George Weston Limited
Quarterly Report to Shareholders

24 Weeks Ended June 19, 2004

Q2

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 second quarter basic net earnings per common share was $1.04, a decrease of 26.8% compared to $1.42 in 2003. This decrease was attributed to the decline in operating results for the Weston Foods United States operations and included the negative impact of foreign currency translation. As more fully discussed in the attached MD&A, higher net stock-based compensation costs including the impact of the related equity derivatives resulted in a charge of $0.06 per common share in the current quarter's results compared to a corresponding income of $0.07 per common share in the second quarter of 2003.

Sales increased 2.9% to $7.0 billion for the quarter including the negative impact of approximately 1.3% due to foreign currency translation of the Weston Foods operating results. Sales were impacted positively by the 4.7% sales increase achieved by the Food Distribution operating segment, operated by Loblaw Companies Limited ("Loblaw"). Sales were impacted negatively by the Weston Foods sales decline of 5.3% which includes a negative impact of approximately 8% due to foreign currency translation.

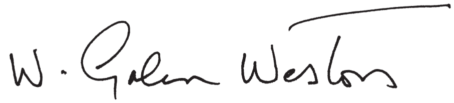
Operating income declined 7.2% to $400 million for the second quarter of 2004, compared to $431 million in 2003. Consolidated operating margin for the quarter declined to 5.8% from 6.4% in 2003. The net effect of the stock-based compensation charge resulted in a decrease to reported operating income of approximately 4% when 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 5.9% from 5.4% in 2003 and negatively by a decrease in the Weston Foods operating margin to 4.3% from 10.9% in 2003.

Interest expense increased primarily due to higher average borrowing levels. The effective income tax rate for the second quarter increased principally as a result of the income tax impact of net stock-based compensation costs.

The outlook for the remainder of the year for Food Distribution is for continued good net earnings growth and strengthening growth in sales. Loblaw is in the process of adding substantial new retail square footage into the marketplace supporting the good progress that is being made on the rollout of the general merchandise program. Loblaw's financial position and cash flow generation is expected to continue at strong levels.

Weston Foods sales growth for the remainder of the year is expected to continue to be positive, consistent with current trends, excluding the impact of foreign currency translation. Earnings growth for the remainder of the year is expected to continue to be negative as compared to the previous year. The current consumer trend away from traditional white flour based products and the ongoing cost pressures from higher ingredient, energy and employee related costs are expected to continue to negatively impact Weston Foods earnings as the year progresses. However, price increases in key product categories are expected to have a more significant impact in the final two quarters of 2004.

While Weston Foods United States results have been impacted more than anticipated, our competitive position remains strong. In both Weston Foods and Food Distribution, appropriate strategies to ensure long term growth are in place and will continue to be implemented.



W. Galen Weston
Chairman and President

Toronto, Canada
July 29, 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 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 July 29, 2004, unless otherwise noted.

CONSOLIDATED RESULTS OF OPERATIONS

Sales Sales for the second quarter of 2004 increased 2.9%, or $197 million, to $7.0 billion from $6.8 billion in 2003 with year-to-date sales of $13.5 billion also 2.9% ahead of last year. The impact of foreign currency translation due to the strengthening Canadian dollar on the Weston Foods operating segment negatively impacted consolidated sales by approximately 1% for the second quarter and 2% on a year-to-date basis. The Company's consolidated sales for the second quarter were impacted by each of its reportable operating segments as follows:

- Negatively by 0.8% due to a sales decline of 5.3% at Weston Foods, due to the impact of foreign currency translation which negatively impacted Weston Foods reported sales growth by approximately 8%.
- Positively by 4.0% due to sales growth of 4.7% at Food Distribution with all regions across the country experiencing sales growth over the prior year.
- Marginally due to a sales decline of 23.5% at Fisheries which was impacted by the negative publicity directed toward the farmed salmon industry early in the first quarter.

