Q1

George Weston Limited

Quarterly Report to Shareholders

12 Weeks Ended March 25, 2006

Weston

FORWARD-LOOKING STATEMENTS

This Quarterly Report for George Weston Limited ("Weston") and its subsidiaries (collectively, the "Company"), including the Management's Discussion and Analysis ("MD&A"), contains forward-looking statements which reflect management's expectations regarding the Company's objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities. Forward-looking statements are typically identified by words or phrases such as "anticipates", "expects", "believes", "estimates", "intends" and other similar expressions.

These forward-looking statements are not guarantees, but only predictions. Although the Company believes that these statements are based on information and assumptions, which are current, reasonable and complete, these statements are necessarily subject to a number of factors that could cause actual results to vary significantly from the estimates, projections and intentions. Such differences may be caused by factors which include, but are not limited to, changes in consumer spending, preferences and consumers' nutritional and health related concerns, changes in the competitive environment, including changes in pricing and market strategies of the Company's competitors and the entry of new competitors and expansion of current competitors, the availability and cost of raw materials and ingredients, fuels and utilities, the ability to realize anticipated cost savings, including those resulting from restructuring and other cost reduction initiatives, the ability to execute restructuring plans effectively, the Company's relationship with its employees, results of labour negotiations including the terms of future collective bargaining agreements, changes to the regulatory environment in which the Company operates now or in the future, changes in the Company's tax liabilities, either through changes in tax laws or future assessments, performance of third-party service providers, public health events, the ability of the Company to attract and retain key executives, the success rate of the Company in developing and introducing new products and entering new markets and supply and quality control issues with vendors. The Company cautions that this list of factors is not exhaustive. These factors and other risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Operating and Financial Risks and Risk Management sections of the MD&A included in Weston's 2005 Financial Report.

The assumptions applied in making the forward-looking statements contained in this Quarterly Report, including the MD&A, include the following: economic conditions in 2006 do not materially change from those expected, patterns of consumer spending and preferences are reasonably consistent with historical trends, no new significant competitors enter the Company's market nor does any existing competitor unexpectedly significantly increase its presence or change pricing or market strategies, anticipated cost savings from restructuring activities are realized as planned, continuing future restructuring activities are effectively executed, there are no material work stoppages in 2006 and the performance of third-party service providers is in accordance with expectations in the upcoming year.

Potential investors and other readers are urged to consider these factors carefully in evaluating these forward-looking statements and are cautioned not to place undue reliance on them. The forward-looking statements included in this Quarterly Report, including the MD&A, are made only as of the filing date of this Quarterly Report and the Company does not undertake to publicly update these forward-looking statements to reflect new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events contained in these forward-looking statements may or may not occur. The Company cannot assure that projected results or events will be achieved.

George Weston Limited's first quarter 2006 basic net earnings per common share from continuing operations were $0.91, an increase of 24.7% compared to $0.73 in 2005. Basic net earnings per common share from continuing operations included the negative impact of $0.09 per common share as a result of the following factors:

- a $0.04 per common share charge related to restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw Companies Limited ("Loblaw");
- a $0.03 per common share charge for the net effect of stock-based compensation and the associated equity derivatives;
- a $0.01 per common share non–cash charge related to the accounting for Weston's 2001 forward sale agreement of 9.6 million Loblaw common shares; and
- a $0.01 per common share charge related to the consolidation of variable interest entities ("VIEs") pursuant to accounting standards implemented in the first quarter of 2005.

After adjusting for the above noted items, Weston's first quarter 2006 adjusted basic net earnings per common share from continuing operations(1) were $1.00. This result compares to first quarter 2005 adjusted basic net earnings per common share from continuing operations(1) of $1.12, which was adjusted for the above factors in 2005. Adjusted basic net earnings per common share from continuing operations(1) for the first quarter of 2006 decreased 10.7% compared to 2005.

As indicated on previous occasions, the Company expected that adjusted basic net earnings per common share from continuing operations(1) for the first quarter would be less than reported for the same period in 2005. This decline was attributable, in large part, to the continuing effects from challenges Loblaw encountered during the execution of planned changes to its systems, supply chain and general merchandise and drugstore areas which commenced in 2005. Loblaw's emphasis in the early part of 2006 continues to be on improving service levels, particularly in the general merchandise area, and ensuring that product is available at the store level to support merchandising programs. Service to the food business, which was adversely impacted as attention and resources were diverted to the resolution of these challenges, has now returned to normal levels. Improvements continue to be made in resolving issues affecting the performance of the general merchandise supply chain as Loblaw works towards achieving anticipated performance levels in this area.

CONSOLIDATED RESULTS OF OPERATIONS

Sales for the first quarter of 2006 of $7.0 billion increased 1.3% compared to 2005 including a 0.6% decline due to foreign currency translation and a 0.1% increase due to the consolidation of VIEs by Loblaw.

Operating income of $321 million for the first quarter of 2006 compared to $292 million in 2005, an increase of 9.9%. Adjusting for the effects of the items described above, adjusted operating income(1) for the first quarter of 2006 was $340 million compared to $385 million in the first quarter of 2005, which resulted in an adjusted operating margin(1) of 4.9% compared to 5.6% respectively.

Interest expense and other financing charges for the first quarter of 2006 decreased 9.2% to $79 million from $87 million in 2005. The decrease is primarily due to higher net short term interest income and the lower non-cash charge of $2 million (2005 – $6 million) related to the accounting for Weston's 2001 forward sale agreement of 9.6 million Loblaw common shares. The effective income tax rate increased to 26.9% in the first quarter of 2006 compared to 23.9% in 2005 primarily due to a change in the proportion of taxable income earned across different tax jurisdictions, including the jurisdictions in which the income tax impacts of restructuring and other charges and stock-based compensation and the associated equity derivatives occurred.

Operating Segments

The Company's consolidated sales and operating income were impacted by each of its reportable operating segments as follows:

Weston Foods

Weston Foods sales for the first quarter of 2006 of $1.0 billion increased 0.1% compared to 2005 as a result of a sales increase of 4.0% offset by the negative impact of foreign currency translation, which impacted Weston Foods reported sales growth by approximately 3.9%. Sales growth in the fresh bakery and dairy categories, including improvements in price, volume and sales mix, were partially offset by softness in sales volumes for the frozen

(1) See Non-GAAP Financial Measures on page 14.

bakery and biscuit categories. Frozen bakery sales were adversely impacted by the timing of Easter, which occurred three weeks later in 2006, resulting in a shift in holiday sales into the second quarter of 2006. In addition, holiday timing during the first week of 2006 combined with one less selling day in the quarter also adversely impacted sales growth. The negative impact on Weston Foods sales growth for the first quarter of 2006 from the shift in Easter sales, holiday timing and one less selling day was estimated to be approximately 1%.

Weston Foods adjusted operating income[1] for the first quarter of 2006 was $72 million compared to $69 million in 2005, an increase of 4.3%, impacted positively by sales growth and the continued focus on cost reduction initiatives. Adjusted operating margin[1] for the first quarter of 2006 was 7.0% compared to 6.7% in 2005.

Loblaw

Loblaw sales for the first quarter of 2006 of $6.1 billion increased 1.4% compared to 2005 including a 0.1% increase relating to the consolidation of certain independent franchisees pursuant to accounting standards implemented in the first quarter of 2005. Same-store sales during the quarter declined by 2.5%. Sales and same-store sales growth in the first quarter of 2006 were adversely impacted by the timing of Easter. The negative impact on Loblaw's sales growth for the first quarter of 2006 from the shift in Easter sales was estimated to be approximately 1%. In addition, the impact of school holiday timing during the first week of 2006 combined with one less selling day also adversely impacted sales growth by an estimated 1% for the first quarter of 2006. Food and drugstore sales posted gains over the same period last year. Sales growth in general merchandise continues to be adversely impacted by the effects of the previously described challenges encountered in 2005.

Loblaw adjusted operating income[1] for the first quarter of 2006 was $268 million compared to $316 million in 2005. Adjusted operating margin[1] for the first quarter of 2006 was 4.4% compared to 5.3% in 2005, as the impact of softening sales from continued product supply issues, strategic price investment in certain markets and product mix was partially offset by improved buying synergies.

OUTLOOK

The outlook for the remainder of the year is for continued growth in sales and adjusted operating income[1] for Weston Foods, with adjusted operating margins[1] being pressured by underlying cost inflation, particularly with respect to certain materials, energy and people related benefits costs.

