Q3

George Weston Limited

Quarterly Report to Shareholders

40 Weeks Ended October 7, 2006

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. These forward-looking statements include expected sales and earnings prospects for 2006. 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 or its 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 and in a timely manner, the Company's relationship with its employees, results of labour negotiations including the terms of future collective bargaining agreements, changes to the legislative and 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 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 markets and neither the Company nor its existing competitors unexpectedly significantly increase their presence or change pricing or market strategies materially, anticipated cost savings are realized as planned, continuing future restructuring activities are effectively executed and executed in a timely manner, the Company does not significantly change its approach to its current restructuring activities, there are no material work stoppages and the performance of third-party service providers is in accordance with expectations.

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.

CONSOLIDATED RESULTS OF OPERATIONS

George Weston Limited's third quarter 2006 basic net earnings per common share from continuing operations were $1.62, an increase of 14.9% compared to $1.41 in 2005. Weston's third quarter 2006 adjusted basic net earnings per common share from continuing operations[1] were also $1.62, which was unchanged compared to the same period in 2005. A number of items identified in determining adjusted basic net earnings per common share from continuing operations[1] in this and previous quarters are detailed in the MD&A.

Sales for the third quarter of 2006 of $10.1 billion increased 4.0% compared to 2005 including a 0.6% decrease due to foreign currency translation and 0.4% decrease due to consolidation of VIEs by Loblaw Companies Limited ("Loblaw").

Operating income of $465 million for the third quarter of 2006 compared to $478 million in 2005, a decrease of 2.7%. Adjusted operating income[1] for the third quarter of 2006 was $535 million compared to $552 million in the third quarter of 2005, a decline of 3.1%, which resulted in an adjusted operating margin[1] of 5.4% compared to 5.8% in the prior year. A number of items identified in determining adjusted operating income[1] in this and previous quarters are detailed in the MD&A.

Interest expense and other financing charges for the third quarter of 2006 decreased 65.9% to $30 million from $88 million in 2005. The decrease is primarily due to the higher non-cash income of $69 million (2005 – $14 million) related to the accounting for Weston's 2001 forward sale agreement for 9.6 million Loblaw common shares.

The effective income tax rate decreased to 29.2% in the third quarter of 2006 compared to 30.0% in 2005. The decrease is primarily due to changes in the Canadian Federal and certain provincial statutory income tax rates and a change in the proportion of taxable income earned across different tax jurisdictions, including the jurisdictions in which the income tax impact 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 third quarter of 2006 of $1.3 billion decreased 0.6% compared to 2005 as a result of a sales increase of 4.1% offset by the negative impact of foreign currency translation, which impacted Weston Foods reported sales growth by approximately 4.7%. Price increases across key categories combined with changes in sales mix contributed positively to sales growth by approximately 4.6% for the third quarter of 2006. Overall volume decreased 0.5% for the third quarter and was negatively impacted by approximately 0.8% due to the exit from the United States frozen foodservice bagel business early in the third quarter of 2006 and the discontinuance of contract manufacturing of biscuits for certain customers during 2006.

Weston Foods adjusted operating income[1] for the third quarter of 2006 was $103 million compared to $97 million in 2005, an increase of 6.2%, impacted positively by sales growth, pricing and the continued focus on cost reduction initiatives. Adjusted operating margin[1] for the third quarter of 2006 was 7.7% compared to 7.2% in 2005.

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 third quarter of 2006, Weston Foods recognized a $13 million charge to operating income related to a number of initiatives currently in progress, which are discussed in more detail in the MD&A.

(1) See Non-GAAP Financial Measures on page 20.

Loblaw

The new Loblaw management team is refocusing the business through three themes: Simplify, Innovate, and Grow, and has developed a "Formula for Growth" as a framework for a three year renewal plan.

Loblaw sales for the third quarter of 2006 of $9.0 billion increased 4.6% compared to 2005. Sales increases were realized across all regions of the country and in food, general merchandise and drugstore areas. Same-store sales increased by 2.0%, albeit versus soft comparisons a year ago. The growth in sales and same-store sales is higher by approximately 1.0% excluding the loss in tobacco sales. As reported previously, in the third quarter of 2006, a major tobacco supplier commenced shipping directly to certain customers of Loblaw's cash & carry and wholesale club network thereby adversely impacting sales.

Loblaw's adjusted operating income(1) in the third quarter of 2006 of $432 million compared to $455 million in 2005 and resulted in adjusted operating margins(1) of 4.9% and 5.4% respectively. A number of items identified in determining adjusted operating income(1) in this and previous quarters are detailed in the MD&A.

Loblaw's supply chain performance is stable, with distribution service levels in food at normal operating levels, representing an improvement over last year. General merchandise and drugstore service levels are slowly improving.

As part of Loblaw's regular review of its ability to recover the carrying value of inventory by selling inventory through normal channels, management identified certain excess inventory, primarily general merchandise. During the third quarter of 2006, Loblaw concluded that the carrying value of this inventory should be reduced to reflect its best estimate of the net realizable amount. Accordingly, an additional $18 million charge recorded in the third quarter resulted in a total inventory valuation provision of $31 million.

The investment in lower food prices to drive sales growth continues to have a negative impact on operating income. Improvements in buying synergies and the effect of the sales mix between food, general merchandise and drugstore offset the investment in lower food prices, driving marginal improvements in aggregate gross margin percentage. Loblaw continues to incur higher than anticipated store and distribution centre operational costs, principally relating to labour and third-party storage locations.

The "Formula for Growth" is focused on how Loblaw will compete and succeed for the long term. In support of this, a number of actions, as more fully discussed in the MD&A, are in progress. The aggregate impact of some of these actions has been quantified and is expected to be in the range of $127 million to $140 million. These costs will be recorded when the appropriate criteria for recognition are met. The majority of these costs are expected to be recorded in the fourth quarter of 2006. Loblaw continues to evaluate and review the costs of these actions.