Operating Income Operating income for the second quarter of 2004 decreased 7.2% to $400 million compared to $431 million in 2003, including a $7 million charge (2003 – income of $12 million) for stock-based compensation net of the impact of the related equity derivatives due to the change in Weston's and Loblaw's market price per common share from the end of the first quarter. The Company's operating income for the second quarter was impacted by each of its reportable operating segments as follows:

- Negatively by 16.9% due to an operating income decline of 62.4% at Weston Foods, primarily due to lower operating margins and higher stock-based compensation cost net of the impact of the related equity derivatives.
- Positively by 10.4% due to an operating income increase of 14.3% 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 operating losses at Fisheries.

Operating income for 2004 year-to-date decreased 3.8%, or $29 million, to $744 million compared to $773 million last year, including a $19 million charge (2003 – income of $10 million) for stock-based compensation net of the impact of the related equity derivatives due to the change in Weston's and Loblaw's market price per common share from year end 2003.

The Company's 2004 consolidated operating margin for the second quarter declined to 5.8% from 6.4% last year with year-to-date consolidated operating margin of 5.5% in 2004 compared to 5.9% in 2003. The 2004 consolidated EBITDA (see Supplementary Financial Information beginning on page 14) margin for the second quarter declined to 7.7% from 8.3% last year with year-to-date consolidated EBITDA margin of 7.5% in 2004 compared to 7.8% in 2003. The consolidated operating margin declined in the second quarter of 2004 and on a year-to-date basis 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 second quarter of 2004 increased $22 million, or 38.6%, to $79 million from $57 million in 2003. The increase is explained as follows:

- Net long term interest expense increased $25 million, or 41.0% to $86 million from $61 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 income of $2 million compared to interest expense of $2 million in 2003 due primarily to higher average short term investment levels.
- During the second quarter of 2004, $5 million (2003 – $6 million) of interest expense was capitalized to fixed assets.

Interest expense year-to-date increased $48 million to $158 million from $110 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.

Income Taxes The Company's effective income tax rate for the second quarter increased to 32.7% from 29.7% in the same period in 2003 as a result of the income tax impact related to stock-based compensation and the associated equity derivatives offset somewhat by the Canadian federal statutory income tax rate decline. The year-to-date effective income tax rate decreased to 31.1% compared to 31.4% in 2003 as a result of declining Canadian federal statutory income tax rate and Loblaw's successful resolution in the first quarter of 2004 of certain income tax matters from a previous year of $14 million which were partially offset by the income tax impact 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 second quarter of 2004 decreased $53 million, or 27.5%, to $140 million from $193 million in 2003 and year-to-date decreased $66 million, or 20.2% to $261 million from $327 million last year. Basic net earnings per common share for the second quarter of 2004 decreased $0.38, or 26.8%, to $1.04 from $1.42 in 2003 and year-to-date decreased $0.46 or 19.3% to $1.92 from $2.38 last year. The decrease in net earnings was 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 latest four quarters. The second quarter 2004 basic net earnings per common share included a charge of $0.06 per common share from the negative net after-tax effect of the stock-based compensation and the related equity derivatives which compared to a corresponding positive impact of $0.07 per common share in the second quarter of 2003. On a year-to-date basis, the 2004 basic net earnings per common share included a charge of $0.15 per common share compared to a corresponding income of $0.06 per common share in the comparable period of 2003 from the net after-tax effect of the stock-based compensation and the related equity derivatives.

REPORTABLE OPERATING SEGMENTS

Weston Foods

Sales Weston Foods sales for the second quarter of $1.0 billion declined 5.3%, or $57 million compared to last year, negatively impacted by approximately 8% due to foreign currency translation. Overall volume increased by 1% for the second quarter driven by the introduction of new and expanded product offerings and increased sales with alternate format retailers. Continued changes in the product sales mix and price increases in key product categories contributed positively to sales growth for the quarter by approximately 2%. The consumer trend toward lower carbohydrate ("low-carb") products continued to negatively impact sales of traditional white flour based products during the second quarter. However, Weston Foods' sales mix has continued to benefit from strong sales growth in the whole grain and premium product categories including growth in low-carb products. Weston Foods remains well positioned to meet the consumers increasing demand for healthier and more convenient products.

