances indicate that their carrying value exceeds the sum of the undiscounted cash flows expected from their use and eventual disposal. An impairment loss is measured as the amount by which the long-lived assets' carrying value exceeds the fair value. Accordingly, the Company reviews long-lived assets for impairment annually. Asset groups are reviewed for impairment at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. For purposes of annually reviewing Weston's long-lived assets for impairment, manufacturing assets are grouped together by major production category where cash flows are largely dependent on each other. For purposes of annually reviewing Loblaw's store assets for impairment, store net cash flows are grouped together by primary market areas where cash flows are largely dependent on each other. Primary markets refer to regional areas where Loblaw operates a number of store formats within close proximity of each other. If an indicator of impairment, such as sustained negative operating cash flows exists, then an estimate of undiscounted future cash flows of each such major production category for Weston or store for Loblaw is prepared and compared to its carrying value. If Weston's manufacturing assets or Loblaw's store assets are determined to be impaired, the impairment loss is measured as the excess of the carrying value over its fair value. In addition, the Company evaluates the carrying value of Weston's manufacturing assets and Loblaw's store assets whenever events or changes in circumstances indicate that the carrying value of assets may not be recoverable. These events or changes in circumstances include a commitment to close, retire or transfer manufacturing assets for Weston and to close, relocate or convert a Loblaw store where the carrying value of the assets is greater than the expected future cash flows.

The standard was applied prospectively with no material impact on the financial condition or results of operations.

Derivative Instruments

Accounting guideline ("AcG") 13, "Hedging Relationships", addresses the identification, designation, documentation and effectiveness of hedging relationships for the purposes of applying hedge accounting and provides guidance with respect to the discontinuance of hedge accounting. Financial derivative instruments not designated within an AcG 13 compliant hedging relationship are measured at fair value with changes in fair value recorded in the consolidated statement of earnings in accordance with the Emerging Issues Committee ("EIC") Abstract 128, "Accounting for Trading Speculative or Non-Hedging Derivative Financial Instruments".

Pursuant to the requirements of AcG 13, the Company has formally identified and documented the following hedging relationships: Weston's 3% Exchangeable Debentures as a hedge of the anticipated disposal of the Domtar investment; cross currency basis swaps and interest rate swaps as cash flow hedges against its exposure to fluctuations in the foreign currency exchange rate and interest rates on a portion of its United States dollar denominated assets, principally cash equivalents and short term investments held by Loblaw; Loblaw's interest rate swaps as a cash flow hedge of the variable interest rate exposure on commercial paper; commodity futures as a hedge of anticipated commodity purchases; and the electricity forward contract as a cash flow hedge of price volatility of the Company's electricity costs in Ontario, Canada. The effectiveness tests were also performed to establish that both at inception and prospectively the hedging relationships will be effective. The accounting policies for hedging relationships that meet the requirements prescribed by AcG 13, are consistent with those described in the notes to Weston's audited annual consolidated financial statements for the year ended December 31, 2003.

Hedging relationships that ceased to be eligible for hedge accounting under AcG 13 were discontinued as of January 1, 2004 except for Weston's equity forward sale agreement based on 9.6 million Loblaw common shares as discussed below. The financial derivative instruments in the hedging relationships that ceased to be eligible for hedge accounting and were previously recorded on an accrual basis were fair valued as of January 1, 2004 and the resulting fair value loss was deferred and will be amortized over the original hedge term of approximately three years. The resulting impact on the financial condition and results of operation was not material. Subsequent changes in the fair value of these financial derivative instruments will be recognized in interest expense prospectively.

Effective the third quarter of 2004, hedge accounting will no longer be permissible for Weston's equity forward sale agreement based on 9.6 million Loblaw common shares as a result of the amendment to EIC 56, "Exchangeable Debentures". EIC 56 has been amended to conform with the provisions of AcG 13, which deal with items ineligible for hedge accounting, by rescinding the ability to use hedge accounting if an entity's investment in the underlying shares is consolidated or is accounted for by the equity method. The effective date to cease the hedge accounting described is the first fiscal period commencing after July 1, 2004. As a result of this amendment to EIC 56, effective for the third quarter of 2004, the Company will be required to recognize on a prospective basis, the fair value adjustments of this agreement in net earnings and may have a significant impact on quarterly net earnings, subject to the volatility of the market price per Loblaw common share. The fair value adjustment is a non-cash item and will ultimately be offset by the recognition of a gain on Weston's disposition of the 9.6 million Loblaw common shares. At quarter end, the non-cash fair value adjustment of $142 million has been deferred and recorded in the balance sheet in other assets and other liabilities. According to the transitional provisions, the non-cash fair value adjustment as of the effective date of the amendment to EIC 56 will remain deferred and included in other assets and other liabilities on the consolidated balance sheet and will be recognized in net earnings at maturity or upon termination of the forward sale agreement.