In addition, other areas under review are inventory, supply chain costs, Loblaw's organizational structure and pharmacy-related legislative changes, the costs of which are not yet quantified and which may also result in a material impact to operating income in the fourth quarter. Possible activities in these areas are more fully discussed in the MD&A.

(1) See Non-GAAP Financial Measures on page 20.

OUTLOOK

The outlook for the consolidated results of George Weston Limited for 2006 reflects the underlying results of its operating segments as discussed below. The consolidated results continue to reflect the changes undertaken by both the Weston Foods and Loblaw operating businesses in order to position them for strong growth in the future.

The outlook for Weston Foods for the 2006 full year is for continued growth in sales, excluding the impact of foreign currency translation, in an ongoing competitive pricing environment. Growth in adjusted operating income[(1)] and margins[(1)] over prior year's results is anticipated to continue but with pressure from underlying cost inflation, particularly with respect to certain key ingredient costs.

Loblaw believes that sales growth for 2006 excluding the impact of variable interest entities[(1)] as previously stated will be in the range of 3% - 6%. Loblaw is continuing to invest in food prices in certain markets and increasing its level of advertising support which may have negative earnings implications for the year. As a result of these investments together with continuing higher supply chain costs, adjusted basic net earnings per common share[(1)] for 2006 are expected to be less than the previously provided guidance of 0% - 5% below 2005 results. Loblaw will also return to its previous practice of not providing earnings guidance.

W. Galen Weston
Chairman and President

Toronto, Canada
November 20, 2006

(1) See Non-GAAP Financial Measures on page 20.

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 22 to 32 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 George Weston 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, assets of discontinued operations 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 November 20, 2006, unless otherwise noted.

CONSOLIDATED RESULTS OF OPERATIONS

Sales and Sales Growth Excluding the Impact of VIEs(1)

	16 Weeks Ended		40 Weeks Ended	
($ millions except where otherwise indicated)	**Oct. 7, 2006**	Oct. 8, 2005(2)	**Oct. 7, 2006**	Oct. 8, 2005(2)
Total sales	**$ 10,085**	$ 9,694	**$ 24,589**	$ 23,844
Less: Sales attributable to the consolidation of VIEs	**121**	147	**291**	317
Sales excluding the impact of VIEs(1)	**$ 9,964**	$ 9,547	**$ 24,298**	$ 23,527
Total sales growth	**4.0%**	5.2%	**3.1%**	5.5%
Less: Impact on sales growth attributable to the consolidation of VIEs	**(0.4)%**	1.6%	**(0.2)%**	1.4%
Sales growth excluding the impact of VIEs(1)	**4.4%**	3.6%	**3.3%**	4.1%

Adjusted Operating Income(1)

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 7, 2006**	Oct. 8, 2005	**Oct. 7, 2006**	Oct. 8, 2005
Operating income	**$ 465**	$ 478	**$ 1,167**	$ 1,194
Add (deduct) impact of the following:				
Restructuring and other charges	**14**	8	**39**	111
Departure entitlement charge	**12**		**12**	
Direct costs associated with supply chain disruptions		20		20
Goods and Services Tax and provincial sales taxes		40		40
Net effect of stock-based compensation and the associated equity derivatives	**52**	9	**71**	24
VIEs	**(8)**	(3)	**(8)**	(4)
Adjusted operating income(1)	**$ 535**	$ 552	**$ 1,281**	$ 1,385

(1) See Non-GAAP Financial Measures on page 20.

(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 EBITDA[(1)]

($ millions)	16 Weeks Ended Oct. 7, 2006	16 Weeks Ended Oct. 8, 2005	40 Weeks Ended Oct. 7, 2006	40 Weeks Ended Oct. 8, 2005
Adjusted operating income[(1)]	**$ 535**	$ 552	**$ 1,281**	$ 1,385
Add (deduct) impact of the following:				
Depreciation and amortization	**219**	211	**546**	516
VIEs depreciation and amortization	**(7)**	(9)	**(19)**	(18)
Adjusted EBITDA[(1)]	**$ 747**	$ 754	**$ 1,808**	$ 1,883

Adjusted Basic Net Earnings per Common Share from Continuing Operations[(1)]

($)	16 Weeks Ended Oct. 7, 2006	16 Weeks Ended Oct. 8, 2005	40 Weeks Ended Oct. 7, 2006	40 Weeks Ended Oct. 8, 2005
Basic net earnings per common share from continuing operations	**$ 1.62**	$ 1.41	**$ 3.85**	$ 3.47
Add (deduct) impact of the following:				
Restructuring and other charges	**0.06**	0.01	**0.16**	0.40
Departure entitlement charge	**0.04**		**0.04**	
Direct costs associated with supply chain disruptions		0.06		0.06
Goods and Services Tax and provincial sales taxes		0.14		0.14
Net effect of stock-based compensation and the associated equity derivatives	**0.29**	0.06	**0.41**	0.15
Accounting for the forward sale agreement of Loblaw common shares	**(0.38)**	(0.07)	**(0.49)**	(0.14)
Changes in statutory income tax rates			**(0.14)**	
VIEs	**(0.01)**	0.01		0.01
Adjusted basic net earnings per common share from continuing operations[(1)]	**$ 1.62**	$ 1.62	**$ 3.83**	$ 4.09

Sales Sales for the third quarter of 2006 increased 4.0%, or $391 million, to $10.1 billion from $9.7 billion in 2005, including a decrease of 0.4% 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 $417 million or 4.4% over the third quarter in 2005. On a year-to-date basis, sales of $24.6 billion increased 3.1%, including a decrease of 0.2% in sales relating to the consolidation of certain Loblaw independent franchisees. 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% and 0.7% for the third quarter of 2006 and year-to-date, respectively. The Company's consolidated sales for the third quarter of 2006 were impacted by each of its reportable operating segments as follows:

- Negatively by 0.1% due to a sales decrease of 0.6% at Weston Foods, which included the negative impact of foreign currency translation of approximately 4.7%. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by approximately 4.6%. Overall volume decreased 0.5% for the third quarter and was negatively impacted by approximately 0.8% due to the exit from the United States frozen foodservice bagel business early in the third quarter of 2006 and the discontinuance of contract manufacturing of biscuits for certain customers during 2006.