As noted previously, Loblaw anticipates that the impact of the supply chain restructuring and other transformative measures will have stabilized by the end of the second quarter and that quarterly adjusted basic net earnings per common share[1] performance will improve on a year-over-year basis during the remainder of the year.

Loblaw believes that it has the right strategy, and that it has the management team that will enable it to achieve the benefits of the choices made and actions taken. It believes that these benefits will include a strengthened competitive position for the long term and the creation of sustainable value for shareholders.

The consolidated results continue to reflect the transformational changes undertaken by both the Weston Foods and Loblaw operating businesses in order to position them for strong growth in the future.

W. Galen Weston
Chairman and President

Toronto, Canada
May 8, 2006

(1) See Non-GAAP Financial Measures on page 14.

The following MD&A for George Weston Limited should be read in conjunction with Weston's 2006 unaudited interim period consolidated financial statements and the accompanying notes on pages 16 to 24 of this Quarterly Report and the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2005 and the related annual MD&A included in Weston's 2005 Financial Report. Weston's 2006 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. These interim period consolidated financial statements include the accounts of Loblaw Companies Limited and its subsidiaries and variable interest entities ("VIEs") that the Company is required to consolidate in accordance with Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG 15"). A glossary of terms and ratios used throughout this Quarterly Report can be found on page 91 of Weston's 2005 Financial Report. In addition, this Quarterly Report includes the following terms: "rolling year return on average total assets", which is defined as cumulative operating income for the latest four quarters divided by average total assets excluding cash, cash equivalents, short term investments and assets held for sale; and "rolling year return on average shareholders' equity", which is defined as cumulative net earnings from continuing operations available to common shareholders for the latest four quarters divided by average total common shareholders' equity. The information in this MD&A is current to May 8, 2006, unless otherwise noted.

CONSOLIDATED RESULTS OF OPERATIONS

SALES AND SALES GROWTH EXCLUDING IMPACT OF VIES(1)

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 25, 2006	Mar. 26, 2005(2)
Total sales	**$ 6,997**	$ 6,908
Less: Sales attributable to the consolidation of VIEs	**81**	71
Sales excluding the impact of VIEs(1)	**$ 6,916**	$ 6,837
Total sales growth	**1.3%**	6.3%
Less: Positive impact on sales growth of sales attributable to the consolidation of VIEs	**0.1%**	1.1%
Sales growth excluding the impact of VIEs(1)	**1.2%**	5.2%

ADJUSTED OPERATING INCOME(1)

($ millions)	12 Weeks Ended Mar. 25, 2006	Mar. 26, 2005
Operating income	**$ 321**	$ 292
Add (deduct) impact of the following:		
Restructuring and other charges	**10**	86
Net effect of stock-based compensation and the associated equity derivatives	**4**	8
VIEs	**5**	(1)
Adjusted operating income(1)	**$ 340**	$ 385

ADJUSTED EBITDA(1)

($ millions)	12 Weeks Ended Mar. 25, 2006	Mar. 26, 2005
Adjusted operating income(1)	**$ 340**	$ 385
Add (deduct) impact of the following:		
Depreciation and amortization	**161**	150
VIEs depreciation and amortization	**(6)**	(4)
Adjusted EBITDA(1)	**$ 495**	$ 531

(1) See Non-GAAP Financial Measures on page 14.
(2) The Company implemented Emerging Issues Committee Abstract 156, "Accounting for Consideration by a Vendor to a Customer (Including a Reseller of the Vendor's Products)" in the first quarter of 2006 on a retroactive basis. Accordingly certain sales incentives paid by Loblaw to independent franchisees, associates and independent accounts for 2005 and 2004 have been reclassified between sales and cost of sales, selling and administrative expenses. For a further discussion, see the "New Accounting Standards" section included in this MD&A.

ADJUSTED BASIC NET EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS[1]

	12 Weeks Ended	
($)	**Mar. 25, 2006**	Mar. 26, 2005
Basic net earnings per common share from continuing operations	**$ 0.91**	$ 0.73
Add impact of the following:		
Restructuring and other charges	**0.04**	0.32
Net effect of stock-based compensation and the associated equity derivatives	**0.03**	0.04
Accounting for the forward sale agreement of Loblaw common shares	**0.01**	0.03
VIEs	**0.01**	
Adjusted basic net earnings per common share from continuing operations[1]	**$ 1.00**	$ 1.12

Sales Sales for the first quarter of 2006 increased 1.3%, or $89 million, to $7.0 billion from $6.9 billion in 2005, including an increase of 0.1% in sales relating to the consolidation of certain Loblaw independent franchisees as required by AcG 15. In 2006, sales excluding the impact of VIEs[1] increased by $79 million or 1.2% over the comparable period in 2005. The impact of foreign currency translation due to the strengthening Canadian dollar on the Weston Foods operating segment negatively impacted consolidated sales by approximately 0.6% for the first quarter of 2006. The Company's consolidated sales were impacted by each of its reportable operating segments as follows:

- Positively due to a sales increase of 0.1% at Weston Foods, which included the negative impact of foreign currency translation of approximately 3.9%. Sales were negatively impacted by approximately 1% due to the timing of Easter, which occurred three weeks later in 2006, resulting in a shift in holiday sales into the second quarter of 2006 and the impact of holiday timing during the first week of 2006 combined with one less selling day.

- Positively by 1.3% due to sales growth of 1.4% at Loblaw, which included significant sales growth from *The Real Canadian Superstore* program in Ontario as well as gains in food and drugstore sales. Sales and same-store sales growth in the first quarter of 2006 were adversely impacted by approximately 1% due to the timing of Easter. In addition, the impact of school timing during the first week of 2006 combined with one less selling day also adversely impacted sales and same-store sales growth by an estimated 1% for the first quarter of 2006.

Operating Income Operating income for the first quarter of 2006 was $321 million compared to $292 million in 2005, an increase of 9.9%. Operating income included restructuring and other charges in the first quarter of 2006 of $10 million (2005 – $86 million) and a charge for stock-based compensation net of the impact of the associated equity derivatives of $4 million (2005 – $8 million). In addition, operating income for 2006 includes a charge of $5 million (2005 – income of $1 million) resulting from the consolidation of VIEs. After adjusting for the negative impact of the items described above, consolidated adjusted operating income[1] was $340 million compared to $385 million in 2005, a decline of 11.7%. The Company's adjusted operating income[1] was impacted by each of its reportable operating segments as follows:

- Positively by 0.8% due to an increase of 4.3% in adjusted operating income[1] at Weston Foods, including the negative impact of foreign currency translation as a result of the appreciation of the Canadian dollar relative to the United States dollar. In addition, operating income was positively impacted by sales growth combined with the benefits from the continued focus on cost reduction initiatives.

- Negatively by 12.5% due to a decline of 15.2% in adjusted operating income[1] at Loblaw. Gross margin in the first quarter of 2006 was approximately equal to that of the first quarter of 2005 due to strategic price investment in certain markets and product mix offset by improved buying synergies. Softening sales from continued product supply issues and deliberate delays in program activities resulted in lost leverage on the fixed components of operating and administrative expenses.

(1) See Non-GAAP Financial Measures on page 14.

The Company's 2006 consolidated adjusted operating margin[1] decreased to 4.9% from 5.6% in 2005 and the consolidated adjusted EBITDA margin[1] decreased to 7.2% from 7.8% in 2005, both negatively impacted by lower adjusted operating margins[1] at Loblaw, partially offset by higher adjusted operating margins[1] at Weston Foods.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the first quarter of 2006 decreased $8 million, or 9.2%, to $79 million from $87 million in 2005.

The change is explained as follows:

- Interest on long term debt of $92 million decreased $2 million primarily due to lower weighted average debt levels.

- Interest on financial derivative instruments, which includes the effect of the Company's interest rate swaps, cross currency basis swaps and equity derivatives, resulted in a charge of $2 million (2005 – income of $3 million). The change in interest on financial derivative instruments was mainly due to the maturity of interest rate swaps in 2005 and an increase in United States short term interest rates.

- In the first quarter of 2006, a non-cash charge of $2 million (2005 – $6 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 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.

- Net short term interest income of $7 million compared to $1 million in 2005 primarily due to higher interest rates on United States dollar denominated cash, cash equivalents and short term investments and lower average short term debt partially offset by an increase in Canadian short term interest rates.

- During the first quarter of 2006, $5 million (2005 – $5 million) of interest expense was capitalized to fixed assets.