Asset Retirement Obligations

Section 3110, "Asset Retirement Obligations", establishes standards for the recognition, measurement and disclosure of legal obligations associated with the cost to retire long-lived assets. A liability associated with the retirement of long-lived assets is recorded in the period in which the legal obligation is incurred at its estimated fair value and a corresponding asset is capitalized as part of the related asset and depreciated over its useful life. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted to reflect the passage of time and changes in the estimated future costs underlying the obligation.

Accordingly, the Company has recognized a discounted liability associated with obligations arising from specific provisions in certain lease agreements regarding the exiting of leased properties at the end of the respective lease terms. As well, the Company has recognized a discounted liability associated with environmental decommissioning and remediation as required by environmental regulations which require that certain assets be decommissioned and/or remediated in a specified manner. The standard was implemented retroactively with restatement of the prior period consolidated financial statements. The cumulative effect of implementation was a decrease to opening retained earnings for 2003 of $9 million (net of future income taxes recoverable of $5 million), an increase in fixed assets of $3 million and an increase in other liabilities of $17 million. The impact on net earnings for each of 2003 and 2004 was not material.

Use of Estimates and Assumptions

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that the Company may undertake in the future. Actual results could differ from these estimates.

Certain estimates such as those related to pension, post-retirement and post-employment benefits, goodwill, indefinite life intangible assets and income taxes depend upon subjective or complex judgments about matters that may be uncertain and changes in those estimates could materially impact the consolidated financial statements.

Comparative Information

Certain prior period's information was reclassified to conform with the current period's presentation and was restated due to the implementation of Section 3110 as described above.

2. Restructuring and Other Charges

In connection with the new labour arrangement at Loblaw for *The Real Canadian Superstore* in Ontario, a charge of $25 million was recognized in operating income during the fourth quarter of 2003 relating to the voluntary early retirement offers accepted by certain employees of Locals 1000A and 1977 of the United Food and Commercial Workers ("UFCW") union. Approximately $5 million of this accrual was paid by the end of 2003 and an additional $8 million was paid during the first quarter of 2004. Also during the first quarter, a net charge of $1 million was recognized in operating income, representing an adjustment to the 2003 charge net of an additional amount associated with the acceptance of a voluntary early retirement offer by certain employees of Local 175 of the UFCW union.

The remaining accrual of $13 million at the end of the first quarter is expected to be paid during the second and third quarters of 2004.

3. Interest Expense

	12 Weeks Ended	
($ millions)	**Mar. 27, 2004**	Mar. 22, 2003
Interest on long term debt	**$ 94**	$ 86
Other long term interest	**(12)**	(24)
Net long term interest	**82**	62
Net short term interest	**2**	(1)
Capitalized to fixed assets	**(5)**	(8)
Interest expense	**$ 79**	$ 53

Net interest paid in the first quarter of 2004 was $82 million (2003 – $62 million).

4. Income Taxes

During the first quarter of 2004, Loblaw recognized a $14 million reduction to the income tax provision as a result of the successful resolution of certain previous year's income tax matters.

Net income taxes paid in the first quarter of 2004 were $186 million (2003 – $165 million).

5. Basic and Diluted Net Earnings per Common Share

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 27, 2004	Mar. 22, 2003
Net earnings	**$ 121**	$ 134
Prescribed dividends on preferred shares	**(7)**	(7)
Net earnings available to common shareholders	**$ 114**	$ 127
Weighted average common shares outstanding (in millions)	**129.1**	132.3
Dilutive effect of stock-based compensation (in millions) (1)	**.3**	.4
Diluted weighted average common shares outstanding (in millions)	**129.4**	132.7
Basic and diluted net earnings per common share ($)	**$ .88**	$ .96

(1) 193,000 (2003 – 226,000) of stock options at an exercise price of $100.00 per common share were outstanding at quarter end but were not recognized in the computation of diluted net earnings per common share because the options' exercise price was greater than the quarter's average market price of the common shares.

6. Business Acquisitions

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 2004, Loblaw purchased 132,400 of its common shares for $8 million pursuant to its Normal Course Issuer Bid ("NCIB"), which resulted in the Company recognizing $4 million of goodwill.

Subsequent to quarter end, Loblaw purchased for cancellation 443,700 of its common shares for $27 million pursuant to its NCIB.