For the first half of the year, sales of $2.1 billion were 6.7% behind last year, negatively impacted by approximately 9% due to foreign currency translation. Overall volume increased by 1% with changes in the product sales mix and price increases contributing positively by approximately 1% to sales growth year-to-date, consistent with the second quarter.

Operating Income Weston Foods operating income for the second quarter of $44 million decreased 62.4% compared to last year. Operating margin declined to 4.3% from 10.9% in 2003 and EBITDA margin also declined to 7.7% from 14.1% 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 8% during the quarter. Although operating income for the quarter was positively impacted by increased sales volume and prices, this was more than offset by the negative impact of higher ingredient, energy and employee related costs as a result of the significant inflation being experienced in these cost areas. In addition, the complexities associated with the introduction of several new and expanded product offerings during the first half of 2004, resulted in higher operating costs during the second quarter. Higher ingredient and production costs incurred as a result of the change in product sales mix as well as higher promotional and waste costs, including costs incurred to support the launch of new products, continued to negatively impact the operating margin during the quarter. The contribution from the new products introduced in 2004 is not expected to fully compensate for the declines being experienced in the traditional white flour based bakery products in the near term.

Weston Foods year-to-date operating income of $91 million was 54.5% below 2003. Operating margin declined to 4.4% from 9.1% in 2003 and EBITDA margin also declined to 7.7% from 12.3% 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 10% on a year-to-date basis. Although operating income for the quarter was positively impacted by increased sales volume and prices, this was more than offset by higher operating costs, as noted above.

Food Distribution

Sales Food Distribution sales for the second quarter of $6.1 billion increased 4.7% or $271 million compared to last year. All regions across the country experienced sales growth over the prior year.

The increase in sales resulted from a same-store sales growth in the quarter of 1.2% and, during the latest four quarters, an increase of 2.5 million square feet of net retail square footage related to the opening of 69 new corporate and franchised stores and the closure of 69 stores, inclusive of stores which have undergone conversions and major expansions. During the second quarter of 2004, 19 new corporate and franchised stores were opened and 14 stores were closed resulting in a net increase of .7 million square feet. National food price inflation as it impacts the Loblaw business has declined from between 1% and 2% in 2003 to a nominal amount of net deflation in 2004. Non-food retail sales growth continued to outpace that of food retail sales growth in the quarter.

For the first half of the year, sales of $11.7 billion were 5.1% ahead of last year resulting from a year-to-date same-store sales growth of 1.6% and an increase in net retail square footage during the latest four quarters as noted above. In the first two quarters, 31 new corporate and franchised stores were opened and 31 stores were closed resulting in a net increase of 1.2 million square feet or 2.8% from year end.

Operating Income Food Distribution operating income for the second quarter of $359 million increased 14.3%, or $45 million, compared to last year, after a charge of $3 million (2003 – income of $5 million) related to the stock-based compensation net of the impact of the related equity derivatives. Operating margin for the quarter improved to 5.9% compared to 5.4% in the comparable period of 2003. EBITDA margin improved to 7.6% from 7.0% in 2003. The gross margin percentage for the quarter improved when compared to the same period in 2003 as the investment in selling prices in certain markets was offset by an improvement in product mix and buying synergies. The improvement in operating margins also resulted from efficiency improvements in supply chain together with additional leverage coming from fixed costs in stores opened during the last several years. Approximately $6 million (2003 – $1 million) of operating income in the quarter was generated from initial fees associated with the franchising of existing sites.

Consistent with the quarter, Food Distribution operating income for the first half of 2004 increased $81 million, or 13.9%, to $662 million, with an operating margin of 5.6% as compared to 5.2% in the corresponding period in 2003. EBITDA margin year-to-date improved to 7.3% from 6.8% in 2003. Improvements in operating income were partially offset by a year-to-date charge of $10 million (2003 – income of $3 million) for stock-based compensation net of the impact of the related equity derivatives due to the change in Loblaw's market price per common share from year end 2003.

