George Weston Limited
Quarterly Report to Shareholders

40 Weeks Ended October 9, 2004

Q3

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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 restructuring and cost reduction initiatives, 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, consumer trends, 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, utilities and employee benefits, 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 third quarter basic net earnings per common share was $1.24 compared to $1.55 in 2003, including a negative impact of $0.35 per common share as a result of the following factors which are more fully discussed in the attached MD&A.

- A $0.21 per common share charge related to restructuring activities in the bakery operations of the Weston Foods operating segment.
- A loss of $0.08 per common share from the sale of all the Fisheries' operations in Chile.
- A non-cash charge of approximately $0.09 per common share relating to the adoption of a new accounting standard which changes prospectively the accounting for Weston's 2001 forward sale agreement of Loblaw Companies Limited ("Loblaw") common shares.
- Income of $0.03 per common share related to net stock-based compensation compared to a corresponding charge of $0.04 per common share in the third quarter of 2003.

Sales increased 6.3% to $9.3 billion for the quarter. Sales were impacted positively by the 6.0% sales increase achieved by the Food Distribution operating segment, operated by Loblaw and by the sales increase of 6.7% in the Weston Foods operating segment which includes a positive impact of approximately 2% due to foreign currency translation.

Operating income was $495 million for the third quarter of 2004, compared to $505 million in 2003, a decline of 2.0%, impacted negatively by 8.7% due to the $44 million restructuring charge related to the Weston Foods bakery operations. Consolidated operating margin for the quarter, including the above charge, declined to 5.3% from 5.8% in 2003. The consolidated operating margin for the quarter was impacted positively by an increase in the Food Distribution operating margin to 5.6% from 5.1% in 2003. Weston Foods operating margin decreased to 3.7% from 8.9% in 2003 impacted negatively by 3.2% due to restructuring charges during the quarter.

Interest expense and other financing charges increased primarily due to higher average borrowing levels. In addition, interest expense and other financing charges increased by $18 million due to the adoption of the new accounting standard which changes prospectively the accounting for Weston's 2001 forward sale agreement of Loblaw common shares. The effective income tax rate for the third quarter decreased principally as a result of the Canadian federal statutory income tax rate decline and the income tax impact of net stock-based compensation costs.

The outlook for the remaining quarter of 2004, after adjusting for the impact of the 53rd week in 2003, for Food Distribution is for continued good sales and net earnings growth. Loblaw expects this trend to continue into 2005. Loblaw is continuing to add 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 will continue to review additional opportunities for restructuring and cost reduction initiatives during the remainder of 2004 and into 2005 in order to ensure its competitive position remains strong. Earnings growth for the remainder of the year is expected to continue to be impacted by cost pressures from higher ingredient, energy and employee related costs, somewhat offset by the impact of price increases with operating margins before restructuring charges continuing at current levels.

W. Galen Weston

W. Galen Weston
Chairman and President

Toronto, Canada
November 22, 2004

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 20 to 32 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. As discussed in Note 1 to the unaudited interim period consolidated financial statements, the implementation of new accounting standards, namely Section 3110, "Asset Retirement Obligations" and Emerging Issues Committee ("EIC") Abstract 144, "Accounting by a Customer (Including a Reseller) for Certain Considerations Received from a Vendor" ("EIC 144") resulted in a restatement of certain prior periods' information. The information in this MD&A is current to November 22, 2004, unless otherwise noted.

CONSOLIDATED RESULTS OF OPERATIONS

Sales Sales for the third quarter of 2004 increased 6.3%, or $549 million, to $9.3 billion from $8.8 billion in 2003 with year-to-date sales of $22.9 billion, 4.2% ahead of last year. The impact of foreign currency translation on the Weston Foods operating segment had a minimal impact on consolidated sales for the third quarter and negatively impacted sales by approximately 1% on a year-to-date basis. The Company's consolidated sales for the third quarter were impacted by each of its reportable operating segments as follows:

- Positively by 1.0% due to sales growth of 6.7% at Weston Foods, including the positive impact of foreign currency translation of approximately 2%.
- Positively by 5.3% due to sales growth of 6.0% at Food Distribution with same-stores sales improving 1.5%.
- Marginally due to sales growth of 18.0% at Fisheries.

Operating Income Operating income for the third quarter of 2004 decreased 2.0% to $495 million compared to $505 million in 2003, including income of $5 million (2003 – charge of $5 million) for stock-based compensation net of the impact of the related equity derivatives. Furthermore, as discussed in the Weston Foods operating results section below, the operating results for the quarter include the impact of charges related to restructuring and exit costs associated with cost reduction initiatives undertaken within the Weston Foods operating segment. The Company's operating income for the third quarter was impacted by each of its reportable operating segments as follows:

- Negatively by 12.3% due to an operating income decline of 54.9% at Weston Foods, primarily due to a $44 million charge related to restructuring and exit costs associated with cost reduction initiatives approved during the quarter as well as lower operating margins partially offset by lower stock-based compensation cost net of the impact of the related equity derivatives.
- Positively by 11.7% due to an operating income increase of 14.9% at Food Distribution, primarily due to net improvements in operating margins combined with lower stock-based compensation cost net of the impact of the related equity derivatives.
- Negatively by 1.4% due to higher operating losses at Fisheries.

Operating income for 2004 year-to-date decreased 3.1%, or $39 million, to $1,239 million compared to $1,278 million last year, including a $14 million charge (2003 – income of $5 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. In addition, 2004 operating income includes a charge of $44 million related to restructuring and exit costs associated with cost reduction initiatives undertaken within the Weston Foods operating segment.