- Positively by 4.1% due to sales growth of 4.6% at Loblaw, which included significant sales growth from *The Real Canadian Superstore* program in Ontario and same-store sales increases of 2.0%, albeit versus soft comparisons a year ago. In addition, the growth in sales and same-store sales is higher by approximately 1.0% excluding the loss in tobacco sales.

(1) See Non-GAAP Financial Measures on page 20.

Operating Income Operating income for the third quarter of 2006 was $465 million compared to $478 million in 2005, a decrease of 2.7%. Operating income included restructuring and other charges in the third quarter of 2006 of $14 million (2005 – $8 million), a departure entitlement charge of $12 million at Loblaw and a charge for stock-based compensation net of the impact of the associated equity derivatives of $52 million (2005 – $9 million) as a result of the decline of Weston's and Loblaw's share price from the end of the second quarter of 2006. In addition, third quarter operating income in 2006 included income of $8 million (2005 – $3 million) resulting from the consolidation of VIEs. The operating income in 2005 included a charge of $20 million related to Loblaw's estimated impact of direct costs associated with supply chain disruptions and a charge of $40 million related to Loblaw's estimate of Goods and Services Tax ("GST") and provincial sales tax ("PST") related charges. After adjusting for the impact of the items described above, consolidated adjusted operating income(1) was $535 million compared to $552 million in 2005, a decline of 3.1%. The Company's adjusted operating income(1) was impacted by each of its reportable operating segments as follows:

- Positively by 1.1% due to an increase of 6.2% in adjusted operating income(1) at Weston Foods, including the positive impact of sales growth and the benefits of a continued focus on cost reduction initiatives. In addition, adjusted operating income(1) growth was negatively impacted by approximately 3.5 percentage points due to foreign currency translation as a result of the appreciation of the Canadian dollar relative to the United States dollar.

- Negatively by 4.2% due to a decline of 5.1% in adjusted operating income(1) at Loblaw. As part of Loblaw's regular review of its ability to recover the carrying value of inventory by selling inventory through normal channels, management identified certain excess inventory, primarily general merchandise. During the third quarter of 2006, Loblaw concluded that the carrying value of this inventory should be reduced to reflect its best estimate of the net realizable amount and accordingly, a charge of $18 million was recorded. In addition, the investment in lower food prices to drive sales growth continued to have a negative impact on operating income. Improvements in buying synergies and the effect of the sales mix between food, general merchandise and drugstore offset the investment in lower food prices, driving marginal improvements in aggregate gross margin percentage. Loblaw continued to incur higher than anticipated store and distribution centre operational costs, principally relating to labour and third-party storage locations.

Year-to-date operating income for 2006 decreased 2.3% or $27 million, to $1,167 million compared to $1,194 million in 2005, including restructuring and other charges of $39 million (2005 – $111 million), a departure entitlement charge of $12 million at Loblaw and a charge of $71 million (2005 – $24 million) for net stock-based compensation costs as a result of the decline of Weston's and Loblaw's share price from year end 2005. In addition, operating income for 2006 included income of $8 million (2005 – $4 million) resulting from the consolidation of VIEs. The operating income in 2005 included a charge of $20 million related to Loblaw's estimated impact of direct costs associated with supply chain disruptions and a charge of $40 million related to Loblaw's estimate of GST and PST related charges. After adjusting for the impact of the items described above, year-to-date consolidated adjusted operating income(1) was $1,281 million in 2006 compared to $1,385 million in 2005, a decline of 7.5%.

The Company's third quarter 2006 consolidated adjusted operating margin(1) decreased to 5.4% from 5.8% in 2005 and the consolidated adjusted EBITDA margin(1) decreased to 7.5% from 7.9% in 2005, both negatively impacted by lower adjusted operating margins(1) at Loblaw, partially offset by higher adjusted operating margins(1) at Weston Foods. For the same reasons, year-to-date consolidated adjusted operating margin(1) decreased to 5.3% from 5.9% in 2005 and the consolidated adjusted EBITDA margin(1) decreased to 7.4% from 8.0% in 2005.

(1) See Non-GAAP Financial Measures on page 20.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the third quarter of 2006 decreased by $58 million, or 65.9%, to $30 million from $88 million in 2005.

The change is explained as follows:

- Interest on long term debt decreased $2 million to $120 million from $122 million in 2005 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 $6 million (2005 – $2 million). The change in interest on financial derivative instruments was mainly due to an increase in United States and Canadian short term interest rates.

- In the third quarter of 2006, non-cash income of $69 million (2005 – $14 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 $14 million compared to $9 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 due to the issuance of preferred shares by Weston, partially offset by an increase in Canadian short term interest rates.

- During the third quarter of 2006, $6 million (2005 – $7 million) of interest expense was capitalized to fixed assets.

Year-to-date interest expense and other financing charges decreased by $71 million to $163 million from $234 million in 2005. The decrease is primarily due to the positive impact of lower weighted average debt levels and higher non-cash income related to the fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw common shares.