Fisheries

Sales Fisheries sales for the second quarter of $39 million decreased 23.5%, or $12 million, compared to last year and year-to-date sales of $73 million decreased 24.7% 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 year. Fresh salmon market average prices for the second quarter of 2004 were below the second quarter of 2003 and on a year-to-date basis were marginally below 2003.

Operating Income Fisheries operating loss for the second quarter of $3 million compared to a break even operating income in 2003 with a year-to-date operating loss of $9 million, marginally higher than last year. The decline in operating income for the second quarter of 2004 was due to lower fresh salmon market average prices compared to last year. A return to profitability remains dependent upon 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 at the end of the second quarter of 2004 was 1.20:1 compared to 1.12:1 in the same period of 2003 and 1.15:1 at year end 2003. The increase in 2004 in this ratio from the comparable period in 2003 resulted in part from the decrease in shareholders' equity due to the purchase for cancellation of Weston common shares over the latest four quarters along with the impact on net debt due to increased funding requirements, primarily due to working capital requirements and the purchase for cancellation of Loblaw common shares. The interest coverage ratio for the second quarter of 2004 was 5.1 times compared to 7.6 times in the second quarter of 2003 and the 2004 year-to-date ratio was 4.7 times compared to 7.0 times last year due to lower operating income and 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 second quarter of 2004 of 11.5% was slightly lower than the return of 12.1% 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 of 17.0% at the end of the second quarter of 2004 declined compared to 19.1% in the comparable period of 2003 and the year end 2003 return of 19.4%.

Dividends On July 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 June 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.

Subsequent to quarter end, Weston entered into an agreement to acquire Boulangerie Gadoua Ltée, a bakery business which operates three bakeries in Quebec, Canada. The purchase is subject to regulatory approval and is expected to close by the end of 2004. The agreed upon purchase price includes the issuance, on closing, from treasury of 58,733 Weston common shares as partial consideration.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities Second quarter 2004 cash flows from operating activities were $415 million compared to $488 million in the comparable period of 2003. On a year-to-date basis, cash flows from operating activities were $137 million compared to $243 million in 2003. The decrease over the last year is primarily attributable to lower net earnings and the investment in non-cash working capital 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 Second quarter 2004 cash flows used in investing activities were $259 million compared to $102 million in the comparable period of 2003. On a year-to-date basis, cash flows used in investing activities were $437 million compared to $258 million in 2003.

Capital investment for the second quarter of 2004 totaled $348 million (2003 – $310 million) and $589 million (2003 – $534 million) year-to-date as the Company continues its commitment to maintain and renew its asset base and invest for growth within North America.

During the second quarter of 2004, Loblaw, through its wholly owned subsidiary President's Choice Bank, securitized $72 million (2003 – $75 million) of credit card receivables, under its securitization program and $127 million (2003 – $154 million) year-to-date, 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 used in/from Financing Activities Second quarter 2004 cash flows used in financing activities were $52 million compared to $45 million in 2003. On a year-to-date basis, cash flows from financing activities were $461 million compared to $452 million in 2003. During the first 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 first quarter, Weston repaid its $200 million Series A, 7.45% Debentures which matured during the first quarter.

In 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 first quarter of 2004, Weston purchased for cancellation 587,200 of its common shares for $59 million, pursuant to its NCIB. Pursuant to its NCIB, Loblaw purchased for cancellation 132,400 of its common shares for $8 million during the first quarter and a further 443,700 of its common shares for $27 million during the second quarter.

During the second quarter of 2004, 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 a floating interest rate.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected consolidated financial information derived from Weston'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)

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
($ millions except where otherwise indicated)	**2004**	2003	2004	2003	2003	2002	2003	2002
Sales	**$ 6,951**	$ 6,754	$ 6,583	$ 6,399	$ 7,277	$ 6,615	$ 8,768	$ 8,509
Net earnings	**$ 140**	$ 193	$ 121	$ 134	$ 252	$ 231	$ 213	$ 190
Net earnings per common share ($)								
Basic	**$ 1.04**	$ 1.42	$ .88	$ .96	$ 1.87	$ 1.70	$ 1.55	$ 1.37
Diluted	**$ 1.04**	$ 1.42	$ .88	$ .96	$ 1.86	$ 1.70	$ 1.54	$ 1.36

Sales growth in 2004 has been impacted by the foreign currency translation at Weston Foods and the pricing activity at Food Distribution as well as food price deflation in certain Canadian markets. The overall decrease in net earnings for 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 plan 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 terms 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. 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.