Income Taxes The Company's effective income tax rate increased to 26.9% compared to 23.9% in the first quarter of 2005 primarily due to a change in the proportion of taxable income earned across different tax jurisdictions, including the jurisdictions in which the income tax impacts of restructuring and other charges and stock-based compensation and the associated equity derivatives occurred.

Net Earnings from Continuing Operations Net earnings from continuing operations for the first quarter of 2006 increased $27 million, or 26.7%, to $128 million from $101 million in 2005. Basic net earnings per common share from continuing operations for the first quarter of 2006 increased $0.18, or 24.7%, to $0.91 from $0.73 in 2005. The first quarter of 2006 basic net earnings per common share from continuing operations of $0.91 included a negative impact of $0.09 per common share as a result of the following factors:

- a $0.04 per common share charge related to restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw;

- a $0.03 per common share charge for the net effect of stock-based compensation and the associated equity derivatives;

- a $0.01 per common share non–cash charge related to the accounting for Weston's 2001 forward sale agreement of Loblaw common shares; and

- a $0.01 per common share charge related to the consolidation of VIEs pursuant to accounting standards implemented in the first quarter of 2005.

(1) See Non-GAAP Financial Measures on page 14.

The first quarter of 2005 basic net earnings per common share from continuing operations of $0.73 included a negative impact of $0.39 per common share as a result of the following factors:

- a $0.32 per common share charge related to restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw;
- a $0.04 per common share charge related to the net effect of stock-based compensation and the associated equity derivatives; and
- a $0.03 per common share non-cash charge related to the accounting for Weston's 2001 forward sale agreement of 9.6 million Loblaw common shares.

After adjusting for the above noted items, Weston's first quarter 2006 adjusted basic net earnings per common share from continuing operations[1] was $1.00 compared to $1.12 in 2005, a decrease of 10.7%, impacted by the factors described above.

Net Earnings Net earnings for the first quarter of 2006 increased $28 million, or 28.0%, to $128 million from $100 million in 2005 primarily due to the increase in net earnings from continuing operations. Basic net earnings per common share for the first quarter of 2006 increased $0.19, or 26.4%, to $0.91 from $0.72 in 2005 due to the increase in net earnings.

REPORTABLE OPERATING SEGMENTS
Weston Foods

ADJUSTED OPERATING INCOME[1]

	12 Weeks Ended	
($ millions)	**Mar. 25, 2006**	Mar. 26, 2005
Operating income	**$ 64**	$ 35
Add impact of the following:		
Restructuring and other charges	**7**	31
Net effect of stock-based compensation and the associated equity derivatives	**1**	3
Adjusted operating income[1]	**$ 72**	$ 69

ADJUSTED EBITDA[1]

	12 Weeks Ended	
($ millions)	**Mar. 25, 2006**	Mar. 26, 2005
Adjusted operating income[1]	**$ 72**	$ 69
Depreciation and amortization	**27**	30
Adjusted EBITDA[1]	**$ 99**	$ 99

Sales Weston Foods sales for the first quarter of 2006 of $1.0 billion increased 0.1% compared to 2005, as a result of a sales increase of 4.0% offset by the negative impact of foreign currency translation which impacted Weston Foods reported sales growth by approximately 3.9%. Overall volume increased 0.3% for the first quarter of 2006, negatively impacted by approximately 1% due to the timing of Easter, the impact of holiday timing during the first week of 2006 and the impact of one less selling day in the quarter. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by 3.6% for the first quarter of 2006.

Fresh bakery sales contributed positively to overall sales growth in the first quarter of 2006, driven by both volume and price increases. Branded volume increases included growth in the *Thomas', Arnold* and *Dutch Country* brands in the United States and the *Wonder* and *Weston* brands in Canada. Continued growth in whole grain products and the introduction of new and expanded products, such as *Thomas' Squares*

(1) See Non-GAAP Financial Measures on page 14.

Bagelbread and *Wonder Plus* bread contributed positively to branded sales growth during the first quarter of 2006. Although consumption of white flour based products remained challenged during the first quarter of 2006, price increases and new private label customers helped offset this negative consumption trend.

Fresh-baked sweet goods sales growth for the first quarter of 2006 was slightly positive supported by price increases and reduced promotional activity which more than offset volume declines. This category, primarily sold under the *Entenmann's* brand, continued to experience a challenging sales environment in the quarter.

Frozen bakery sales contributed negatively to overall sales growth in the first quarter of 2006 due to lower volumes partially offset by price increases. Sales volume growth for the first quarter was adversely impacted by the timing of Easter in 2006 compared to 2005.

Dairy sales contributed positively to overall sales growth in the first quarter of 2006 as a result of volume growth, price increases and improvements in sales mix as growth continues to be experienced in value-added products. Biscuit category sales contributed negatively to overall sales growth in the first quarter of 2006 primarily due to lower volumes across most categories.

Operating Income Weston Foods operating income increased 82.9% to $64 million in the first quarter of 2006 from $35 million in 2005 and was impacted by lower restructuring and other charges and net stock-based compensation costs. Restructuring and other charges in the first quarter of 2006 were $7 million compared to $31 million in 2005 and net stock-based compensation was a charge of $1 million in 2006 compared to $3 million in 2005. Adjusting for the impact of restructuring and other charges and net stock-based compensation costs, adjusted operating income(1) was $72 million for the first quarter of 2006, an increase of 4.3% from $69 million in 2005. Adjusted operating margin(1) and adjusted EBITDA margin(1) for the first quarter of 2006 were 7.0% and 9.6%, respectively (2005 – 6.7% and 9.6%). In addition, foreign currency translation negatively impacted first quarter 2006 adjusted operating income(1) growth by approximately 4 percentage points.

Adjusted operating income(1) and margin(1) for the first quarter of 2006 were positively impacted by sales growth, primarily due to price and sales mix improvements, combined with the benefits from the continued focus on cost reduction initiatives. This was partially offset by the negative impact of inflationary cost pressures related to certain key ingredients and packaging costs as well as higher energy and employee related benefits costs which continue to challenge Weston Foods operating income and margin growth. In addition to increases in energy and employee related benefit costs, distribution costs were higher compared to 2005 as Weston Foods continues to focus its manufacturing capacity for more efficient production runs and where appropriate, outsourcing shorter-run products to third-party manufacturers. During the first quarter of 2006, Weston Foods incurred approximately $1 million of training and other facility startup related costs associated with the biscuit facility being built in Virginia. Weston Foods expects to incur further startup related costs during 2006 as the plan to restructure its United States biscuit operations is completed.

Weston Foods continues to evaluate strategic and other cost reduction initiatives with the objectives of ensuring a low cost operating structure and an improving competitive cost position. Certain of these initiatives are in progress while others are still in the planning stages. During the first quarter of 2006, Weston Foods recognized $7 million of restructuring and other charges, primarily related to the previously approved plan to restructure its United States Biscuit operations consisting of $4 million of accelerated depreciation and $3 million of employee termination benefits and other exit related costs. Weston Foods continues to evaluate strategic and other cost reduction initiatives related to the fresh-baked sweet goods category in the United States, administrative cost control, manufacturing asset restructuring and distribution network optimization. Individual actions will be initiated and additional charges may be taken as plans are finalized and approved.

(1) See Non-GAAP Financial Measures on page 14.

Loblaw

SALES AND SALES GROWTH EXCLUDING IMPACT OF VIEs[1]

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 25, 2006	Mar. 26, 2005[2]
Total sales	**$ 6,147**	$ 6,060
Less: Sales attributable to the consolidation of VIEs	**81**	71
Sales excluding the impact of VIEs[1]	**$ 6,066**	$ 5,989
Total sales growth	**1.4 %**	7.8%
Less: Positive impact on sales growth of sales attributable to the consolidation of VIEs	**0.1%**	1.3%
Sales growth excluding the impact of VIEs[1]	**1.3%**	6.5%

ADJUSTED OPERATING INCOME[1]

($ millions)	12 Weeks Ended Mar. 25, 2006	Mar. 26, 2005
Operating income	**$ 257**	$ 257
Add (deduct) impact of the following:		
Restructuring and other charges	**3**	55
Net effect of stock-based compensation and the associated equity derivatives	**3**	5
VIEs	**5**	(1)
Adjusted operating income[1]	**$ 268**	$ 316

ADJUSTED EBITDA[1]

($ millions)	12 Weeks Ended Mar. 25, 2006	Mar. 26, 2005
Adjusted operating income[1]	**$ 268**	$ 316
Add (deduct) impact of the following:		
Depreciation and amortization	**134**	120
VIEs depreciation and amortization	**(6)**	(4)
Adjusted EBITDA[1]	**$ 396**	$ 432

In line with Loblaw expectations, the first quarter 2006 results were adversely affected by the expected continuation of short term costs associated with certain transformative changes undertaken by Loblaw.