The Company's 2004 consolidated operating margin for the third quarter declined to 5.3% from 5.8% last year with year-to-date consolidated operating margin of 5.4% in 2004 compared to 5.8% in 2003. The 2004 consolidated EBITDA (see Supplementary Financial Information beginning on page 18) margin for the third quarter declined to 7.3% from 7.7% last year with year-to-date consolidated EBITDA margin of 7.4% in 2004 compared to 7.7% in 2003. The consolidated operating margin declined in the third quarter of 2004 and on a year-to-date basis due to the operating income impact of each of the Company's reportable operating segments as described above.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the third quarter of 2004 increased $38 million, or 48.7%, to $116 million from $78 million in 2003. The increase is explained as follows:

- Interest on long term debt increased $7 million, or 5.7% to $129 million from $122 million in 2003 as a result of an increase in average long term borrowing levels.
- Interest on financial derivative instruments includes the net positive effect of the Company's interest rate swaps, cross currency basis swaps and equity forwards and swaps of $12 million (2003 – $31 million).
- During the third quarter of 2004, a non-cash expense of $18 million was recorded in other financing charges representing the fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw common shares (the "underlying Loblaw shares"). The Company began recognizing this charge prospectively during the third quarter of 2004 due to the implementation of the amendment to Emerging Issues Committee ("EIC") Abstract 56, "Exchangeable Debentures" ("EIC 56"), which became effective at the beginning of the third

quarter of 2004. This fair value adjustment is based on the fluctuations in the market price of the underlying Loblaw shares and is a non-cash item that will ultimately be offset by the recognition of any gain on Weston's disposition of the underlying Loblaw shares (see the Accounting Standards Implemented in 2004 section below and Note 3 to the unaudited interim period consolidated financial statements).

- Net short term interest income of $7 million compared to interest expense of $4 million in 2003 partially due to interest income on income tax refunds received in 2004.
- During the third quarter of 2004, $6 million (2003 – $11 million) of interest expense was capitalized to fixed assets.

Interest expense and other financing charges year-to-date increased $86 million to $274 million from $188 million in 2003 as a result of an increase in average long term borrowing levels, the lower net positive effect of the Company's interest rate swaps, cross currency basis swaps and equity forwards and swaps and the $18 million non-cash fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw shares.

Unusual Item During the third quarter of 2004, Weston sold all of the Fisheries' operations in Chile for cash proceeds of $20 million which resulted in a pre-tax loss of $9 million recognized in unusual item.

Income Taxes The Company's effective income tax rate for the third quarter decreased to 28.1% from 30.4% in the same period in 2003 as a result of the income tax impact related to stock-based compensation and the associated equity derivatives and the Canadian federal statutory income tax rate decline. The year-to-date effective income tax rate decreased to 29.9% compared to 31.0% 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 third quarter of 2004 decreased $45 million, or 21.1%, to $168 million from $213 million in 2003 and year-to-date decreased $111 million, or 20.6%, to $429 million from $540 million last year. Basic net earnings per common share for the third quarter of 2004 decreased $0.31, or 20.0%, to $1.24 from $1.55 in 2003 and year-to-date decreased $0.77, or 19.6%, to $3.16 from $3.93 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 3.3 million common shares over the latest four quarters. The third quarter 2004 basic net earnings per common share included income of $0.03 per common share from the net after-tax effect of the stock-based compensation and the related equity derivatives, which compared to a corresponding expense of $0.04 per common share in the third quarter of 2003. In addition, the third quarter and year-to-date 2004 basic net earnings per common share included the negative impact of $0.21 per common share from the net after-tax effect of the Weston Foods restructuring and exit costs related to certain cost reduction initiatives, the negative impact of $0.08 per common share from the net after-tax effect of the Fisheries loss on the sale of all the operations in Chile and the negative impact of $0.09 per common share of the non-cash fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw common shares. On a year-to-date basis, the 2004 basic net earnings per common share included a charge of $0.12 per common share compared to a corresponding income of $0.02 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 third quarter of $1.4 billion increased 6.7%, or $86 million compared to last year, positively impacted by approximately 2% due to foreign currency translation. Overall volume increased by approximately 1% for the third quarter supported by the introduction of new and expanded product offerings, successful promotion activities and increased sales with alternate format retailers. Price increases in key product categories and changes in product mix contributed positively to sales growth for the quarter by approximately 4%. The negative sales trend in traditional white flour based products continued during the third 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 lower carbohydrate products. Weston Foods remains well positioned to meet the consumers increasing demand for healthier and more convenient products.

On a year-to-date basis, sales of $3.4 billion were 1.8% behind last year, negatively impacted by approximately 5% due to foreign currency translation. Overall volume increased by approximately 1% with changes in the product sales mix and price increases contributing positively by approximately 2% to sales growth year-to-date.

Operating Income Weston Foods operating income for the third quarter of $51 million decreased 54.9% compared to last year. Operating margin declined to 3.7% from 8.9% in 2003 and EBITDA margin also declined to 7.1% from 12.2% in 2003, both impacted negatively by 3.2% due to restructuring charges during the quarter. Third quarter operating results include the impact of a $44 million restructuring and exit costs associated with certain cost reduction initiatives undertaken by the Weston Foods operating segment. In addition, the minimal positive impact of foreign currency translation combined with lower stock-based compensation costs net of the impact of the related equity derivatives positively impacted Weston Foods operating income growth by approximately 6% during the quarter.

Management continues to undertake a series of cost reduction initiatives to ensure a low cost operating structure. Certain of these initiatives have been initiated and are in progress or nearing completion while others are still in the planning stages. Individual actions will be initiated as plans are finalized and approved. During the third quarter of 2004, major actions implemented included the completion of the Northlake, Illinois and Buffalo, New York bakery facility closures and the exiting of the fresh waffle business in the United States as well as the consolidation of two bakery facilities into one in Ontario, Canada. As a result of these initiatives and other various distribution outsourcing and overhead reduction projects, Weston Foods recorded total restructuring charges of approximately $44 million. These charges consisted of $34 million of fixed asset write-downs and $10 million of employee severance and other exit related cash costs.

Sales growth during the quarter, including volume and price improvements, positively impacted operating income and margin for the quarter. This was offset by the negative impact of higher ingredient, energy and employee related benefit costs, as a result of the continued significant inflation being experienced in these cost areas, as well as higher spending in consumer promotions. In addition, higher ingredient, production and distribution costs, incurred as a result of the complexities associated with the change in the product sales mix, continued to negatively impact operating margin during the third quarter. In the near term, the contribution from the new products introduced in 2004 and the growth in whole grain premium products is not expected to fully compensate for the declines being experienced in the traditional white flour based bakery products.