During the second quarter of 2004, 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 is being 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 for 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 $125 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 net earnings growth and strengthening growth in sales. Loblaw is in the process of adding substantial new retail square footage into the marketplace supporting the good progress that is being made on the rollout of the general merchandise program. Loblaw's financial position and cash flow generation is expected to continue at strong levels.

Weston Foods sales growth for the remainder of the year is expected to continue to be positive, consistent with current trends, excluding the impact of foreign currency translation. Earnings growth for the remainder of the year is expected to continue to be negative as compared to the previous year. The current consumer trend away from traditional white flour based products and the ongoing cost pressures from higher ingredient, energy and employee related costs are expected to continue to negatively impact Weston Foods earnings as the year progresses. However, price increases in key product categories are expected to have a more significant impact in the final two quarters of 2004.

While Weston Foods United States results have been impacted more than anticipated, our competitive position remains strong. In both Weston Foods and Food Distribution, appropriate strategies to ensure long term growth are in place and will continue to be implemented.

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 June 19, 2004				12 Weeks Ended June 14, 2003			
($ millions)	**Weston Foods**	**Food Distribution**	**Fisheries**	**Consolidated**	Weston Foods	Food Distribution	Fisheries	Consolidated
Operating Income	**$ 44**	**$ 359**	**$ (3)**	**$ 400**	$ 117	$ 314		$ 431
Depreciation	**35**	**100**	**2**	**137**	35	91	$ 3	129
EBITDA	**$ 79**	**$ 459**	**$ (1)**	**$ 537**	$ 152	$ 405	$ 3	$ 560

	24 Weeks Ended June 19, 2004				24 Weeks Ended June 14, 2003			
($ millions)	**Weston Foods**	**Food Distribution**	**Fisheries**	**Consolidated**	Weston Foods	Food Distribution	Fisheries	Consolidated
Operating Income	**$ 91**	**$ 662**	**$ (9)**	**$ 744**	$ 200	$ 581	$ (8)	$ 773
Depreciation	**68**	**199**	**4**	**271**	71	177	5	253
EBITDA	**$ 159**	**$ 861**	**$ (5)**	**$ 1,015**	$ 271	$ 758	$ (3)	$ 1,026

The following table provides additional financial information:

	As at	
	June 19, 2004	June 14, 2003
Market price per common share ($)	**$ 92.75**	$ 102.00
Actual common shares outstanding (in millions)	**128.9**	132.1
Weighted average common shares outstanding (in millions)	**129.0**	132.2

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 and net debt excluding exchangeable debentures to Canadian GAAP measures reported in the unaudited consolidated balance sheets:

	As at	
($ millions)	**June 19, 2004**	June 14, 2003
Bank indebtedness	**$ 130**	$ 48
Commercial paper	**1,139**	916
Short term bank loans	**85**	50
Long term debt due within one year	**307**	207
Long term debt	**6,026**	5,686
Less:		
Cash and cash equivalents	**1,183**	1,370
Short term investments	**465**	148
Net debt	**6,039**	5,389
Less: Exchangeable debentures	**373**	375
Net debt excluding exchangeable debentures	**$ 5,666**	$ 5,014

Total Assets The Company uses the return on average total assets 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 measure. 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)	**June 19, 2004**	June 14, 2003 restated (1)
Total assets	**$ 17,937**	$ 17,075
Less:		
Cash and cash equivalents	**1,183**	1,370
Short term investments	**465**	148
Domtar investment	**366**	367
Total assets	**$ 15,923**	$ 15,190