Income Taxes The Company's effective income tax rate in the third quarter of 2006 decreased to 29.2% compared to 30.0% in the third quarter of 2005 and on a year-to-date basis decreased to 25.8% from 28.4% in 2005. The decrease is primarily due to changes in the Canadian federal and certain provincial statutory income tax rates and 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. In addition, the year-to-date effective income tax rate was impacted by the cumulative effects of changes in Canadian federal and certain provincial statutory income tax rates on future income tax assets and liabilities, which are included in the consolidated financial statements at the time of substantive enactment. Accordingly, in the second quarter of 2006, a $24 million reduction to future income tax expense was recognized.

Net Earnings from Continuing Operations Net earnings from continuing operations for the third quarter of 2006 increased by $30 million, or 15.3%, to $226 million from $196 million in 2005 and on a year-to-date basis increased by $62 million, or 13.0%, to $538 million from $476 million in 2005. Basic net earnings per common share from continuing operations for the third quarter of 2006 increased by $0.21, or 14.9%, to $1.62 from $1.41 in 2005 and year-to-date increased by $0.38, or 11.0%, to $3.85 from $3.47 in 2005.

Basic net earnings per common share from continuing operations for the third quarter of 2006 of $1.62 included the net impact per common share of the following factors:

- a $0.06 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 a departure entitlement charge at Loblaw;
- a $0.29 per common share charge for the net effect of stock-based compensation and the associated equity derivatives;
- $0.38 per common share non-cash income related to the accounting for Weston's 2001 forward sale agreement for 9.6 million Loblaw common shares; and
- $0.01 per common share income related to the consolidation of VIEs.

After adjusting for the above noted items, Weston's third quarter 2006 adjusted basic net earnings per common share from continuing operations(1) were $1.62, which was unchanged compared to the same period in 2005.

The 2006 year-to-date basic net earnings per common share from continuing operations of $3.85 included a net positive impact of $0.02 per common share as a result of the following factors:

- a $0.16 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 a departure entitlement charge at Loblaw;
- a $0.41 per common share charge for the net effect of stock-based compensation and the associated equity derivatives;
- $0.49 per common share non-cash income related to the accounting for Weston's 2001 forward sale agreement for 9.6 million Loblaw common shares; and
- $0.14 per common share income related to the revaluation of future income tax balances resulting from a reduction in statutory income tax rates in Canada.

After adjusting for the above noted items, Weston's year-to-date 2006 adjusted basic net earnings per common share from continuing operations(1) was $3.83 compared to $4.09 in 2005, a decline of 6.4%.

Net Earnings Net earnings for the third quarter of 2006 increased by $30 million, or 15.3%, to $226 million from $196 million in 2005 due to the increase in net earnings from continuing operations. On a year-to-date basis, net earnings increased by $89 million, or 19.8%, to $538 million from $449 million in 2005, primarily due to higher net earnings from continuing operations in 2006 and the loss from discontinued operations in 2005. Basic net earnings per common share for the third quarter of 2006 increased by $0.21, or 14.9%, to $1.62 from $1.41 in 2005 and year-to-date increased by $0.59, or 18.1%, to $3.85 from $3.26 in 2005, both due to the increase in net earnings.

REPORTABLE OPERATING SEGMENTS
Weston Foods

Adjusted Operating Income(1)

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 7, 2006**	Oct. 8, 2005	**Oct. 7, 2006**	Oct. 8, 2005
Operating income	**$ 69**	$ 101	**$ 189**	$ 193
Add (deduct) impact of the following:				
Restructuring and other charges	**13**	(9)	**30**	31
Net effect of stock-based compensation and the associated equity derivatives	**21**	5	**28**	8
Adjusted operating income(1)	**$ 103**	$ 97	**$ 247**	$ 232

(1) See Non-GAAP Financial Measures on page 20.

Adjusted EBITDA(1)

($ millions)	16 Weeks Ended Oct. 7, 2006	16 Weeks Ended Oct. 8, 2005	40 Weeks Ended Oct. 7, 2006	40 Weeks Ended Oct. 8, 2005
Adjusted operating income(1)	**$ 103**	$ 97	**$ 247**	$ 232
Depreciation and amortization	**35**	39	**89**	98
Adjusted EBITDA(1)	**$ 138**	$ 136	**$ 336**	$ 330

Sales Weston Foods sales for the third quarter of 2006 of $1.3 billion decreased 0.6% compared to 2005, as a result of a sales increase of 4.1% offset by the negative impact of foreign currency translation, which impacted Weston Foods reported sales growth by approximately 4.7%. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by approximately 4.6% for the third quarter of 2006. Overall volume decreased 0.5% for the third quarter and was negatively impacted by approximately 0.8% due to the exit from the United States frozen foodservice bagel business early in the third quarter of 2006 and the discontinuance of contract manufacturing of biscuits for certain customers during 2006.

On a year-to-date basis, sales of $3.4 billion decreased 0.9% compared to 2005, as a result of a sales increase of 4.2% offset by the negative impact of foreign currency translation which impacted Weston Foods reported year-to-date sales growth by approximately 5.1%. Overall volume decreased 0.1% and price increases and changes in sales mix contributed positively to sales growth by approximately 4.3%. Overall volume growth was negatively impacted by approximately 0.6% due to the exit from the United States frozen foodservice bagel business early in the third quarter of 2006 and the discontinuance of contract manufacturing of biscuits for certain customers during 2006.

Fresh bakery sales contributed positively to overall sales growth in the third quarter and year-to-date, 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*, *D'Italiano* and *Weston* brands in Canada. Continued growth in products made with whole grains and the introduction of new and expanded products, such as *Thomas' Squares* Bagelbread and *Wonder Plus* bread contributed positively to branded sales growth during the third quarter and year-to-date 2006, partially offset by the impact of product rationalizations. Sales of white flour based products contributed positively to sales growth during the quarter and year-to-date due to price increases and volume growth in several branded product categories.