Weston Foods year-to-date operating income of $142 million was 54.6% below 2003. Operating margin declined to 4.2% from 9.0% in 2003 and EBITDA margin also declined to 7.5% from 12.2% in 2003, both impacted negatively by 1.3% due to restructuring charges during the quarter. 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 4% 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 the restructuring charges incurred related to cost reduction initiatives as noted above and higher operating costs.

On September 27, 2004, Weston purchased all of the issued and outstanding common shares of Boulangerie Gadoua Ltée ("Gadoua"), a bakery business operated in Quebec, Canada, for $59 million consisting of cash consideration of $46 million, $6 million in Weston common shares issued from treasury and assumed debt of $7 million, subject to certain adjustments. The acquisition was accounted for using the purchase method. The timing of the acquisition date relative to the quarter end date was such that the impact on operating results was insignificant and a determination or estimation of the fair value of the assets and liabilities acquired was not possible. As a result, Weston has recorded the assets and liabilities at their book values. The purchase price allocation will be finalized by year end 2004 (see Note 5 to the unaudited interim period consolidated financial statements for further details).

Food Distribution

Sales Food Distribution sales for the third quarter of $8.1 billion increased 6.0% or $461 million compared to last year. All regions across the country experienced sales growth over the prior year. Consistent with prior quarters, retail sales growth in non-food categories continued to surpass that of food categories this quarter.

The increase in sales resulted from a same-store sales growth in the quarter of 1.5% and, during the latest four quarters, an increase of 3.2 million square feet of net retail square footage related to the opening of 81 new corporate and franchised stores and the closure of 71 stores, inclusive of stores which have undergone conversions and major expansions. During the third quarter of 2004, 26 new corporate and franchised stores were opened and 20 stores were closed resulting in a net increase of 1.0 million square feet.

National food price inflation for the quarter, which was in excess of 1%, remained low and was slightly ahead of that in the same quarter last year. Consistent with 2003, national food price inflation for the quarter experienced cost increases in the grocery and bakery categories partially offset by a decrease in produce.

On a year-to-date basis, sales of $19.9 billion were 5.5% ahead of last year resulting mainly from a year-to-date same-store sales growth of 1.5% and an increase in net retail square footage during the latest four quarters as noted above. In the first three quarters, 57 new corporate and franchised stores were opened and 51 stores were closed resulting in a net increase of 2.2 million square feet or 5.2% from year end.

Operating Income Food Distribution operating income for the third quarter of $454 million increased 14.9%, or $59 million, compared to last year, which includes income of $2 million (2003 – charge of $2 million) related to the stock-based compensation net of the impact of the related equity derivatives. Operating margin for the quarter improved to 5.6% compared to 5.1% in the comparable period of 2003. EBITDA margin improved to 7.3% from 6.7% in 2003. The gross margin percentage for the quarter improved over that of the same quarter last year. Improved product mix and buying synergies continue to contribute to the net increase in margins. The improvement in operating margins also resulted from the continued focus on administrative cost control and efficiency improvements in supply chain operations.

Consistent with the quarter, Food Distribution operating income year-to-date increased $140 million, or 14.3%, to $1,116 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 $8 million (2003 – income of $1 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.

Subsequent to the quarter end Loblaw initiated certain internal reorganizations involving the merchandising, procurement and operations groups. Loblaw believes these changes will make it a more efficient and effective operation, helping to better serve its customers and fortify its position as a strong, competitive force in Canadian retailing. These changes will be implemented over the next several months.

Fisheries

Sales Fisheries sales for the third quarter of $59 million increased 18.0%, or $9 million, compared to last year due to higher harvest volumes resulting from the timing of the 2004 harvest and year-to-date sales of $132 million decreased 10.2% compared to last year due to 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 third quarter of 2004 were below the third quarter of 2003 and on a year-to-date basis were marginally below the 2003 levels.

Operating Income Fisheries operating loss for the third quarter of $10 million compared to operating loss of $3 million in 2003 with a year-to-date operating loss of $19 million, compared to operating loss of $11 million last year. Lower fresh salmon market average prices compared to last year negatively impacted operating results for the quarter. A return to profitability remains dependent upon sustained significant price improvement.

CONSOLIDATED FINANCIAL CONDITION

Financial Ratios The Company's net debt (excluding the Exchangeable Debentures) (see Supplementary Financial Information beginning on page 18) to equity ratio at the end of the third quarter of 2004 was 1.33:1 compared to 1.06:1 in the same period of 2003 and 1.16:1 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 and the negative impact from the change in the cumulative foreign currency translation adjustment due to the appreciation of the Canadian dollar relative to the United States dollar along with the impact on net debt due to increased funding requirements, primarily due to working capital requirements. The interest coverage ratio for the third quarter of 2004 was 4.3 times compared to 6.5 times in the third quarter of 2003 and the 2004 year-to-date ratio was 4.5 times compared to 6.8 times last year due to lower operating income and higher interest expense and other financing charges, including the $18 million non-cash charge related to the fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw common shares.

The Company's rolling year return on average total assets (see Supplementary Financial Information beginning on page 18) at the end of the third quarter of 2004 of 11.3% was lower than the return of 12.3% in the comparable period of 2003 and the year end 2003 return of 12.0% primarily due to lower operating income in 2004. The Company's rolling year return on average common shareholders' equity of 16.0% at the end of the third quarter of 2004 declined compared to 19.1% in the comparable period of 2003 and the year end 2003 return of 19.6% primarily due to lower net earnings including the impact of lower Weston Foods and Fisheries operating results and higher interest expense and other financing charges.

Dividends On October 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 September 15, 2004, preferred dividends of $0.36 per preferred share, Series I were paid as declared by the Board. The quarterly common dividend per share 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. During the third quarter of 2004, Weston issued from treasury, 58,733 common shares as partial consideration for the acquisition of Gadoua. Further information on the Company's outstanding share capital is provided in Note 12 to the unaudited interim period consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities Third quarter 2004 cash flows from operating activities were $397 million compared to $385 million in the comparable period of 2003. On a year-to-date basis, cash flows from operating activities were $534 million compared to $628 million in 2003. The year-to-date decrease over the last year is primarily attributable to the Company's lower net earnings and the investment in non-cash working capital by Loblaw, partially offset by the Company's decrease in defined benefit pension plan contributions of $35 million (due to higher voluntary lump sum contributions made in 2003).