During 2005, Loblaw encountered challenges during the execution of planned changes in its systems, supply chain and general merchandise and drugstore areas including supply chain system conversions which were initiated as part of the creation of a national platform and the startup of a new third-party owned and operated warehouse and distribution centre for eastern Canada which handles general merchandise and certain drugstore products, primarily health and beauty care products. These challenges, which disrupted the flow of inventory to Loblaw's stores and resulted in additional operating costs, continued into the first quarter of 2006. Improvements continue to be made in resolving issues affecting general merchandise and drugstore service levels with drugstore approaching previous levels. Loblaw is stabilizing supply chain operations in these areas and expects to show further improvements by the end of the second quarter. Service levels relating to food have returned to normal operating levels.

(1) See Non-GAAP Financial Measures on page 14.
(2) The Company implemented Emerging Issues Committee Abstract 156, "Accounting for Consideration by a Vendor to a Customer (Including a Reseller of the Vendor's Products)" in the first quarter of 2006 on a retroactive basis. Accordingly certain sales incentives paid by Loblaw to independent franchisees, associates and independent accounts for 2005 and 2004 have been reclassified between sales and cost of sales, selling and administrative expenses. For a further discussion, see the "New Accounting Standards" section included in this MD&A.

Sales Loblaw sales for the first quarter of 2006 increased by 1.4%, to $6.1 billion, including an increase of 0.1% or $10 million in sales relating to the consolidation of certain independent franchisees as required by AcG 15. In 2006, sales excluding the impact of VIEs[(1)] increased by $77 million or 1.3% over the comparable period last year.

The following factors further explain the major components in the change in sales over the prior year:
- Easter occurred three weeks later in 2006 resulting in a shift in holiday sales into the second quarter of 2006, negatively impacting sales and same-store sales growth for the first quarter of 2006 by approximately 1%;
- school holiday timing during the first week of 2006 coupled with one less selling day in the quarter, adversely impacted sales and same-store sales growth by approximately 1% for the first quarter of 2006;
- same-store sales decline of 2.5%;
- significant sales growth from *The Real Canadian Superstore* program in Ontario;
- national food price inflation as measured by "The Consumer Price Index for Food Purchased from Stores" was approximately 1.5-2.0% for the first quarter of 2006 which was consistent with the comparable period of 2005;
- food and drugstore sales posted gains over the comparable period in 2005;
- general merchandise sales growth continued to be adversely impacted by the effects of the challenges initially encountered in 2005;
- the impact on Loblaw sales of the market decline in tobacco was a decline of approximately 0.7%; and
- an increase in net retail square footage of 2.5 million square feet or 5.4% during the latest four quarters, due to the opening of 60 new corporate and franchised stores and the closure of 46 stores, inclusive of stores which have undergone conversions and major expansions; during the first quarter of 2006, 5 new corporate and franchised stores were opened and 6 were closed resulting in a net increase of 0.1 million square feet or 0.3%.

Operating Income Loblaw operating income for the first quarter of 2006 of $257 million was equal to that of the comparable period last year. The operating margin was 4.2% for the first quarter of 2006 and 2005.

The impact of the restructuring plan introduced in the first quarter of 2005 continued into 2006. This plan included the restructuring of the supply chain network and the office move and reorganization of the operation support functions. An incremental $2 million of costs associated with the restructuring of the supply chain network, which is anticipated to be fully implemented by the end of 2008, was recognized in the first quarter of 2006. Of the $90 million total expected costs to be incurred by the end of 2008, $64 million has been recognized during 2005 and 2006. The remaining costs will be recognized as appropriate criteria are met.

An incremental $1 million of costs associated with the office move and reorganization of the operation support function was also recognized in the first quarter of 2006. All of the expected $25 million of costs related to these initiatives have now been recognized.

In addition, Loblaw recognized a charge in operating income of $3 million (2005 – $5 million) for the net effect of stock-based compensation and the associated equity forwards and a charge of $5 million (2005 – income of $1 million) resulting from the consolidation of VIEs.

After adjusting for the above-noted items, adjusted operating income[(1)] was $268 million in the first quarter of 2006 compared to $316 million in the comparable period of 2005. Adjusted operating margin[(1)] was 4.4% in the first quarter of 2006 compared to 5.3% in 2005. Adjusted EBITDA margin[(1)] decreased to 6.5% from 7.2% in 2005.

In the first quarter of 2006, operations continued to feel the adverse effects of certain system conversions and the startup of a new third-party owned and operated general merchandise and drugstore warehouse and distribution centre servicing eastern Canada. These disruptions commenced late in the second quarter of 2005.

(1) See Non-GAAP Financial Measures on page 14.

Planned system conversions of a number of western Canada warehouses to a national information technology platform that were delayed in 2005 resumed in the first quarter of 2006 and have been successfully completed resulting in a minimal impact to ongoing operations. However, the implementation challenges arising from the 2005 conversions, particularly the conversion of the distribution centre in Calgary, Alberta which handles general merchandise and certain drugstore products, primarily health and beauty care products, continues to adversely impact operating results. Service levels continue to be below normal running rates for general merchandise but are stabilizing and are expected to improve by the end of the second quarter of 2006. Food service levels have returned to normal operating levels.

In 2005, the Ontario general merchandise and drugstore warehouse and distribution activities were transitioned to a new facility owned and operated by a third party. Service levels in 2006 have improved over those of 2005 and continue to move towards targeted levels.

Incremental direct costs incurred in the handling, storage and movement of inventory resulting from these disruptions, which were first incurred during the third quarter of 2005, have been steadily decreasing and were not material in the first quarter of 2006.

The emphasis in the early part of 2006 continues to be on improving service levels and ensuring that product is available at the store level to support merchandising programs, particularly in general merchandise.

Gross margin in the first quarter of 2006 was approximately equal to that of the first quarter of 2005 due to strategic price investment in certain markets and product mix offset by improved buying synergies. Softening sales from continued product supply issues and deliberate delays in program activities resulted in lost leverage on the fixed components of operating and administrative expenses.

CONSOLIDATED FINANCIAL CONDITION

Financial Ratios The Company's net debt (excluding the Exchangeable Debentures)(1) to equity ratio at the end of the first quarter of 2006 was 1.11:1 compared to 1.37:1 in the same period of 2005 and 1.02:1 at year end 2005. The change in this ratio from year end 2005 is primarily due to higher net debt. The change in this ratio at the end of the first quarter of 2006 when compared to the end of the first quarter in 2005 was mainly due to lower net debt and higher shareholders' equity as a result of the issuance of preferred shares in 2005. The net debt (excluding the Exchangeable Debentures)(1) to equity ratio is expected to improve throughout the remainder of the year.

The interest coverage ratio for the first quarter of 2006 increased to 4.1 times compared to 3.4 times in the first quarter of 2005 primarily due to higher operating income and lower interest expense and other financing charges.

The Company's rolling year return on average total assets(1) at the end of the first quarter of 2006 of 10.0% was lower than the return of 10.9% in the comparable period of 2005 and unchanged from year end 2005. The Company's rolling year return on average common shareholders' equity was 16.9% at the end of the first quarter of 2006 compared to 14.6% in the comparable period of 2005 and 16.7% for the year end 2005 return.

Dividends On April 1, 2006, common share dividends of $0.36 per share and preferred share dividends of $0.32 per share, Series II, Series III and Series IV were paid as declared by Weston's Board of Directors (the "Board"). On March 15, 2006, preferred share dividends of $0.36 per share, Series I were paid as declared by the Board. The quarterly common share dividend was maintained at the 2005 dividend rate.

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 129.0 million common shares were outstanding at the end of the first quarter of 2006. An unlimited number of preferred shares Series I, Series II, Series III and IV are authorized and 9.4 million preferred shares Series I, 10.6 million preferred shares Series II, 8.0 million preferred shares Series III and 8.0 million preferred shares Series IV were outstanding at the end of the first quarter of 2006.

(1) See Non-GAAP Financial Measures on page 14.

Subsequent to quarter end, Weston issued 8.0 million preferred shares Series V for total net proceeds of $194 million. Further information on the Company's outstanding share capital is provided in Note 10 to the unaudited interim period consolidated financial statements.