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

Consolidated Statements of Earnings

(unaudited)	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**June 19, 2004**	June 14, 2003	**June 19, 2004**	June 14, 2003
Sales	**$ 6,951**	$ 6,754	**$ 13,534**	$ 13,153
Operating Expenses				
Cost of sales, selling and administrative expenses	**6,414**	6,194	**12,518**	12,127
Depreciation	**137**	129	**271**	253
Restructuring and other charges (note 2)			**1**	
	6,551	6,323	**12,790**	12,380
Operating Income	**400**	431	**744**	773
Interest Expense (note 3)	**79**	57	**158**	110
Earnings Before the Following:	**321**	374	**586**	663
Income Taxes (note 4)	**105**	111	**182**	208
	216	263	**404**	455
Minority Interest	**76**	70	**143**	128
Net Earnings	**$ 140**	$ 193	**$ 261**	$ 327
Net Earnings per Common Share ($) (note 5)				
Basic and diluted	**$ 1.04**	$ 1.42	**$ 1.92**	$ 2.38

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

Consolidated Statements of Retained Earnings

(unaudited)	24 Weeks Ended	
($ millions except where otherwise indicated)	**June 19, 2004**	June 14, 2003
Retained Earnings, Beginning of Period	**$ 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	**261**	327
Premium on common shares purchased for cancellation (note 9)	**(58)**	(16)
Dividends declared		
Per common share – $.72 (2003 – $.60)	**(93)**	(79)
Per preferred share – Series I – $.73 (2003 – $.73)	**(7)**	(7)
– Series II – $.64 (2003 – $.64)	**(7)**	(7)
Retained Earnings, End of Period	**$ 4,133**	$ 3,921

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

Consolidated Balance Sheets

($ millions)	June 19, 2004 (unaudited)	Dec. 31, 2003 restated (note 1)
	As at	
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,183**	$ 965
Short term investments	**465**	545
Accounts receivable	**982**	935
Inventories	**2,089**	2,049
Future income taxes	**161**	152
Prepaid expenses and other assets	**84**	52
Total Current Assets	**4,964**	4,698
Fixed Assets	**8,078**	7,746
Goodwill and Intangible Assets (note 6)	**3,665**	3,542
Future Income Taxes	**67**	79
Other Assets	**1,163**	1,279
Total Assets	**$ 17,937**	$ 17,344
LIABILITIES		
Current Liabilities		
Bank indebtedness	**$ 130**	$ 108
Commercial paper	**1,139**	696
Accounts payable and accrued liabilities	**2,724**	2,971
Income taxes	**72**	181
Short term bank loans	**85**	67
Long term debt due within one year (note 8)	**307**	307
Total Current Liabilities	**4,457**	4,330
Long Term Debt (note 8)	**6,026**	5,832
Future Income Taxes	**243**	228
Other Liabilities	**610**	689
Minority Interest	**1,894**	1,811
Total Liabilities	**13,230**	12,890
SHAREHOLDERS' EQUITY		
Share Capital (notes 9 and 10)	**608**	608
Retained Earnings	**4,133**	4,037
Cumulative Foreign Currency Translation Adjustment (note 11)	**(34)**	(191)
Total Shareholders' Equity	**4,707**	4,454
Total Liabilities and Shareholders' Equity	**$ 17,937**	$ 17,344