On an annual basis, the cash flows from operating activities are expected to fund a substantial 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 Third quarter 2004 cash flows used in investing activities were $481 million compared to $677 million in the comparable period of 2003. The decrease for the quarter compared to last year is mainly due to a shortening in the maturity profile of short term investments portfolio. Cash flows used in investing activities for the third quarter of 2003 were impacted by proceeds of $338 million resulting from the Company terminating certain financial derivatives. On a year-to-date basis, cash flows used in investing activities were $918 million compared to $935 million in 2003.

Capital investment for the third quarter of 2004 totaled $470 million (2003 – $469 million) and $1.1 billion (2003 – $1.0 billion) 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 the third quarter of 2004, Loblaw, through its wholly owned subsidiary President's Choice Bank, securitized $75 million (2003 – $28 million) of credit card receivables, under its securitization program and $202 million (2003 – $182 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 Third quarter 2004 cash flows used in financing activities were $71 million compared to cash flows from financing activities of $118 million in 2003. This change in the quarter is mainly due to a use of cash, cash equivalents and short term investments thereby decreasing the issuance of commercial paper. The reduction in a portion of the United States denominated cash, cash equivalents and short term investments, held by Loblaw, resulted in a corresponding decrease in a portion of Loblaw's outstanding cross currency basis swaps and in a minimal net earnings impact. On a year-to-date basis, cash flows from financing activities were $390 million compared to $570 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. Weston also 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 of 2004 and a further 443,700 of its common shares for $27 million during the second quarter of 2004.

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 in duration for each of 2004 and 2003 and the fourth quarter of 2003 which was 13 weeks in duration due to the 53 week fiscal year in 2003.

Quarterly Financial Information (1) (unaudited)

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
($ millions except where otherwise indicated)	**2004**	2003	2004	2003	2004	2003	2003	2002
Sales	**$ 9,317**	$ 8,768	$ 6,951	$ 6,754	$ 6,583	$ 6,399	$ 7,277	$ 6,615
Net earnings	**$ 168**	$ 213	$ 140	$ 193	$ 121	$ 134	$ 252	$ 231
Net earnings per common share ($)								
Basic	**$ 1.24**	$ 1.55	$ 1.04	$ 1.42	$ .88	$ .96	$ 1.87	$ 1.70
Diluted	**$ 1.24**	$ 1.54	$ 1.04	$ 1.42	$ .88	$ .96	$ 1.86	$ 1.70

(1) The implementation of EIC 144 has not resulted in a material change in the current and prior year's quarterly net earnings.

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 during the first half of 2004 while some national food price inflation was experienced in the third quarter of 2004. The overall decrease in net earnings for 2004 was impacted as follows:

- Negatively by higher stock-based compensation cost net of the impact of the related equity derivatives.

- Negatively by the impact of restructuring and exit activity charges and higher operating costs at Weston Foods.
- Positively by the impact of the operating efficiency improvements and buying synergies at Food Distribution.
- Negatively by higher operating losses at Fisheries due to lower fresh salmon market average prices.
- Negatively by the increase in interest expense and other financing charges.
- Negatively due to the unusual item resulting from a loss on the sale of all the Fisheries' operations in Chile.
- 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 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 new accounting standards concerning fixed assets, derivative instruments and asset retirement obligations issued by the Canadian Institute of Chartered Accountants as discussed below:

- 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 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 forward sale agreement for 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 and other financing charges prospectively.

Effective for the third quarter of 2004, hedge accounting is no longer permissible for Weston's forward sale agreement for 9.6 million Loblaw common shares (the "underlying Loblaw shares") as a result of the March 2004 amendment to EIC 56, "Exchangeable Debentures". EIC 56 was 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 adopting this amendment to EIC 56, during the third quarter of 2004, Weston recognized a non-cash charge, included in consolidated interest expense and other financing charges, representing the fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw common shares from the beginning of the third quarter. The fair value adjustment is based on fluctuations in the market price of the underlying Loblaw shares and is a non-cash item that will ultimately be offset by the recognition of any gain on Weston's disposition of the 9.6 million Loblaw common shares. Prior to the amendment to EIC 56, the fair value adjustment was deferred and recorded in the consolidated 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. Accordingly, at quarter end, a non-cash fair value adjustment of $125 million has been deferred and recorded in the consolidated balance sheet in other assets and other liabilities.

- 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 and minority interest of $1 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.

- EIC Abstract 144, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" ("EIC 144") was issued in January 2004 and addresses accounting for cash consideration received from a vendor. EIC 144 provides that cash consideration received from a vendor is presumed to be a reduction in the cost of the vendor's products or services and should, therefore, be characterized as a reduction in the cost of sales and the related inventory when recognized in the customer's income statement and balance sheet. Certain exceptions apply if the consideration is a payment for assets or services delivered to the vendor or for reimbursements of selling costs incurred to promote the vendor's products, provided that certain conditions are met. EIC 144 requires retroactive application to all financial statements for annual and interim periods ending after August 15, 2004. Accordingly, in the third quarter of 2004, the Company has implemented EIC 144 retroactively with restatement of the comparative periods for the current and the prior year.

  The Company receives allowances from certain of its vendors whose products it purchases for resale. These allowances are received for a variety of buying and/or merchandising activities, including vendor programs such as volume purchase allowances, purchase discounts, listing fees and exclusivity allowances. As a result of this implementation, the timing of recognition of certain vendor allowances has changed. Upon retroactive implementation of EIC 144 the Company recorded a decrease to opening retained earnings for 2003 of $24 million (net of current future income taxes recoverable of $11 million and minority interest of $14 million), a decrease to inventory of $32 million and an increase in accounts payable and accrued liabilities of $17 million. The implementation of EIC 144 did not result in a material change in the annual net earnings for 2003 or in the current or prior year's quarterly net earnings. The 2004 full year impact of EIC 144 is not expected to be significant to net earnings assuming that inventory levels, inventory turnover and vendor allowances remain relatively consistent.