Subsequent to the first quarter of 2006, Weston renewed its Normal Course Issuer Bid to purchase on the Toronto Stock Exchange or enter into equity derivatives to purchase up to 6,451,911 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.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows used in Operating Activities of Continuing Operations First quarter 2006 cash flows used in operating activities of continuing operations were $415 million compared to $162 million in the comparable period of 2005. The decrease over last year is primarily attributable to an increase in the use of non-cash working capital by Loblaw. A decrease in accounts payable and accrued liabilities together with an increase in inventory accounted for the majority of the change.

On an annual basis, cash flows from operating activities are expected to fund a large portion of the Company's 2006 funding requirements including anticipated capital investment activity of approximately $1.1 billion. The investment in non-cash working capital is expected to decline and net earnings before minority interest, depreciation and amortization are expected to increase by the end of the year.

Cash Flows (used in) from Investing Activities of Continuing Operations First quarter 2006 cash flows used in investing activities of continuing operations were $414 million compared to cash flows from investing activities of $124 million in 2005. The term to maturity profile of the Company's short term investment portfolio resulted in a shift in classification to short term investments from cash and cash equivalents and in the change in cash flows used in investing activities in the first quarter of 2006 relative to that of 2005.

Capital investment for the first quarter of 2006 totaled $227 million (2005 – $256 million) as the Company continues its commitment to maintain and renew its asset base and invest for growth within North America.

During the first quarter of 2006, $55 million (2005 – $10 million) of credit card receivables were securitized by President's Choice Bank ("PC Bank"), a wholly owned subsidiary of Loblaw, through the sale of a portion of the total interest in these receivables to an independent trust, yielding a nominal net gain (2005 – nominal net loss) based on the assumptions disclosed in Note 11 to the consolidated financial statements for the year ended December 31, 2005 included in Weston's 2005 Financial Report. The independent trust's recourse to PC Bank's assets is limited to PC Bank's retained interests and is further supported by Loblaw through a standby letter of credit for 9% (2005 – 15%) of the securitized amount.

During the first quarter of 2006, PC Bank restructured its credit card securitization program. Eagle Credit Card Trust ("Eagle"), a previously established independent trust, issued $500 million of five year senior and subordinated notes at a weighted average rate of 4.5% to finance the purchase of credit card receivables previously securitized by PC Bank through an independent trust. The subordinated notes provide credit support to those notes which are more senior. PC Bank will continue to service the credit card receivables on behalf of Eagle, but will not receive any fee for its servicing obligations and has a retained interest in the securitized receivables represented by the right to future cash flows after obligations to investors have been met. The restructuring of the portfolio yielded a nominal net loss.

Cash Flows from Financing Activities of Continuing Operations First quarter 2006 cash flows from financing activities of continuing operations were $561 million compared to $470 million in 2005.

QUARTERLY RESULTS OF OPERATIONS

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

Quarterly Financial Information (unaudited)

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
($ millions except where otherwise indicated)	**2006**	2005	2005	2004	2005	2004	2005	2004
Sales(2)	**$ 6,997**	$ 6,908	$ 7,345	$ 7,026	$ 9,694	$ 9,215	$ 7,242	$6,882
Net earnings from continuing operations	**$ 128**	$ 101	$ 240	$ 154	$ 196	$ 185	$ 179	$ 142
Net earnings (loss)	**$ 128**	$ 100	$ 249	$ (1)	$ 196	$ 168	$ 153	$ 140
Net earnings per common share from continuing operations ($)								
Basic	**$ 0.91**	$ 0.73	$ 1.78	$ 1.15	$ 1.41	$ 1.37	$ 1.33	$ 1.06
Diluted	**$ 0.91**	$ 0.73	$ 1.78	$ 1.14	$ 1.41	$ 1.37	$ 1.33	$ 1.06
Net earnings (loss) per common share ($)								
Basic	**$ 0.91**	$ 0.72	$ 1.85	$ (0.05)	$ 1.41	$ 1.24	$ 1.13	$ 1.04
Diluted	**$ 0.91**	$ 0.72	$ 1.85	$ (0.06)	$ 1.41	$ 1.24	$ 1.13	$ 1.04

(2) The Company implemented Emerging Issues Committee Abstract 156, "Accounting for Consideration by a Vendor to a Customer (Including a Reseller of the Vendor's Products)" in the first quarter of 2006 on a retroactive basis. Accordingly certain sales incentives paid by Loblaw to independent franchisees, associates and independent accounts for 2005 and 2004 have been reclassified between sales and cost of sales, selling and administrative expenses. For a further discussion, see the "New Accounting Standards" section included in this MD&A.

Sales growth continued in the first quarter of 2006 at a slower rate than 2005. At Loblaw, same-store sales growth during the current quarter declined 2.5%. Loblaw sales and same-store sales growth in the first quarter of 2006 were adversely impacted by the timing of Easter which occurred three weeks later in 2006, resulting in a shift in holiday sales into the second quarter of 2006. The negative impact on sales growth for the first quarter of 2006 from the shift in Easter sales was estimated to be approximately 1%. In addition, the impact of school holiday timing during the first week of 2006 combined with one less selling day also adversely impacted sales growth by an estimated 1% for the first quarter of 2006. Sales from VIEs consolidated by Loblaw commencing in 2005, accounted for quarterly sales growth for the last three quarters of 2005 of between 1.6% and 1.8% when compared to the respective quarters in 2004. At Weston Foods, pricing and mix improvements resulted in increased sales offset by the negative impact of foreign currency translation. Weston Foods sales growth for the first quarter of 2006 was negatively impacted by approximately 1% due to the timing of Easter, the impact of holiday timing during the first week of 2006 and the impact of one less selling day in the quarter.

Net earnings from continuing operations for 2006 and 2005 were impacted by the following items:

- restructuring and other charges incurred by Weston Foods and Loblaw;
- net effect of stock-based compensation and the associated equity derivatives;
- costs associated with Loblaw's supply chain disruptions;
- Loblaw charges related to Goods and Services Tax and provincial sales taxes in 2005; and
- accounting for Weston's 2001 forward sale agreement of 9.6 million Loblaw common shares.

NEW ACCOUNTING STANDARDS

Effective January 1, 2006, the Company implemented Emerging Issues Committee Abstract 156, "Accounting for Consideration by a Vendor to a Customer (Including a Reseller of the Vendor's Products)" ("EIC 156"), issued by the Canadian Institute of Chartered Accountants in September 2005. EIC 156 addresses cash consideration, including sales incentives, given by a vendor to a customer. This consideration is presumed to be a reduction of the selling price of the vendor's products and should therefore be classified as a reduction of sales in the vendor's statement of earnings.

Prior to the implementation of EIC 156, Loblaw recorded certain sales incentives paid to independent franchisees, associates and independent accounts in costs of sales, selling and administrative expenses on the statement of earnings. Accordingly, the implementation of EIC 156 on a retroactive basis, resulted in a reclassification reducing both sales and cost of sales, selling and administrative expenses as follows:

	First Quarter (12 weeks)		Second Quarter (12 weeks)		Third Quarter (16 weeks)		Fourth Quarter (12 weeks)		Total (52 weeks)	
($ millions)	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Sales as previously reported	$ 6,972	$ 6,551	$ 7,273	$ 6,915	$ 9,737	$ 9,260	$ 7,381	$ 7,072	$ 31,363	$ 29,798
Sales after reclassification	$ 6,908	$ 6,496	$ 7,242	$ 6,882	$ 9,694	$ 9,215	$ 7,345	$ 7,026	$ 31,189	$ 29,619
Reclassification between sales and cost of sales, selling and administrative expenses	$ 64	$ 55	$ 31	$ 33	$ 43	$ 45	$ 36	$ 46	$ 174	$ 179

As reclassifications, these changes did not impact net earnings from continuing operations. Operating margins, adjusted operating margins(1) and adjusted EBITDA margins(1) for 2005 have also been recalculated and updated if applicable as a result of the change in sales.

OUTLOOK

The outlook for the remainder of the year is for continued growth in sales and adjusted operating income(1) for Weston Foods, with adjusted operating margins(1) being pressured by underlying cost inflation, particularly with respect to certain materials, energy and people related benefits costs.

As noted previously, Loblaw anticipates that the impact of the supply chain restructuring and other transformative measures will have stabilized by the end of the second quarter and that quarterly adjusted basic net earnings per common share(1) performance will improve on a year-over-year basis during the remainder of the year.