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

Consolidated Cash Flow Statements

(unaudited)		12 Weeks Ended		24 Weeks Ended	
($ millions)		**June 19, 2004**	June 14, 2003	**June 19, 2004**	June 14, 2003
Operating Activities					
Net earnings before minority interest		**$ 216**	$ 263	**$ 404**	$ 455
Depreciation		**137**	129	**271**	253
Restructuring and other charges (note 2)				**1**	
Future income taxes		**5**	31	**21**	43
Change in non-cash working capital		**63**	64	**(584)**	(512)
Other		**(6)**	1	**24**	4
Cash Flows from Operating Activities		**415**	488	**137**	243
Investing Activities					
Fixed asset purchases		**(348)**	(310)	**(589)**	(534)
Short term investments		**91**	219	**105**	218
Proceeds from fixed asset sales		**22**	14	**30**	21
Credit card receivables, after securitization		**(5)**	(4)	**55**	77
Franchise investments and other receivables		**(5)**	(18)	**(4)**	(35)
Other		**(14)**	(3)	**(34)**	(5)
Cash Flows used in Investing Activities		**(259)**	(102)	**(437)**	(258)
Financing Activities					
Bank indebtedness		**18**	(4)	**20**	(7)
Commercial paper		**25**	(72)	**443**	201
Short term bank loans	– Issued	**9**	8	**18**	17
Long term debt (note 8)	– Issued		200	**400**	500
	– Retired	**(3)**	(101)	**(203)**	(102)
Share capital	– Retired (note 9)		(16)	**(59)**	(16)
Subsidiary share capital	– Issued				1
	– Retired (note 6)	**(27)**		**(35)**	(41)
Dividends	– To shareholders	**(53)**	(42)	**(99)**	(81)
	– To minority shareholders	**(20)**	(16)	**(20)**	(16)
Other		**(1)**	(2)	**(4)**	(4)
Cash Flows (used in) from Financing Activities		**(52)**	(45)	**461**	452
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents		**45**	(174)	**57**	(224)
Change in Cash and Cash Equivalents		**149**	167	**218**	213
Cash and Cash Equivalents, Beginning of Period		**1,034**	1,203	**965**	1,157
Cash and Cash Equivalents, End of Period		**$ 1,183**	$ 1,370	**$ 1,183**	$ 1,370

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, 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 61.8% at the end of the second quarter compared to 61.7% at year end 2003.

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

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 is being 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 is being recognized in interest expense prospectively.

Effective for 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 $125 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. During the first quarter of 2004, 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. Approximately $5 million of this accrual was paid by the end of 2003, $8 million was paid during the first quarter of 2004 and an additional $7 million was paid during the second quarter of 2004. The remaining accrual of $6 million at the end of the second quarter is expected to be paid during the remainder of 2004.

3. Interest Expense

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**June 19, 2004**	June 14, 2003	**June 19, 2004**	June 14, 2003
Interest on long term debt	**$ 94**	$ 89	**$ 188**	$ 175
Other long term interest	**(8)**	(28)	**(20)**	(52)
Net long term interest	**86**	61	**168**	123
Net short term interest	**(2)**	2		1
Capitalized to fixed assets	**(5)**	(6)	**(10)**	(14)
Interest expense	**$ 79**	$ 57	**$ 158**	$ 110

Net interest paid in the second quarter and year-to-date was $116 million and $198 million (2003 – $81 million and $143 million), respectively.

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 income tax matters from a previous year.

Net income taxes paid in the second quarter and year-to-date were $76 million and $262 million (2003 – $86 million and $251 million), respectively.

5. Basic and Diluted Net Earnings per Common Share

	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**June 19, 2004**	June 14, 2003	**June 19, 2004**	June 14, 2003
Net earnings	**$ 140**	$ 193	**$ 261**	$ 327
Prescribed dividends on preferred shares	**(6)**	(5)	**(13)**	(12)
Net earnings available to common shareholders	**$ 134**	$ 188	**$ 248**	$ 315
Weighted average common shares outstanding (in millions)	**128.9**	132.2	**129.0**	132.2
Dilutive effect of stock-based compensation (in millions) (1)	**.2**	.4	**.2**	.4
Diluted weighted average common shares outstanding (in millions)	**129.1**	132.6	**129.2**	132.6
Basic and diluted net earnings per common share ($)	**$ 1.04**	$ 1.42	**$ 1.92**	$ 2.38

(1) 193,000 (2003 – 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. In addition, 663,594 stock options at an exercise price of $93.35 per common share were outstanding at the end of the second quarter but 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 of 2004.

6. Goodwill and Intangible Assets

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

	As at				
				June 19, 2004	Dec. 31, 2003
($ millions)	**Weston Foods**	**Food Distribution**	**Fisheries**	**Total**	Total
Goodwill, beginning of period	**$ 1,269**	**$ 1,724**	**$ 9**	**$ 3,002**	$ 3,347
Goodwill acquired during the period		**24**		**24**	44
Adjusted purchase price allocation					(125)
Impact of foreign currency translation	**68**			**68**	(264)
Goodwill, end of period	**1,337**	**1,748**	**9**	**3,094**	3,002
Trademarks and brand names (1)	**551**			**551**	523
Other intangible assets	**2**			**2**	2
Marine site licences			**18**	**18**	15
Goodwill and intangible assets	**$ 1,890**	**$ 1,748**	**$ 27**	**$ 3,665**	$ 3,542

(1) Includes positive impact of foreign currency translation of $28 million (2003 – negative impact of $104 million).