FUTURE ACCOUNTING STANDARDS

AcG 15, "Consolidation of Variable Interest Entities", provides guidance for applying consolidation principles to entities that are subject to control on a basis other than ownership through voting interests. The Company has identified a number of entities that may be variable interest entities ("VIEs") and is continuing to evaluate which of these entities the Company may be required to consolidate commencing in the first quarter of fiscal 2005. Based on its current analysis, the independent trust which provides financing loans to Loblaw's franchisees has been identified as a VIE. Consolidation of this VIE with the Company's financial statements may be required. However, the Company is evaluating a number of alternatives to the existing funding structure, which, if implemented, may result in consolidation with the Company not being required under AcG 15. The Company is also currently assessing the implications of AcG 15 on certain other arrangements, including independent franchise arrangements. Some of the Company's independent franchisees may be VIEs and, therefore may be subject to consolidation by the Company.

The consolidation of these VIEs will have no impact on the underlying risks to the Company. The Company expects to complete its assessment of the implication of AcG 15 and implement this guidance in the first quarter of fiscal 2005.

OUTLOOK

The outlook for the remaining quarter of 2004, after adjusting for the impact of the 53rd week of 2003, for Food Distribution is for continued good sales and net earnings growth. Loblaw expects this trend to continue into 2005. Loblaw is continuing to add 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 will continue to review additional opportunities for restructuring and cost reduction initiatives during the remainder of 2004 and into 2005 in order to ensure its competitive position remains strong. Earnings growth for the remainder of the year is expected to continue to be impacted by cost pressures from higher ingredient, energy and employee related costs, somewhat offset by the impact of price increases with operating margins before restructuring charges continuing at current levels.

ADDITIONAL INFORMATION

Additional 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:

	16 Weeks Ended Oct. 9, 2004				16 Weeks Ended Oct. 4, 2003			
($ millions)	**Weston Foods(1)**	**Food Distribution**	**Fisheries**	**Consolidated**	Weston Foods	Food Distribution	Fisheries	Consolidated
Operating Income	**$ 51**	**$ 454**	**$ (10)**	**$ 495**	$ 113	$ 395	$ (3)	$ 505
Depreciation	**45**	**139**	**3**	**187**	42	122	2	166
EBITDA	**$ 96**	**$ 593**	**$ (7)**	**$ 682**	$ 155	$ 517	$ (1)	$ 671

	40 Weeks Ended Oct. 9, 2004				40 Weeks Ended Oct. 4, 2003			
($ millions)	**Weston Foods(1)**	**Food Distribution**	**Fisheries**	**Consolidated**	Weston Foods	Food Distribution	Fisheries	Consolidated
Operating Income	**$ 142**	**$ 1,116**	**$ (19)**	**$ 1,239**	$ 313	$ 976	$ (11)	$ 1,278
Depreciation	**113**	**338**	**7**	**458**	113	299	7	419
EBITDA	**$ 255**	**$ 1,454**	**$ (12)**	**$ 1,697**	$ 426	$ 1,275	$ (4)	$ 1,697

(1) Operating income includes restructuring and other charges of $44.

The following table provides additional financial information:

	As at	
	Oct. 9, 2004	Oct. 4, 2003
Market price per common share ($)	**$ 96.40**	$ 99.51
Actual common shares outstanding (in millions)	**128.9**	132.1
Weighted average common shares outstanding (in millions)	**128.9**	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)	**Oct. 9, 2004**	Oct. 4, 2003
Bank indebtedness	**$ 76**	$ 65
Commercial paper	**1,252**	1,073
Short term bank loans	**94**	58
Long term debt due within one year	**310**	209
Long term debt	**6,023**	5,735
Less:		
Cash and cash equivalents	**932**	1,218
Short term investments	**401**	689
Net debt	**6,422**	5,233
Less: Exchangeable debentures	**373**	374
Net debt excluding exchangeable debentures	**$ 6,049**	$ 4,859

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)	**Oct. 9, 2004**	Oct. 4, 2003 restated (1)
Total assets	**$ 17,823**	$ 17,514
Less:		
Cash and cash equivalents	**932**	1,218
Short term investments	**401**	689
Domtar investment	**365**	367
Total assets	**$ 16,125**	$ 15,240

(1) Certain prior period's information was restated due to the implementation of Section 3110 and EIC 144 as discussed in Note 1 to the unaudited interim period consolidated financial statements.

Consolidated Statements of Earnings

(unaudited)	16 Weeks Ended		40 Weeks Ended	
($ millions except where otherwise indicated)	**Oct. 9, 2004**	Oct. 4, 2003	**Oct. 9, 2004**	Oct. 4, 2003
Sales	**$ 9,317**	$ 8,768	**$ 22,851**	$ 21,921
Operating Expenses				
Cost of sales, selling and administrative expenses	**8,591**	8,097	**21,109**	20,224
Depreciation	**187**	166	**458**	419
Restructuring and other charges (note 2)	**44**		**45**	
	8,822	8,263	**21,612**	20,643
Operating Income	**495**	505	**1,239**	1,278
Interest Expense and Other Financing Charges (note 3)	**116**	78	**274**	188
Unusual Item (note 4)	**9**		**9**	
Earnings Before the Following:	**370**	427	**956**	1,090
Income Taxes (note 6)	**104**	130	**286**	338
	266	297	**670**	752
Minority Interest	**98**	84	**241**	212
Net Earnings	**$ 168**	$ 213	**$ 429**	$ 540
Net Earnings per Common Share ($) (note 7)				
Basic	**$ 1.24**	$ 1.55	**$ 3.16**	$ 3.93
Diluted	**$ 1.24**	$ 1.54	**$ 3.16**	$ 3.92

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

Consolidated Statements of Retained Earnings

(unaudited)	40 Weeks Ended	
($ millions except where otherwise indicated)	**Oct. 9, 2004**	Oct. 4, 2003
Retained Earnings, Beginning of Period	**$ 4,046**	$ 3,712
Impact of implementing new accounting standards (note 1)	**(33)**	(33)
Retained Earnings, Beginning of Period as Restated	**$ 4,013**	$ 3,679
Net earnings	**429**	540
Premium on common shares purchased for cancellation (note 12)	**(58)**	(16)
Dividends declared		
Per common share – $1.08 (2003 – $.90)	**(139)**	(119)
Per preferred share – Series I – $1.09 (2003 – $1.09)	**(10)**	(10)
– Series II – $.97 (2003 – $.97)	**(10)**	(10)
Retained Earnings, End of Period	**$ 4,225**	$ 4,064