Loblaw believes that it has the right strategy, and that it has the management team that will enable it to achieve the benefits of the choices made and actions taken. It believes that these benefits will include a strengthened competitive position for the long term and the creation of sustainable value for shareholders.

The outlook for the consolidated results is consistent with those of the operating segments as discussed above. The consolidated results continue to reflect the transformational changes undertaken by both the Weston Foods and Loblaw operating businesses in order to position them for strong growth in the future.

ADDITIONAL INFORMATION

Additional information, including reports, information circulars and annual information forms for both Weston and Loblaw have been filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com.

(1) See Non-GAAP Financial Measures on page 14.

NON-GAAP FINANCIAL MEASURES

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 for the reasons set out below. These measures do not have a standardized meaning prescribed by Canadian 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.

Sales and Sales Growth Excluding the Impact of VIEs These financial measures exclude the impact of the increase in sales from the consolidation by the Company of certain Loblaw independent franchisees, which resulted from the implementation of AcG 15 retroactively without restatement effective January 1, 2005. This impact of the increase in sales is excluded because the Company believes this allows for a more effective analysis of the operating performance of the Company. Both the current and comparative measures reflect the retroactive implementation of EIC 156. A reconciliation of the financial measures to the Canadian GAAP financial measures is included in the tables "Sales and Sales Growth Excluding Impact of VIEs" included on pages 3 and 8 of this MD&A.

Adjusted Operating Income and Margin Items listed in the reconciliation are excluded because the Company believes this allows for a more effective analysis of the operating performance of the Company. In addition, they affect the comparability of the financial results and could potentially distort the analysis of trends. The exclusion of these items does not imply that they are non-recurring. Adjusted operating income and margin are useful to management in assessing the Company's performance and in making decisions regarding the ongoing operations of its business. A reconciliation of the financial measures to the Canadian GAAP financial measures is included in the tables "Adjusted Operating Income" included on pages 3, 6 and 8 of this MD&A.

Adjusted operating margin is calculated as adjusted operating income divided by sales excluding impact of VIEs.

Adjusted EBITDA and Margin Adjusted EBITDA is useful to management in assessing the Company's performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program. A reconciliation of the financial measures to the Canadian GAAP financial measures is included in the tables "Adjusted EBITDA" included on pages 3, 6 and 8 of this MD&A.

Adjusted EBITDA margin is calculated as adjusted EBITDA divided by sales excluding impact of VIEs.

Adjusted Basic Net Earnings per Common Share from Continuing Operations Items listed in the reconciliation are excluded because the Company believes this allows for a more effective analysis of the operating performance of the Company. In addition, they affect the comparability of the financial results and could potentially distort the analysis of trends. The exclusion of these items does not imply that they are non-recurring. Adjusted basic net earnings per common share from continuing operations is useful to management in assessing the Company's performance and in making decisions regarding the ongoing operations of its business. A reconciliation of the financial measures to the Canadian GAAP financial measures is included in the table "Adjusted Basic Net Earnings per Common Share from Continuing Operations" included on page 4 of this MD&A.

Net Debt The following table reconciles net debt excluding exchangeable debentures to Canadian GAAP measures reported in the unaudited interim period consolidated balance sheets as indicated. 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. 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.

($ millions)	**Mar. 25, 2006**	Mar. 26, 2005
Bank indebtedness	**$ 156**	$ 132
Commercial paper	**1,066**	1,277
Short term bank loans	**148**	111
Long term debt due within one year	**359**	31
Long term debt	**5,900**	6,344
Less:		
Cash and cash equivalents	**1,267**	1,470
Short term investments	**342**	35
Net debt	**6,020**	6,390
Less: Exchangeable debentures	**225**	320
Net debt excluding exchangeable debentures	**$ 5,795**	$ 6,070

Total Assets The following table reconciles total assets used in the return on average total assets measure to Canadian GAAP measures reported in the unaudited interim period consolidated balance sheets as indicated. The Company believes the return on average total assets ratio is useful in assessing the performance of operating assets and therefore excludes cash, cash equivalents, short term investments, assets held for sale, assets of discontinued operations and the Domtar investment from the total assets used in this ratio.

($ millions)	**Mar. 25, 2006**	Mar. 26, 2005
Total assets(3)	**$ 18,783**	$ 18,101
Less:		
Cash and cash equivalents	**1,267**	1,470
Short term investments	**342**	35
Current assets held for sale		64
Long term assets of discontinued operations	**12**	11
Domtar investment	**220**	314
Total assets	**$ 16,942**	$ 16,207

(3) Certain prior year's information was reclassified to conform with the current year's presentation.

Consolidated Statements of Earnings
(unaudited)

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 25, 2006	Mar. 26, 2005
Sales (note 2)	**$ 6,997**	$ 6,908
Operating Expenses		
Cost of sales, selling and administrative expenses (note 2)	**6,505**	6,380
Depreciation and amortization	**161**	150
Restructuring and other charges (note 3)	**10**	86
	6,676	6,616
Operating Income	**321**	292
Interest Expense and Other Financing Charges (note 4)	**79**	87
Earnings from Continuing Operations Before the Following:	**242**	205
Income Taxes (note 5)	**65**	49
	177	156
Minority Interest	**49**	55
Net Earnings from Continuing Operations	**128**	101
Discontinued Operations (note 7)		(1)
Net Earnings	**$ 128**	$ 100
Net Earnings (Loss) per Common Share ($) – Basic and Diluted		
Continuing Operations (note 6)	**$ 0.91**	$ 0.73
Discontinued Operations		$ (0.01)
Net Earnings	**$ 0.91**	$ 0.72

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

Consolidated Statements of Retained Earnings
(unaudited)

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 25, 2006	Mar. 26, 2005
Retained Earnings, Beginning of Period	**$ 4,625**	$ 4,152
Net earnings	**128**	100
Dividends declared		
Per common share – $0.36 (2005 – $0.36)	**(46)**	(46)
Per preferred share – Series I – $0.36 (2005 – $0.36)	**(4)**	(4)
– Series II – $0.32 (2005 – $0.32)	**(3)**	(3)
– Series III – $0.32	**(3)**	
– Series IV – $0.32	**(2)**	
Retained Earnings, End of Period	**$ 4,695**	$ 4,199

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

Consolidated Balance Sheets

($ millions)	As at Mar. 25, 2006 (unaudited)	Dec. 31, 2005
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,267**	$ 1,540
Short term investments	**342**	50
Accounts receivable (note 8)	**911**	933
Inventories	**2,206**	2,173
Income taxes	**65**	5
Future income taxes	**138**	134
Prepaid expenses and other assets	**94**	53
Total Current Assets	**5,023**	4,888
Fixed Assets	**8,969**	8,916
Goodwill and Intangible Assets	**3,375**	3,367
Future Income Taxes	**84**	89
Other Assets	**1,320**	1,321
Long Term Assets of Discontinued Operations (note 7)	**12**	12
Total Assets	**$ 18,783**	$ 18,593
LIABILITIES		
Current Liabilities		
Bank indebtedness	**$ 156**	$ 113
Commercial paper	**1,066**	498
Accounts payable and accrued liabilities	**2,712**	3,263
Short term bank loans	**148**	138
Long term debt due within one year	**359**	361
Current liabilities of discontinued operations (note 7)	**10**	10
Total Current Liabilities	**4,451**	4,383
Long Term Debt	**5,900**	5,913
Future Income Taxes	**343**	343
Other Liabilities	**604**	580
Minority Interest	**2,282**	2,255
Total Liabilities	**13,580**	13,474
SHAREHOLDERS' EQUITY		
Share Capital (note 10)	**1,012**	1,012
Retained Earnings	**4,695**	4,625
Cumulative Foreign Currency Translation Adjustment	**(504)**	(518)
Total Shareholders' Equity	**5,203**	5,119
Total Liabilities and Shareholders' Equity	**$ 18,783**	$ 18,593

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

Consolidated Cash Flow Statements
(unaudited)