Fresh-baked sweet goods sales contributed positively to overall sales growth in the third quarter supported by improvements in price and sales mix, which more than offset overall volume declines. Volume growth in full-size cakes and cookies was offset by declines in snack products, which includes the impact of certain *Enten-minis* product rationalizations during 2006. On a year-to-date basis, fresh-baked sweet goods sales contributed positively to overall sales growth supported by price increases and reduced promotional activity during the first half of 2006, which more than offset overall volume declines.

Frozen bakery sales contributed positively to overall sales growth in the third quarter and year-to-date due to price increases combined with improvements in sales mix partially offset by lower volumes. Frozen bakery volumes were negatively impacted during the third quarter and on a year-to-date basis primarily due to the exit from the Unites States frozen foodservice bagel business early in the third quarter of 2006.

Dairy sales contributed positively to overall sales growth in the third quarter as a result of price increases and improvements in sales mix as growth continues to be experienced in value-added products, partially offset by slightly lower overall volumes. On a year-to-date basis, dairy sales contributed positively to overall sales growth due to volume growth, price increases and improvements in sales mix.

Declining biscuit sales negatively impacted overall sales growth in the third quarter and year-to-date primarily due to lower volume, which was negatively impacted by the discontinuance of contract

(1) See Non-GAAP Financial Measures on page 20.

manufacturing of biscuits for certain customers during 2006. This discontinuance was a result of the previously approved plan to restructure the Weston Foods United States biscuit operations.

Operating Income Weston Foods operating income decreased 31.7% to $69 million in the third quarter of 2006 from $101 million in 2005 and was impacted by higher restructuring and other charges and net stock-based compensation costs in 2006 as compared to last year. Restructuring and other charges in the third quarter of 2006 were $13 million compared to income of $9 million in 2005, which included a gain of $18 million related to the completed sale and lease-back of two facilities to be closed pursuant to a restructuring plan. Net stock-based compensation was a charge of $21 million in 2006 compared to $5 million in 2005. Adjusting for the impact of restructuring and other charges and net stock-based compensation costs, adjusted operating income(1) was $103 million for the third quarter of 2006, an increase of 6.2% from $97 million in 2005. Adjusted operating margin(1) and adjusted EBITDA margin(1) for the third quarter of 2006 were 7.7% and 10.3%, respectively (2005 – 7.2% and 10.1%). In addition, foreign currency translation negatively impacted third quarter 2006 adjusted operating income(1) growth by approximately 3.5 percentage points.

On a year-to-date basis, Weston Foods operating income decreased by 2.1% to $189 million from $193 million in 2005 and was impacted by slightly lower restructuring and other charges and higher net stock-based compensation costs in 2006 as compared to last year. On a year-to-date basis, restructuring and other charges in 2006 were $30 million compared to $31 million in 2005 and net stock-based compensation was a charge of $28 million in 2006 compared to $8 million in 2005. Adjusting for the impact of restructuring and other charges and net stock-based compensation costs, adjusted operating income(1) was $247 million for 2006, an increase of 6.5% from $232 million in 2005. Adjusted operating margin(1) and adjusted EBITDA margin(1) for 2006 were 7.3% and 10.0%, respectively (2005 – 6.8% and 9.7%). In addition, foreign currency translation negatively impacted 2006 year-to-date adjusted operating income(1) growth by approximately 4.5 percentage points.

Adjusted operating income(1) and margin(1) for the third quarter of 2006 and on a year-to-date basis were positively impacted by sales growth, primarily due to price and sales mix improvements and by the benefits of a continued focus on cost reduction initiatives. This was partially offset by the negative impact of inflationary cost pressures related to certain ingredients and higher energy costs, which continued to challenge Weston Foods operating income and margin growth. In addition to increases in energy costs, distribution costs were higher compared to 2005, in particular in the United States, as Weston Foods continues to focus its manufacturing capacity for more efficient production runs and where appropriate, outsourcing shorter-run products to contract manufacturers. The increased use of contract manufacturers and focused manufacturing facilities generally increases distribution complexity and costs. Also during the third quarter of 2006 and on a year-to-date basis, Weston Foods incurred approximately $3 million and $5 million respectively of training and other facility startup related costs associated with the new biscuit facility 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 third quarter of 2006, Weston Foods approved a plan to restructure a portion of its distribution network in Quebec. As a result of this restructuring, Weston Foods expects to recognize a total charge of $7 million for employee termination benefits and other exit related costs over the next eighteen months. During the third quarter of 2006 and year-to-date, Weston Foods recognized a charge of $5 million for employee termination benefits and other exit related costs related to this plan. Also during the third quarter of 2006, Weston Foods approved a plan to close a fresh bakery manufacturing facility in Quebec. This manufacturing facility closure is expected to be completed early in the first quarter of 2007. As a result of this restructuring, Weston Foods expects to recognize total accelerated depreciation of $1 million and a charge of $2 million for employee termination benefits and other exit related costs by the end of the first quarter of 2007. During the third quarter of 2006 and year-to-date, Weston Foods recognized a charge of $1 million for employee termination benefits and other exit related costs related to this plan.

(1) See Non-GAAP Financial Measures on page 20.

During the second quarter of 2006, Weston Foods approved a plan to close a frozen bagel plant in Nebraska. The closure was completed early in the third quarter of 2006. As a result of this restructuring, Weston Foods recognized total accelerated depreciation of $1 million and a charge of $1 million for employee termination benefits and other exit related costs during the third quarter of 2006. On a year-to-date basis, Weston Foods recognized $7 million of restructuring and other charges related to this plan, consisting of $5 million of accelerated depreciation and $2 million of employee termination benefits and other exit related costs.