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

Consolidated Balance Sheets

($ millions)	As at Oct. 9, 2004 (unaudited)	Dec. 31, 2003 restated (note 1)
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 932**	$ 965
Short term investments	**401**	545
Accounts receivable (note 8)	**1,000**	935
Inventories	**2,134**	2,017
Future income taxes	**150**	163
Prepaid expenses and other assets	**70**	52
Total Current Assets	**4,687**	4,677
Fixed Assets	**8,220**	7,746
Goodwill and Intangible Assets (note 9)	**3,545**	3,542
Future Income Taxes	**39**	79
Other Assets	**1,332**	1,279
Total Assets	**$ 17,823**	$ 17,323
LIABILITIES		
Current Liabilities		
Bank indebtedness	**$ 76**	$ 108
Commercial paper	**1,252**	696
Accounts payable and accrued liabilities	**2,642**	2,988
Income taxes	**60**	181
Short term bank loans	**94**	67
Long term debt due within one year (note 11)	**310**	307
Total Current Liabilities	**4,434**	4,347
Long Term Debt (note 11)	**6,023**	5,832
Future Income Taxes	**258**	228
Other Liabilities	**613**	689
Minority Interest	**1,958**	1,797
Total Liabilities	**13,286**	12,893
SHAREHOLDERS' EQUITY		
Share Capital (notes 12 and 13)	**614**	608
Retained Earnings	**4,225**	4,013
Cumulative Foreign Currency Translation Adjustment (note 14)	**(302)**	(191)
Total Shareholders' Equity	**4,537**	4,430
Total Liabilities and Shareholders' Equity	**$ 17,823**	$ 17,323

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

Consolidated Cash Flow Statements

(unaudited)		16 Weeks Ended		40 Weeks Ended	
($ millions)		**Oct. 9, 2004**	Oct. 4, 2003	**Oct. 9, 2004**	Oct. 4, 2003
Operating Activities					
Net earnings before minority interest		**$ 266**	$ 297	**$ 670**	$ 752
Depreciation		**187**	166	**458**	419
Restructuring and other charges (note 2)		**44**		**45**	
Unusual item (note 4)		**9**		**9**	
Future income taxes		**9**	16	**30**	59
Change in non-cash working capital		**(136)**	(50)	**(720)**	(562)
Other		**18**	(44)	**42**	(40)
Cash Flows from Operating Activities		**397**	385	**534**	628
Investing Activities					
Fixed asset purchases		**(470)**	(469)	**(1,059)**	(1,003)
Short term investments		**24**	(539)	**129**	(321)
Proceeds on termination of financial derivatives			338		338
Proceeds from fixed asset sales		**23**	36	**53**	57
Business acquisition (note 5)		**(46)**		**(46)**	
Business disposition (note 4)		**20**		**20**	
Credit card receivables, after securitization (note 8)		**11**	(9)	**66**	68
Franchise investments and other receivables		**(23)**	(23)	**(27)**	(58)
Other		**(20)**	(11)	**(54)**	(16)
Cash Flows used in Investing Activities		**(481)**	(677)	**(918)**	(935)
Financing Activities					
Bank indebtedness		**(50)**	23	**(30)**	16
Commercial paper		**113**	157	**556**	358
Short term bank loans	– Issued	**9**	8	**27**	25
Long term debt (note 11)	– Issued		55	**400**	555
	– Retired	**(2)**	(1)	**(205)**	(103)
Share capital	– Issued		1		1
	– Retired (note 12)			**(59)**	(16)
Subsidiary share capital	– Issued		1		2
	– Retired (note 9)		(4)	**(35)**	(45)
Dividends	– To shareholders	**(102)**	(94)	**(201)**	(175)
	– To minority shareholders	**(40)**	(32)	**(60)**	(48)
Other		**1**	4	**(3)**	
Cash Flows (used in) from Financing Activities		**(71)**	118	**390**	570
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents		**(96)**	22	**(39)**	(202)
Change in Cash and Cash Equivalents		**(251)**	(152)	**(33)**	61
Cash and Cash Equivalents, Beginning of Period		**1,183**	1,370	**965**	1,157
Cash and Cash Equivalents, End of Period		**$ 932**	$ 1,218	**$ 932**	$ 1,218

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 unaudited interim period consolidated 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 third quarter compared to 61.7% at year end 2003.

Effective January 1, 2004, the Company implemented the new accounting standards concerning fixed assets, derivative instruments and asset retirement obligations issued by the Canadian Institute of Chartered Accountants as discussed below:

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 forward sale agreement for 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 and other financing charges prospectively.

Effective for the third quarter of 2004, hedge accounting is no longer permissible for Weston's forward sale agreement for 9.6 million Loblaw common shares (the "underlying Loblaw shares") as a result of the March 2004 amendment to EIC Abstract 56, "Exchangeable Debentures" ("EIC 56"). EIC 56 was 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 adopting this amendment to EIC 56, during the third quarter of 2004, Weston recognized a non-cash charge, included in consolidated interest expense and other financing charges, representing the fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw common shares from the beginning of the third quarter. The fair value adjustment is based on fluctuations in the market price of the underlying Loblaw shares and is a non-cash item that will ultimately be offset by the recognition of any gain on Weston's disposition of the 9.6 million Loblaw common shares. Prior to the amendment to EIC 56, the fair value adjustment was deferred and recorded in the consolidated 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. Accordingly, at quarter end, a non-cash fair value adjustment of $125 million has been deferred and recorded in the consolidated balance sheet in other assets and other liabilities.

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 and minority interest of $1 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.

Vendor Allowances

EIC Abstract 144, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor" ("EIC 144") was issued in January 2004 and addresses accounting for cash consideration received from a vendor. EIC 144 provides that cash consideration received from a vendor is presumed to be a reduction in the cost of the vendor's products or services and should, therefore, be characterized as a reduction in the cost of sales and the related inventory when recognized in the customer's income statement and balance sheet. Certain exceptions apply if the consideration is a payment for assets or services delivered to the vendor or for reimbursements of selling costs incurred to promote the vendor's products provided certain conditions are met. EIC 144 requires retroactive application to all financial statements for annual and interim periods ending after August 15, 2004. Accordingly, in the third quarter of 2004, the Company has implemented EIC 144 retroactively with restatement of the comparative periods for the current and the prior year.