7. Goodwill and Intangible Assets

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

($ millions)	Weston Foods	Food Distribution	Fisheries	As at Mar. 27, 2004 Total	Dec. 31, 2003 Total
Goodwill, beginning of period	**$ 1,269**	**$ 1,724**	**$ 9**	**$ 3,002**	$ 3,347
Goodwill acquired during the period		**12**		**12**	44
Adjusted purchase price allocation					(125)
Impact of foreign currency translation	**16**			**16**	(264)
Goodwill, end of period	**1,285**	**1,736**	**9**	**3,030**	3,002
Trademarks and brand names (1)	**530**			**530**	523
Other intangible assets	**2**			**2**	2
Marine site licences			**18**	**18**	15
Goodwill and intangible assets	**$ 1,817**	**$ 1,736**	**$ 27**	**$ 3,580**	$ 3,542

(1) Includes positive impact of foreign currency translation of $7 million (2003 – negative impact of $104 million).

During the first quarter of 2004, Westfair Foods Ltd. ("Westfair"), a subsidiary of Loblaw, redeemed its Class A shares at a price of $350 per share for cash consideration of $8 million. The transaction was accounted for as a step-by-step purchase of Westfair, which resulted in Food Distribution recognizing $8 million of goodwill.

8. Long Term Debt

During the first quarter of 2004, Weston issued $200 million of 5.05% Medium Term Notes ("MTN") due 2014 and repaid its $200 million of Series A, 7.45% Debentures and Loblaw issued $200 million of 6.15% MTN due 2035.

9. Share Capital

During the first quarter of 2004, Weston purchased for cancellation 587,200 of its common shares for $59 million, pursuant to its NCIB.

10. Stock-Based Compensation

During the first quarter of 2004, Weston issued 5,604 common shares for cash consideration of $.3 million on the exercise of stock options and paid the share appreciation value of $3 million (2003 – $7 million) on the exercise of 75,755 (2003 – 159,891) stock options and share appreciation rights. In addition, 28,360 (2003 – 11,000) stock options and share appreciation rights were forfeited or cancelled during the first quarter. Loblaw paid the share appreciation value of $10 million (2003 – $6 million) on the exercise of 349,231 (2003 – 205,362) stock options. In addition, 20,585 (2003 – 29,860) of Loblaw's stock options were forfeited or cancelled during the first quarter.

The following table summarizes the Company's cost recognized in operating income related to its stock-based compensation plans and related equity derivatives:

	12 Weeks Ended	
($ millions)	**Mar. 27, 2004**	Mar. 22, 2003
Stock option plans/share appreciation right plan (income)/cost	**$ (20)**	$ 8
Equity derivatives loss/(gain)	**32**	(6)
Net stock-based compensation cost	**$ 12**	$ 2

At the end of the first quarter 2004, a total of 1,895,375 (2003 – 2,176,944) stock option grants and share appreciation rights were outstanding, which represented approximately 1.5% (2003 – 1.6%) of Weston's issued and outstanding common shares and was within the Company's guideline of 5%.

11. Cumulative Foreign Currency Translation Adjustment

During the first quarter of 2004, the change in the cumulative foreign currency translation adjustment from year end 2003 increased shareholders' equity by $39 million. This net change was due to the positive impact of translating the Company's investment in self-sustaining foreign operations in the United States as a result of the weakening of the Canadian dollar relative to the United States dollar since year end 2003.

12. Financial Instruments

Subsequent to quarter end, Weston entered into interest rate swap contracts with a notional value of $200 million which mature in 2014. These interest rate swaps were designated as a fair value hedge of the $200 million of 5.05% MTN due 2014. Under the terms of the interest rate swaps, Weston will receive a fixed interest rate of 4.8% and pay floating interest rates.

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 2003 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	
($ millions)	**Mar. 27, 2004**	Mar. 22, 2003
Sales		
Weston Foods	**$ 1,038**	$ 1,129
Food Distribution	**5,677**	5,376
Fisheries	**34**	46
Intersegment	**(166)**	(152)
Consolidated	**$ 6,583**	$ 6,399
Operating Income		
Weston Foods	**$ 47**	$ 83
Food Distribution	**303**	267
Fisheries	**(6)**	(8)
Consolidated	**$ 344**	$ 342

Corporate Profile

George Weston Limited ("Weston") is a Canadian public 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, 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.

Trademarks

George Weston Limited and its subsidiaries own a number of trademarks. These trademarks are exclusive property of Weston and its subsidiary companies. Trademarks where used in this report are in italics.

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 or by e-mail at investor@weston.ca.

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

This Quarterly Report 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.

Ce rapport est disponible en français.

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Weston

22 St. Clair Avenue East
Toronto, Canada M4T 2S7
Tel: 416.922.2500
Fax: 416.922.4395
www.weston.ca