During 2005, Weston Foods approved a plan to restructure its United States biscuit operations. This plan includes the closure of two biscuit facilities located in Elizabeth, New Jersey and Richmond, Virginia by the end of 2006 with the majority of the production relocated to a new facility in Virginia and an existing Weston Foods facility already operating in South Dakota. The sale and lease-back of these two facilities was completed in 2005. All manufacturing activities have ceased in the Richmond, Virginia facility while all manufacturing activities in the Elizabeth, New Jersey facility are expected to cease by the end of 2006. During the third quarter of 2006, Weston Foods recognized $5 million (2005 – income of $10 million) of restructuring and other charges related to the previously approved plan to restructure its United States biscuit operations, consisting of $5 million (2005 – $3 million) of employee termination benefits and other exit related costs and in 2005, $5 million of accelerated depreciation and a gain of $18 million related to the sale and lease-back of the two facilities. On a year-to-date basis, Weston Foods recognized $17 million (2005 – $22 million) of restructuring and other charges related to this plan, consisting of $7 million (2005 – $11 million) of accelerated depreciation, $10 million (2005 – $29 million) of employee termination benefits and other exit related costs and in 2005, a gain of $18 million related to the sale and lease-back of the two facilities. At the end of the third quarter of 2006, total charges of $22 million of accelerated depreciation and $38 million of employee termination benefits and other exit costs have been recognized, on a cumulative basis over 2005 and 2006, related to this restructuring plan.

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, as well as manufacturing asset restructuring and distribution network optimization. Individual actions will be initiated and additional charges may be incurred as plans are finalized and approved.

Loblaw

Sales and Sales Growth Excluding the Impact of VIEs(1)

	16 Weeks Ended		40 Weeks Ended	
($ millions except where otherwise indicated)	**Oct. 7, 2006**	Oct. 8, 2005(2)	**Oct. 7, 2006**	Oct. 8, 2005(2)
Total sales	**$ 9,010**	$ 8,610	**$ 21,856**	$ 21,075
Less: Sales attributable to the consolidation of VIEs	**121**	147	**291**	317
Sales excluding the impact of VIEs(1)	**$ 8,889**	$ 8,463	**$ 21,565**	$ 20,758
Total sales growth	**4.6%**	6.4%	**3.7%**	6.7%
Less: Impact on sales growth attributable to the consolidation of VIEs	**(0.4)%**	1.8%	**(0.2)%**	1.6%
Sales growth excluding the impact of VIEs(1)	**5.0%**	4.6%	**3.9%**	5.1%

(1) See Non-GAAP Financial Measures on page 20.

(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 Operating Income(1)

($ millions)	16 Weeks Ended Oct. 7, 2006	16 Weeks Ended Oct. 8, 2005	40 Weeks Ended Oct. 7, 2006	40 Weeks Ended Oct. 8, 2005
Operating income	**$ 396**	$ 377	**$ 978**	$ 1,001
Add (deduct) impact of the following:				
Restructuring and other charges	**1**	17	**9**	80
Departure entitlement charge	**12**		**12**	
Direct costs associated with supply chain disruptions		20		20
Goods and Services Tax and provincial sales taxes		40		40
Net effect of stock-based compensation and the associated equity derivatives	**31**	4	**43**	16
VIEs	**(8)**	(3)	**(8)**	(4)
Adjusted operating income(1)	**$ 432**	$ 455	**$ 1,034**	$ 1,153

Adjusted EBITDA(1)

($ millions)	16 Weeks Ended Oct. 7, 2006	16 Weeks Ended Oct. 8, 2005	40 Weeks Ended Oct. 7, 2006	40 Weeks Ended Oct. 8, 2005
Adjusted operating income(1)	**$ 432**	$ 455	**$ 1,034**	$ 1,153
Add (deduct) impact of the following:				
Depreciation and amortization	**184**	172	**457**	418
VIEs depreciation and amortization	**(7)**	(9)	**(19)**	(18)
Adjusted EBITDA(1)	**$ 609**	$ 618	**$ 1,472**	$ 1,553

Sales Loblaw sales for the third quarter of 2006 increased by 4.6% to $9.0 billion, including a decrease of 0.4% or $26 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 $426 million or 5.0% over the comparable period last year. Sales increases were realized across all regions of the country and in food, general merchandise and drugstore areas.

The following factors further explain the major components in the change in sales for the quarter over the prior year:

- same-store sales increase of 2.0% albeit versus soft comparisons a year ago;
- a decline in tobacco sales negatively impacted sales and same-store sales by approximately 1%;
- 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 2.5% for the third quarter of 2006, compared to approximately 2.0% in the comparable period of 2005, with variances by region; and
- an increase in net retail square footage of 1.7 million square feet or 3.5% during the latest four quarters, due to the opening of 46 new corporate and franchised stores and the closure of 38 stores, inclusive of stores which have undergone conversions and major expansions; during the third quarter of 2006, 17 new corporate and franchised stores were opened and 17 were closed resulting in a net increase of 0.5 million square feet or 1.1%.

Investments in the form of lower food prices continue to be made in specific markets in support of Loblaw's business strategy to grow sales levels. Excluding the loss in tobacco sales of 2006, the growth in sales and same-store sales would have been higher by approximately 1.0%. As reported previously, in the third quarter of 2006, a major tobacco supplier commenced shipping directly to certain customers of Loblaw's cash & carry and wholesale club network thereby adversely impacting sales. Sales in the fourth quarter are expected to be further

(1) See Non-GAAP Financial Measures on page 20.

adversely impacted as a result of this change. Tobacco sales are a significant portion of these businesses, although not a large earnings contributor.

For the first three quarters of the year, sales of $21.9 billion were 3.7% ahead of last year. The following factors in addition to the quarterly factors mentioned above, further explain the change in year-to-date sales over the same period in the prior year:

- year-to-date same-store sales increase of 0.6%; and
- an increase in net retail square footage during the latest four quarters as noted above. In the first three quarters, 29 new corporate and franchised stores were opened and 29 stores were closed resulting in a net increase of 0.9 million square feet or 1.8% from year end 2005.