The Company receives allowances from certain of its vendors whose products it purchases for resale. These allowances are received for a variety of buying and/or merchandising activities, including vendor programs such as volume purchase allowances, purchase discounts, listing fees and exclusivity allowances. As a result of this implementation, the timing of recognition of certain vendor allowances has changed. Upon retroactive implementation of EIC 144, the Company recorded a decrease to opening retained earnings for 2003 of $24 million (net of current future income taxes recoverable of $11 million and minority interest of $14 million), a decrease to inventory of $32 million and an increase in accounts payable and accrued liabilities of $17 million. The implementation of EIC 144 did not result in a material change in the annual net earnings for 2003 or in the current or prior year's quarterly net earnings. The 2004 full year impact of EIC 144 is not expected to be significant to net earnings assuming that inventory levels, inventory turnover and vendor allowances remain relatively consistent.

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 and EIC 144 as described above.

2. Restructuring and Other Charges

Weston Foods
Management continues to undertake a series of cost reduction initiatives to ensure a low cost operating structure. Certain of these initiatives have been initiated and are in progress or nearing completion while others are still in the planning stages. Individual actions will be initiated as plans are finalized and approved. During the third quarter of 2004, major actions implemented included the completion of the Northlake, Illinois and Buffalo, New York bakery facility closures and the exiting of the fresh waffle business in the United States as well as the consolidation of two bakery facilities into one in Ontario, Canada. As a result of these initiatives and other various distribution outsourcing and overhead reduction projects, Weston Foods recorded total restructuring charges of approximately $44 million. These charges consisted of $34 million of fixed asset write-downs and $10 million of employee severance and other exit related cash costs. Approximately $3 million of the severance and other cash exit costs were paid by the end of the third quarter of 2004. Included in fixed assets on the consolidated balance sheet is $11 million of assets held for sale.

In 2003, Weston Foods recognized in operating income a net pre-tax charge of $35 million relating to the rationalization of fresh bakery production lines in the United States and the closure of two bakery facilities in Canada. This charge consisted of $14 million of employee severance costs of which $2 million had been paid in 2003. The restructuring activities from 2003 were substantially completed by the end of the third quarter and a further $4 million of employee severance costs had been paid.

Food Distribution

In connection with the new labour arrangement at Loblaw for *The Real Canadian Superstore* in Ontario, Canada, 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, $2 million was paid during the third quarter of 2004 and $17 million was paid year-to-date 2004. The majority of the remaining accrual of $4 million at the end of the third quarter is expected to be paid during the remainder of 2004.

3. Interest Expense and Other Financing Charges

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 9, 2004**	Oct. 4, 2003	**Oct. 9, 2004**	Oct. 4, 2003
Interest on long term debt	**$ 129**	$ 122	**$ 317**	$ 297
Interest on financial derivative instruments	**(12)**	(31)	**(23)**	(74)
Other financing charges (1)	**12**	(6)	**3**	(15)
Net short term interest	**(7)**	4	**(7)**	5
Capitalized to fixed assets	**(6)**	(11)	**(16)**	(25)
Interest expense and other financing charges	**$ 116**	$ 78	**$ 274**	$ 188

(1) Other financing charges includes a non-cash expense of $18 million related to the fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw common shares (the "underlying Loblaw shares") which was entered into during 2001 and matures in 2031. This non-cash charge was recognized prospectively in interest and other financing charges for the first time during the third quarter of 2004 due to the implementation of the amendment to EIC 56, which became effective at the beginning of the third quarter (see Note 1). The fair value adjustment is based on the fluctuations in the market value of the underlying Loblaw shares and is a non-cash item that will ultimately be offset by the recognition of any gain on Weston's disposition of the underlying Loblaw shares. Prior to the amendment to EIC 56, the fair value adjustment was deferred and recorded in the balance sheet in other assets and other liabilities. Also included in other financing charges is income of $6 million (2003 – $6 million) for the third quarter and income of $15 million (2003 – $15 million) on a year-to-date basis related to the forward fee net of the forward accretion income associated with Weston's forward sale agreement.

Net interest paid in the third quarter and year-to-date was $62 million and $260 million (2003 – $53 million and $196 million), respectively.

4. Business Disposition

During the third quarter of 2004, Weston sold all of the Fisheries' operations in Chile for cash proceeds of $20 million which resulted in a pre-tax loss of $9 million recognized in unusual item.

5. Business Acquisition

On September 27, 2004, Weston purchased all of the issued and outstanding common shares of Boulangerie Gadoua Ltée ("Gadoua"), a bakery business operated in Quebec, Canada, for $59 million consisting of $46 million of cash consideration, $6 million in Weston common shares issued from treasury and assumed debt of $7 million, subject to certain adjustments.

The acquisition was accounted for using the purchase method. The timing of the acquisition date relative to the quarter end was such that a determination or estimation of the fair value of the assets and liabilities acquired was not possible. As a result, Weston has recorded the assets and liabilities acquired at their book values. The purchase price allocation will be finalized by year end 2004.

Details of the purchase equation as at September 27, 2004 including total consideration paid and net assets acquired at their book value, are summarized below:

($ millions)		As at Sept. 27, 2004
Current assets	$	11
Fixed assets		19
Other assets		1
Current liabilities		(4)
Long term debt		(7)
Future income taxes		(2)
Net assets acquired		18
Goodwill		34
		52
Less non-cash consideration:		
Weston common shares issued		(6)
Cash consideration	$	46

6. 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 third quarter and year-to-date were $98 million and $360 million (2003 – $97 million and $348 million), respectively.