($ millions)	12 Weeks Ended Mar. 25, 2006	Mar. 26, 2005
Operating Activities		
Net earnings from continuing operations before minority interest	**$ 177**	$ 156
Depreciation and amortization	**161**	150
Restructuring and other charges (note 3)	**10**	86
Future income taxes	**(2)**	(31)
Fair value adjustment of Weston's forward sale agreement (note 4)	**2**	6
Change in non-cash working capital	**(790)**	(535)
Other	**27**	6
Cash Flows used in Operating Activities of Continuing Operations	**(415)**	(162)
Investing Activities		
Fixed asset purchases	**(227)**	(256)
Short term investments	**(291)**	355
Proceeds on termination of financial derivatives		5
Proceeds from fixed asset sales	**9**	16
Credit card receivables, after securitization (note 8)	**118**	52
Franchise investments and other receivables	**(14)**	(24)
Other	**(9)**	(24)
Cash Flows (used in) from Investing Activities of Continuing Operations	**(414)**	124
Financing Activities		
Bank indebtedness	**43**	(11)
Commercial paper	**568**	437
Short term debt loans – Issued	**10**	9
Long term debt – Issued	**4**	304
– Retired	**(6)**	(221)
Share capital – Issued		5
Subsidiary share capital – Issued		1
Dividends – To common shareholders	**(46)**	(46)
– To preferred shareholders	**(12)**	(7)
Other		(1)
Cash Flows from Financing Activities of Continuing Operations	**561**	470
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	**2**	15
Initial impact of Variable Interest Entities		20
Cash Flows (used in) from Continuing Operations	**(266)**	467
Cash Flows used in Discontinued Operations (note 7)	**(7)**	(5)
Change in Cash and Cash Equivalents	**(273)**	462
Cash and Cash Equivalents, Beginning of Period	**1,540**	1,008
Cash and Cash Equivalents, End of Period	**$ 1,267**	$ 1,470

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

1. Summary of Significant Accounting Principles

Basis of Presentation
The unaudited interim period consolidated 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, 2005, except as 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 2005 Financial Report.

Basis of Consolidation
The unaudited interim period consolidated 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 61.9% at the end of the first quarter of 2006 and at year end 2005. In addition, the Company consolidates variable interest entities ("VIEs") that are subject to control on a basis other than through ownership of a majority of voting interest.

Use of Estimates and Assumptions
The preparation of the unaudited interim period consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the unaudited interim period 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 may be undertaken in the future. Actual results could differ from these estimates.

Certain estimates, such as those related to valuation of inventories, goodwill, indefinite life intangible assets, income taxes, Goods and Services Tax, provincial sales taxes, employee future benefits and impairment of fixed assets, 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 (see note 2).

2. Accounting Standards Implemented in 2006

Effective January 1, 2006, the Company implemented Emerging Issues Committee Abstract 156, "Accounting for Consideration by a Vendor to a Customer (Including a Reseller of the Vendor's Products)" ("EIC 156"), issued by the Canadian Institute of Chartered Accountants in September 2005. EIC 156 addresses cash consideration, including sales incentives, given by a vendor to a customer. This consideration is presumed to be a reduction of the selling price of the vendor's products and should therefore be classified as a reduction of sales in the vendor's statement of earnings.

Prior to the implementation of EIC 156, Loblaw recorded certain sales incentives paid to independent franchisees, associates and independent accounts in costs of sales, selling and administrative expenses on the statement of earnings. Accordingly, the implementation of EIC 156 on a retroactive basis, resulted in a reduction in both sales and cost of sales, selling and administrative expenses of $67 million for the first quarter of 2006 and $64 million for the first quarter of 2005. As reclassifications, these changes did not impact net earnings from continuing operations.

3. Restructuring and Other Charges

The following table summarizes the restructuring and other charges:

	12 Weeks Ended					
			Mar. 25, 2006			Mar. 26, 2005
($ millions)	**Weston Foods**	**Loblaw**	**Total**	Weston Foods	Loblaw	Total
Fixed asset impairment		**$ 1**	**$ 1**		$ 4	$ 4
Accelerated depreciation	**$ 4**		**4**	$ 3		3
Employee termination benefits	**1**		**1**	26	50	76
Site closing and other exit costs	**2**	**2**	**4**	2	1	3
	$ 7	**$ 3**	**$ 10**	$ 31	$ 55	$ 86

Weston Foods

During 2005, Weston Foods approved a plan to restructure its United States biscuit operations. This plan will result in the closure of two biscuit facilities located in Elizabeth, New Jersey and Richmond, Virginia by the end of 2006. Employment at both facilities will be phased down as the majority of the production is relocated to a new facility in Virginia and an existing Weston Foods facility already operating in South Dakota. Once completed, this initiative is anticipated to result in lowering manufacturing costs and strengthening Weston Foods competitive position within its biscuit operations in the United States. As a result of this restructuring, Weston Foods expects to recognize certain incremental exit and startup costs of approximately $50 million over 2005 and 2006 including employee related severance and benefit costs, production equipment relocations, training and other facility startup related costs. In addition, Weston Foods expects to recognize accelerated depreciation on assets currently held-for-use of approximately $25 million over 2005 and 2006. During the first quarter of 2006, Weston Foods recognized $4 million of accelerated depreciation and $3 million of employee termination benefits and other exit related costs in connection with this restructuring plan. At the end of the first quarter of 2006, a total of $19 million of accelerated depreciation and $31 million of employee termination benefits and other exit costs, on a cumulative basis, have been recognized related to this restructuring plan.

During the first quarter of 2006, approximately $3 million (2005 – $4 million) of severance and other cash exit costs were paid related to restructuring activities. As at the end of the first quarter of 2006, accrued liabilities related to restructuring plans were $26 million.

Loblaw

During 2005, management of Loblaw approved a comprehensive plan to restructure its supply chain operations nationally. The restructuring plan is expected to be completed by the end of 2008 and the total restructuring cost under this plan is estimated to be approximately $90 million. Of the $90 million total estimated cost, approximately $57 million is attributable to employee termination benefits which include severance and additional pension costs resulting from the termination of employees, $13 million to fixed asset impairment and accelerated depreciation of assets relating to this restructuring activity and $20 million to site closing and other costs directly attributable to the restructuring plan. In the first quarter of 2006, Loblaw recognized $2 million (2005 – $51 million) of restructuring costs resulting from this plan. At the end of the first quarter of 2006, $26 million in estimated costs remain to be incurred and will be recognized as appropriate criteria are met.

Loblaw consolidated several administrative and operating offices from across southern Ontario into a new national head office and Store Support Centre in Brampton, Ontario and reorganized the merchandising, procurement and operations groups which included the transfer of the general merchandise operations from Calgary, Alberta to the new office. In the first quarter of 2006, Loblaw recognized $1 million (2005 – $4 million) of restructuring costs resulting from this restructuring activity. All of the expected $25 million of costs related to these initiatives have now been recognized.

During the first quarter of 2006, approximately $4 million (2005 – $2 million) of severance and other cash exit costs were paid related to the above restructuring activities. As at the end of the first quarter of 2006, accrued liabilities and other liabilities related to these restructuring activities were $5 million and $25 million, respectively. In addition, other assets were $9 million representing defined benefit pension plan costs related to these restructuring activities.

4. Interest Expense and Other Financing Charges

($ millions)	12 Weeks Ended Mar. 25, 2006	Mar. 26, 2005
Interest on long term debt	**$ 92**	$ 94
Interest on financial derivative instruments	**2**	(3)
Other financing charges[(1)]	**(3)**	2
Net short term interest	**(7)**	(1)
Capitalized to fixed assets	**(5)**	(5)
Interest expense and other financing charges	**$ 79**	$ 87

(1) Other financing charges for the first quarter of 2006 includes a non-cash charge of $2 million (2005 – $6 million), related to the fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw common shares ("underlying Loblaw shares") which was entered into during 2001 and matures in 2031. 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. Also included in other financing charges is income of $5 million (2005 – $4 million) for the first quarter of 2006 related to the forward accretion income net of the forward fee associated with Weston's forward sale agreement.

Net interest paid in the first quarter of 2006 was $91 million (2005 – $88 million).

5. Income Taxes

Net income taxes paid in the first quarter of 2006 were $119 million (2005 – $145 million).