Operating Income Loblaw operating income for the third quarter of 2006 increased 5.0% from last year to $396 million. The operating margin was 4.4% for the third quarter of 2006 comparable to the same period in 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 $1 million (2005 – $6 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 third quarter of 2006. Of the $90 million total expected costs to be incurred by the end of 2008, $70 million has been recognized during 2005 and 2006. The remaining costs will be recognized as appropriate criteria are met.

All of the expected $25 million of costs associated with the office move and reorganization of the operation support functions were recognized by the end of the first quarter of 2006.

Loblaw recognized a charge in operating income of $31 million (2005 – $4 million) for the net effect of stock-based compensation and the associated equity forwards and income of $8 million (2005 – $3 million) related to the consolidation of VIEs, during the third quarter.

In addition, Loblaw recorded a $12 million charge to income in the third quarter of 2006 related to the departure of John A. Lederer from the position of President and Director of Loblaw. An additional $10 million was paid pursuant to various incentive plans, the majority of which was previously accrued.

Operating income, in 2005, for the third quarter and year-to-date was negatively impacted by the charges for direct costs associated with supply chain disruptions and GST and PST. These charges accounted for a decline in operating income in 2005, in the quarter and year-to-date of approximately $60 million.

After adjusting for the above-noted items, adjusted operating income(1) was $432 million in the third quarter of 2006 compared to $455 million in the comparable period of 2005, a decrease of 5.1%. Adjusted operating margin(1) was 4.9% in the third quarter of 2006 compared to 5.4% in 2005. Adjusted EBITDA margin(1) decreased to 6.9% from 7.3% in 2005.

Loblaw's supply chain performance is stable, with distribution service levels in food at normal operating levels, representing an improvement over last year. General merchandise and drugstore service levels are slowly improving. As part of the move to a national systems platform, three additional warehouse systems conversions were completed during the quarter with minimal disruption to continuing operations.

As part of Loblaw's regular review of its ability to recover the carrying value of inventory by selling inventory through normal channels, management identified certain excess inventory, primarily general merchandise. During the third quarter of 2006, Loblaw concluded that the carrying value of this inventory should be reduced to reflect its best estimate of the net realizable amount. Accordingly, an additional $18 million charge recorded in the third quarter resulted in a total inventory valuation provision of $31 million.

(1) See Non-GAAP Financial Measures on page 20.

The investment in lower food prices to drive sales growth continues to have a negative impact on operating income. Improvements in buying synergies and the effect of the sales mix between food, general merchandise and drugstore offset the investment in lower food prices, driving marginal improvements in aggregate gross margin percentage. Loblaw continues to incur higher than anticipated store and distribution centre operational costs, principally relating to labour and third-party storage locations.

Operating income for the first three quarters of 2006 decreased $23 million, or 2.3% to $978 million, and resulted in an operating margin of 4.5% as compared to 4.8% in the corresponding period in 2005. During the first three quarters of 2006, Loblaw recorded restructuring and other charges of $9 million (2005 – $80 million) of which $8 million (2005 – $60 million) was related to the supply chain network and $1 million (2005 – $20 million) related to the office move and reorganization of the operation support functions. In addition, Loblaw recognized a year-to-date charge in operating income of $43 million (2005 – $16 million) for the net effect of stock-based compensation and the associated equity forwards, a charge of $12 million for departure entitlement and income of $8 million (2005 – $4 million) related to the consolidation of VIEs.

Adjusted operating income(1) for the first three quarters of 2006 decreased $119 million, or 10.3% to $1,034 million compared to $1,153 million in the comparable period of 2005. Year-to-date adjusted operating margin(1) was 4.8% compared to 5.6% in 2005. Adjusted EBITDA margin(1) decreased to 6.8% from 7.5% in 2005. The 2006 year-to-date results include the first quarter effects of product supply issues resulting from the implementation challenges arising from the 2005 conversions and delays in program activities which resulted in foregone sales and in lost leverage on the fixed components of operating and administrative expenses.

The new management team is refocusing the business through three themes: Simplify, Innovate, and Grow, and has developed a "Formula for Growth" as a framework for a three year renewal plan.

The "Formula For Growth" is focused on how Loblaw will compete and succeed for the long term. In support of this, a number of actions summarized below are in progress. The aggregate impact of some of these actions has been quantified and is expected to be in the range of $127 million to $140 million. These actions are as follows:

- Subsequent to the end of the third quarter of 2006, members of certain Ontario locals of the United Food and Commercial Workers union ratified a new four-year collective agreement. The new agreement enables Loblaw to convert 44 stores in Ontario to *The Real Canadian Superstore* banner or food stores with equivalent labour economics, and the flexibility to invest in additional store labour where appropriate. As a result of securing this agreement, Loblaw will incur one-time costs of approximately $75 million to $80 million, including a $36 million contribution to a multi-employer pension plan. Also included in these costs is a payment of $31 million due upon ratification. Loblaw expects this agreement to generate economic benefits and to provide increased operating efficiencies, on a store by store basis, in a critical era of intensifying competition.

- As part of a review of the Quebec operations, management approved a plan in the fourth quarter to close 19 underperforming stores mainly within the Provigo banner. This will result in a charge of approximately $40 million to $45 million for fixed asset impairment and other costs arising from these store closures and employee termination costs.

- As a result of the loss in tobacco sales following the change by a major tobacco supplier to direct shipment to certain customers of Loblaw, a review of the impact on the cash & carry and wholesale club network was undertaken. Subsequent to quarter end, Loblaw management approved and communicated a formal plan to close 24 wholesale outlets over the next several months, which were impacted most significantly by this change. This reorganization will result in a charge of approximately $12 million to $15 million for fixed asset impairment and other costs arising from these closures and employee termination costs.