7. Basic and Diluted Net Earnings per Common Share

($ millions except where otherwise indicated)	16 Weeks Ended **Oct. 9, 2004**	16 Weeks Ended Oct. 4, 2003	40 Weeks Ended **Oct. 9, 2004**	40 Weeks Ended Oct. 4, 2003
Net earnings	**$ 168**	$ 213	**$ 429**	$ 540
Prescribed dividends on preferred shares	**(8)**	(8)	**(21)**	(20)
Net earnings available to common shareholders	**$ 160**	$ 205	**$ 408**	$ 520
Weighted average common shares outstanding (in millions)	**128.9**	132.2	**128.9**	132.2
Dilutive effect of stock-based compensation (in millions) (1)	**.2**	.5	**.3**	.5
Diluted weighted average common shares outstanding (in millions)	**129.1**	132.7	**129.2**	132.7
Basic net earnings per common share ($)	**$ 1.24**	$ 1.55	**$ 3.16**	$ 3.93
Dilutive effect of stock-based compensation per common share ($)		(.01)		(.01)
Diluted net earnings per common share ($)	**$ 1.24**	$ 1.54	**$ 3.16**	$ 3.92

(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 third 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 third 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 third 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 third quarter of 2004.

8. Credit Card Receivables

During the the third quarter of 2004, Loblaw, through its wholly owned subsidiary President's Choice Bank, securitized $75 million (2003 – $28 million) of credit card receivables, under its securitization program and $202 million (2003 – $182 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.

9. 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 **Oct. 9, 2004** **Total**	As at Dec. 31, 2003 Total
Goodwill, beginning of year	**$ 1,269**	**$ 1,724**	**$ 9**	**$ 3,002**	$ 3,347
Goodwill acquired during the period	**34**	**29**		**63**	44
Adjusted purchase price allocation					(125)
Impact of foreign currency translation	**(45)**			**(45)**	(264)
Goodwill, end of period	**1,258**	**1,753**	**9**	**3,020**	3,002
Trademarks and brand names (1)	**503**			**503**	523
Other intangible assets	**6**			**6**	2
Marine site licences			**16**	**16**	15
Goodwill and intangible assets	**$ 1,767**	**$ 1,753**	**$ 25**	**$ 3,545**	$ 3,542

(1) Includes negative impact of foreign currency translation of $20 (2003 – $104).

When Loblaw purchases its own common shares, the Company accounts for the purchase as a step-by-step purchase of Loblaw. During the first three 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.

In the normal course of business, Loblaw may acquire from time to time franchisee stores and convert them to corporate stores. For the first three quarters of the year, Loblaw acquired four franchisee businesses. The acquisitions were accounted for using the purchase method of accounting with the results of the businesses acquired included in the Company's consolidated financial statements from the date of acquisition. The fair value of the net assets acquired consisted of other assets, principally inventory, of $2 million and goodwill of $5 million for cash consideration of $3 million, net of accounts receivable due from the franchisees of $4 million.

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

The Company's total net benefit plan expense recognized in operating income was $63 million and $158 million (2003 – $67 million and $164 million) for the third 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.

11. 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.

12. 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.

During the third quarter of 2004, Weston issued, from treasury, 58,733 common shares in connection with the acquisition of Gadoua (see Note 5).

13. Stock-Based Compensation

During the first three quarters of 2004, Weston issued 5,604 (2003 – 18,812) common shares for cash consideration of $.3 million (2003 – $.8 million) on the exercise of stock options and paid the share appreciation value of $7 million (2003 – $11 million) on the exercise of 156,700 (2003 – 216,256) stock options and share appreciation rights. In addition, 40,760 (2003 – 39,702) stock options and share appreciation rights were forfeited or cancelled during the first three quarters of 2004. Loblaw paid the share appreciation value of $18 million (2003 – $16 million) on the exercise of 602,334 (2003 – 526,240) stock options. In addition, 76,031 (2003 – 140,056) of Loblaw's stock options were forfeited or cancelled during the first three quarters of 2004. During 2004, Loblaw granted 15,000 stock options with an exercise price of $62.14 per common share under its existing stock option plan.

Subsequent to quarter end, Loblaw granted 30,000 stock options with an exercise price of $67.11 per common share under its existing stock option plan.

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

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 9, 2004**	Oct. 4, 2003	**Oct. 9, 2004**	Oct. 4, 2003
Stock option plans/share appreciation right plan (income)/cost	**$ 12**	$ 2	**$ (17)**	$ 39
Equity derivatives loss/(gain)	**(17)**	3	**31**	(44)
Net stock-based compensation cost/(income)	**$ (5)**	$ 5	**$ 14**	$ (5)

At the end of the third quarter 2004, a total of 1,802,030 (2003 – 2,057,877) stock options 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%.

14. Cumulative Foreign Currency Translation Adjustment

During the first three quarters of 2004, the change in the cumulative foreign currency translation adjustment from year end 2003 decreased shareholders' equity by $111 million. This net change was due to the negative impact of translating the Company's investment in self-sustaining foreign operations in the United States as a result of the strengthening of the Canadian dollar relative to the United States dollar since year end 2003.

15. Financial Instruments

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.

16. Contingencies, Commitments and Guarantees

Indemnification Provisions

During 2004, Weston was 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.

17. 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.

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 9, 2004**	Oct. 4, 2003	**Oct. 9, 2004**	Oct. 4, 2003
Sales				
Weston Foods	**$ 1,361**	$ 1,275	**$ 3,419**	$ 3,481
Food Distribution	**8,134**	7,673	**19,880**	18,847
Fisheries	**59**	50	**132**	147
Intersegment	**(237)**	(230)	**(580)**	(554)
Consolidated	**$ 9,317**	$ 8,768	**$ 22,851**	$ 21,921
Operating Income				
Weston Foods (1)	**$ 51**	$ 113	**$ 142**	$ 313
Food Distribution	**454**	395	**1,116**	976
Fisheries	**(10)**	(3)	**(19)**	(11)
Consolidated	**$ 495**	$ 505	**$ 1,239**	$ 1,278

(1) 2004 operating income includes restructuring and other charges of $44.

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, through its operating subsidiaries, 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.

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.

This Quarterly Report is available electronically through the Company's website at www.weston.ca. The Company holds an analyst call shortly following the release of its quarterly results. The call will be archived in the Investor Zone section of the Company's website. Additional information has been filed electronically with various securities regulators in Canada and is available 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. Additional information on Loblaw Companies Limited has been filed electronically with various securities regulators in Canada and is available through SEDAR.

Ce rapport est disponible en français.

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