When Loblaw purchases its own common shares, the Company accounts for the purchase as a step-by-step purchase of Loblaw. During the first two quarters of 2004, Loblaw purchased 576,100 of its common shares for $35 million pursuant to its Normal Course Issuer Bid ("NCIB"), which resulted in the Company recognizing $16 million of goodwill.

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.

7. Pension, Post-Retirement and Post-Employment Benefits

The Company's total net benefit plan expense recognized in operating income was $46 million and $95 million (2003 – $47 million and $97 million) for the second quarter and year-to-date respectively. The total net benefit plan expense included costs for the Company's defined benefit pension and other benefit plans, defined contribution pension plans and multi-employer pension plans.

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 half of 2004, Weston issued 5,604 (2003 – 6,812) common shares for cash consideration of $.3 million (2003 – $.3 million) on the exercise of stock options and paid the share appreciation value of $7 million (2003 – $10 million) on the exercise of 151,075 (2003 – 199,136) stock options and share appreciation rights. In addition, 40,760 (2003 – 46,240) stock options and share appreciation rights were forfeited or cancelled during the first half of 2004. Loblaw paid the share appreciation value of $16 million (2003 – $14 million) on the exercise of 543,267 (2003 – 439,441) stock options. In addition, 50,631 (2003 – 72,387) of Loblaw's stock options were forfeited or cancelled during the first half of 2004.

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		24 Weeks Ended	
($ millions)	**June 19, 2004**	June 14, 2003	**June 19, 2004**	June 14, 2003
Stock option plans/share appreciation right plan (income)/cost	**$ (9)**	$ 29	**$ (29)**	$ 37
Equity derivatives loss/(gain)	**16**	(41)	**48**	(47)
Net stock-based compensation cost/(income)	**$ 7**	$ (12)	**$ 19**	$ (10)

At the end of the second quarter 2004, a total of 1,807,655 (2003 – 2,100,259) stock option grants and share appreciation rights were outstanding, which represented approximately 1.4% (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 two quarters of 2004, the change in the cumulative foreign currency translation adjustment from year end 2003 increased shareholders' equity by $157 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

During the second quarter, 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 a floating interest rate.

13. Business Acquisition

Subsequent to quarter end, Weston entered into an agreement to acquire Boulangerie Gadoua Ltée, a bakery business which operates three bakeries in Quebec, Canada. The purchase is subject to regulatory approval and is expected to close by the end of 2004. The agreed upon purchase price includes the issuance, on closing, from treasury of 58,733 Weston common shares as partial consideration.

14. Contingencies, Commitments and Guarantees

Indemnification Provisions

Weston was recently served with a statement of claim, in the amount of $20 million for taxes owing and alleging a breach of tax related representations and warranties dealing with years prior to the 1998 sale of Weston's forest product business. The claim is being defended.

15. 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		24 Weeks Ended	
($ millions)	**June 19, 2004**	June 14, 2003	**June 19, 2004**	June 14, 2003
Sales				
Weston Foods	**$ 1,020**	$ 1,077	**$ 2,058**	$ 2,206
Food Distribution	**6,069**	5,798	**11,746**	11,174
Fisheries	**39**	51	**73**	97
Intersegment	**(177)**	(172)	**(343)**	(324)
Consolidated	**$ 6,951**	$ 6,754	**$ 13,534**	$ 13,153
Operating Income				
Weston Foods	**$ 44**	$ 117	**$ 91**	$ 200
Food Distribution	**359**	314	**662**	581
Fisheries	**(3)**		**(9)**	(8)
Consolidated	**$ 400**	$ 431	**$ 744**	$ 773

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.

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