6. Basic and Diluted Net Earnings per Common Share from Continuing Operations

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 25, 2006	Mar. 26, 2005
Net earnings from continuing operations	**$ 128**	$ 101
Prescribed dividends on preferred shares	**(11)**	(7)
Net earnings from continuing operations available to common shareholders	**$ 117**	$ 94
Weighted average common shares outstanding (in millions)	**129.0**	129.0
Dilutive effect of stock-based compensation (in millions)[(1)]	**0.1**	0.2
Diluted weighted average common shares outstanding (in millions)	**129.1**	129.2
Basic and diluted net earnings per common share from continuing operations ($)	**$ 0.91**	$ 0.73

(1) The following stock options were outstanding but were not recognized in the computation of diluted net earnings per common share from continuing operations as the exercise prices for these options were greater than the average market prices of the common shares for the quarter as follows:

Option Exercise Price	12 Weeks Ended Mar. 25, 2006	Mar. 26, 2005
$93.35	**579,000**	
$95.88	**100,130**	
$100.00	**175,400**	
$111.02	**572,384**	

7. Discontinued Operations

In December 2004, management approved a strategic plan to actively market for sale the remaining Fisheries operations. During 2005, the Company completed the previously announced sales of the remaining discontinued Fisheries operations. As a result of these sales, the Company will receive total net proceeds of $38 million, of which $12 million is deferred and will be received over the next three years.

During the first quarter of 2006, the Company reached an agreement to settle claims against it relating to certain alleged misrepresentations and warranties arising from the sale of the Company's forest product business in 1998, including tax related representations and warranties dealing with years prior to 1998. The Company did not admit any wrongdoing or liability in connection with the settlement. The Company had previously accrued for certain of these tax related claims in prior years. A payment of $7 million was made as a result of this settlement.

The results of discontinued operations presented in the consolidated statements of earnings were as follows:

	12 Weeks Ended	
($ millions)	**Mar. 25, 2006**	Mar. 26, 2005
Sales		$ 30
Loss from discontinued operations		$ 1

The assets and liabilities of discontinued operations were as follows:

	As at	
($ millions)	**Mar. 25, 2006**	Dec. 31, 2005
Long term assets of discontinued operations:		
Other assets	**$ 12**	$ 12
Current liabilities of discontinued operations:		
Accounts payable and accrued liabilities	**$ 10**	$ 10

The cash flows used in discontinued operations were as follows:

	12 Weeks Ended	
($ millions)	**Mar. 25, 2006**	Mar. 26, 2005
Cash flows used in operations	**$ (7)**	$ (4)
Cash flows used in investing		(1)
Cash flows used in discontinued operations	**$ (7)**	$ (5)

8. Credit Card Receivables

During the first quarter of 2006, $55 million (2005 – $10 million) of credit card receivables were securitized by President's Choice Bank ("PC Bank"), a wholly owned subsidiary of Loblaw, through the sale of a portion of the total interest in these receivables to an independent trust. The securitization yielded a nominal net gain (2005 – nominal net loss) based on the assumptions disclosed in note 11 to the consolidated financial statements for the year ended December 31, 2005. The independent trust's recourse to PC Bank's assets is limited to PC Bank's retained interests and is further supported by Loblaw through a standby letter of credit for 9% (2005 – 15%) of the securitized amount.

	As at	
($ millions)	**Mar. 25, 2006**	Dec. 31, 2005
Credit card receivables	**$ 1,193**	$ 1,257
Amount securitized	**(1,065)**	(1,010)
Net credit card receivables	**$ 128**	$ 247

During the first quarter of 2006, PC Bank restructured its credit card securitization program. Eagle Credit Card Trust ("Eagle"), a previously established independent trust, issued $500 million of five year senior and subordinated notes at a weighted average rate of 4.5% to finance the purchase of credit card receivables previously securitized by PC Bank through an independent trust. The subordinated notes provide credit support to those notes which are more senior. PC Bank will continue to service the credit card receivables on behalf of Eagle, but will not receive any fee for its servicing obligations and has a retained interest in the securitized receivables represented by the right to future cash flows after obligations to investors have been met. The restructuring of the portfolio yielded a nominal net loss.

9. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $56 million (2005 – $44 million) for the first quarter of 2006. The total net benefit plan cost included costs for the Company's defined benefit pension and other benefit plans, defined contribution pension plans and multi-employer pension plans.

10. Share Capital

Common Shares

	As at	
	Mar. 25, 2006	Dec. 31, 2005
Actual common shares outstanding (in millions)	**129.0**	129.0
Weighted average common shares outstanding (in millions)	**129.0**	129.0
Market price per common share	**$ 86.31**	$ 86.31

Preferred Shares, Series V (authorized – unlimited) ($)

Subsequent to the first quarter of 2006, Weston issued 8.0 million 4.75% Preferred Shares, Series V for $25.00 per share for net proceeds of $194 million which entitle the holder to a fixed cumulative preferred cash dividend of $1.1875 per share per annum. On or after July 1, 2011 Weston may, at its option, redeem for cash in whole or in part these outstanding preferred shares as follows:

On or after July 1, 2011 at $26.00 per share
On or after July 1, 2012 at $25.75 per share
On or after July 1, 2013 at $25.50 per share
On or after July 1, 2014 at $25.25 per share
On or after July 1, 2015 at $25.00 per share

At any time after issuance, Weston may, at its option, give the holder of these preferred shares the right, at the option of the holder, to convert the holder's shares into preferred shares of a further series designated by Weston on a share-for-share basis on a date specified by Weston.

11. Stock-Based Compensation

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

	12 Weeks Ended	
($ millions)	**Mar. 25, 2006**	Mar. 26, 2005
Stock option plans/share appreciation right plan expense	**$ 2**	$ 5
Equity derivatives (gain) loss	**(2)**	1
Restricted share unit plan expense	**4**	2
Net stock-based compensation cost	**$ 4**	$ 8

During the first quarter of 2006, Weston paid the share appreciation value of $0.2 million (2005 – $6 million) on the exercise of 6,100 (2005 – 146,530) stock options and share appreciation rights. In addition, 7,333 (2005 – 2,000) stock options and share appreciation rights were forfeited or cancelled during the first quarter of 2006. Loblaw paid the share appreciation value of $0.4 million (2005 – $25 million) on the exercise of 26,521 (2005 – 670,445) stock options and 17,886 (2005 – 17,762) of Loblaw's stock options were forfeited or cancelled during the first quarter of 2006. In addition, during the first quarter of 2006, Loblaw granted 48,742 (2005 – 2,152,252) stock options with an exercise price of $54.71 (2005 - $69.63) per common share under its existing stock option plan.

At the end of the first quarter of 2006, a total of 2,117,867 (2005 – 1,405,995) stock options and share appreciation rights were outstanding, which represented approximately 1.6% (2005 – 1.1%) of Weston's issued and outstanding common shares. The stock options and share appreciation rights were within the Company's guideline of 5% of the total number of outstanding common shares.

Restricted Share Unit ("RSU") Plan

During the first quarter of 2006, Weston granted 143,049 RSUs to 99 employees and Loblaw granted 644,712 RSUs to 231 employees under the existing RSU plans.

12. Segment Information

The Company has two reportable operating segments: Weston Foods and Loblaw. The accounting policies of the segments are the same as those described herein and in Weston's 2005 Financial Report. The Company measures each segment's performance based on operating income. No segment is reliant on any single external customer.

	12 Weeks Ended	
($ millions)	**Mar. 25, 2006**	Mar. 26, 2005
Sales		
Weston Foods	**$ 1,028**	$ 1,027
Loblaw	**6,147**	6,060
Intersegment	**(178)**	(179)
Consolidated	**$ 6,997**	$ 6,908
Operating Income		
Weston Foods(1)	**$ 64**	$ 35
Loblaw(2)	**257**	257
Consolidated	**$ 321**	$ 292

(1) Operating income for the first quarter of 2006 includes restructuring and other charges of $7 (2005 – $31) (see note 3).

(2) Operating income for the first quarter of 2006 includes restructuring and other charges of $3 (2005 – $55) (see note 3).

Corporate Profile

George Weston Limited ("Weston") is a Canadian public company founded in 1882 and through its operating subsidiaries constitutes one of North America's largest food processing and distribution groups. Weston has two reportable operating segments: Weston Foods and Loblaw, which is operated by Loblaw Companies Limited. The Weston Foods operating segment is primarily engaged in the baking and dairy industries within North America. Loblaw is Canada's largest food distributor and a leading provider of general merchandise, drugstore and financial products and services.

Trademarks

George Weston Limited and its subsidiaries own a number of trademarks. These trademarks are the exclusive property of Weston and its subsidiary companies and 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, Senior Vice President, Investor Relations and Public Affairs at the Company's Executive Office or by e-mail at investor@weston.ca.

Additional information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR). The Company holds an analyst call shortly following the release of its quarterly results. This call will be archived in the Investor Zone section of the Company's website.

This Quarterly Report includes selected information on Loblaw Companies Limited, a 62%-owned public reporting company with shares trading on the Toronto Stock Exchange.

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Weston

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