(1) See Non-GAAP Financial Measures on page 20.

These costs will be recorded when the appropriate criteria for recognition are met. The majority of these costs are expected to be recorded in the fourth quarter of 2006. Loblaw continues to evaluate and review the costs of these actions.

In addition, other areas under review are the following:

- inventory;
- supply chain costs;
- Loblaw's organizational structure; and
- pharmacy-related legislative changes.

Possible activities in these areas, the costs of which are not yet quantified and which may also result in a material impact to operating income in the fourth quarter, are as follows:

- Loblaw continues to manage inventory levels down to more desirable levels in store backrooms, outside storage as well as distribution centres. It is assessing whether it is appropriate to consider certain inventory, primarily general merchandise, for liquidation, determining potential liquidation options including the use of third-party liquidators and estimating the costs associated with the liquidation process. Loblaw expects to conclude on this course of action in the fourth quarter and will record the necessary valuation provisions to arrive at liquidation values at that time, which may be material.

- Loblaw understands the need for efficient and cost effective operations and as such the business intends to migrate more quickly than previously anticipated to a simpler and more efficient operating structure. Although no formal plan has been completed, as part of this program, costs are expected to be associated with this change.

- The supply chain cost savings originally anticipated are unlikely to be achieved in the previously disclosed timeframe and will be reviewed along with additional supply chain restructuring initiatives. Loblaw will update more fully on these cost implications at the appropriate time.

- As a result of recently enacted legislative changes by the Ontario government, pharmacy-related operating income is expected to decrease commencing in the fourth quarter of 2006. Loblaw expects to mitigate some of the impact of these changes.

CONSOLIDATED FINANCIAL CONDITION

Financial Ratios The Company's net debt (excluding the Exchangeable Debentures)(1) to equity ratio at the end of the third quarter of 2006 was 0.98:1 compared to 1.12:1 in the same period of 2005 and 1.02:1 at year end 2005. The change in this ratio at the end of the third quarter of 2006 compared to the end of the third quarter in 2005 was mainly due to lower net debt and higher shareholders' equity as a result of the issuance of preferred shares in 2006 and 2005, partially offset by the impact of translation of the Company's United States net investment and United States denominated cash, cash equivalents and short term investments due to the appreciation of the Canadian dollar relative to the United States dollar. 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 third quarter of 2006 increased to 15.5 times compared to 5.4 times in the third quarter of 2005 and on a year-to-date basis increased to 7.2 times in 2006 compared to 5.1 times in 2005. Both ratios were impacted by lower interest and other financing charges, including the non-cash income recorded for the third quarter and year-to-date 2006 of $69 million (2005 – $14 million) and $90 million (2005 – $28 million), respectively, related to the fair value adjustment of Weston's 2001 forward sale agreement for 9.6 million Loblaw common shares. This non-cash income related to the fair value adjustment of Weston's 2001 forward sale agreement positively impacted the third quarter and the year-to-date interest coverage ratio by 10.8 times (2005 – 0.7 times) and 2.6 times (2005 – 0.5 times), respectively.

(1) See Non-GAAP Financial Measures on page 20.

The Company's rolling year return on average total assets[1] at the end of the third quarter of 2006 of 9.5% was lower than the return of 10.6% in the comparable period of 2005 and 10.0% for the year end 2005 return. The decrease in this ratio is primarily due to lower operating income. The Company's rolling year return on average common shareholders' equity was 16.9% at the end of the third quarter of 2006 compared to 15.5% in the comparable period in 2005 and 16.7% for the year end 2005 return.

Dividends On October 1, 2006, common share dividends of $0.36 per share, dividends of $0.32 per share for the Series II, Series III and Series IV preferred shares and a dividend of $0.30 per share for the Series V preferred shares were paid as declared by Weston's Board of Directors (the "Board"). On September 15, 2006, a dividend of $0.36 per share for the Series I preferred shares was paid as declared by the Board.

Outstanding Share Capital Weston's outstanding share capital is comprised of common shares and preferred shares. An unlimited number of common shares are authorized and 129.0 million common shares were outstanding at the end of the third quarter of 2006. An unlimited number of preferred shares Series I, Series II, Series III, Series IV and Series V are authorized and 9.4 million preferred shares Series I, 10.6 million preferred shares Series II, 8.0 million preferred shares Series III, 8.0 million preferred shares Series IV and 8.0 million preferred shares Series V were outstanding at the end of the third quarter of 2006.

During the second quarter of 2006, 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 11 to the unaudited interim period consolidated financial statements.

During the second 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 from Operating Activities of Continuing Operations Third quarter 2006 cash flows from operating activities of continuing operations were $499 million compared to $661 million in 2005. The majority of the change was due to a use in non-cash working capital, primarily from a decrease in accounts payable and accrued liabilities during the quarter and the timing of income tax refunds relating to prior years. On a year-to-date basis, cash flows from operating activities of continuing operations were $563 million compared to $910 million in 2005. The change in cash flows from operating activities of continuing operations year-to-date is mainly due to the increase in the use of non-cash working capital.

On an annual basis, the cash flows from operating activities of continuing operations 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 throughout the fourth quarter.

Cash Flows used in Investing Activities of Continuing Operations Third quarter 2006 cash flows used in investing activities of continuing operations were $357 million compared to $449 million in 2005. On a year-to-date basis, cash flows used in investing activities of continuing operations were $1,332 million compared to $598 million in 2005. The longer 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. This shift in the short term investment portfolio was partially offset by a decline in capital investment.

Capital investment for the third quarter of 2006 totaled $372 million (2005 – $442 million) and $814 million (2005 – $968 million) year-to-date as the Company continues its commitment to maintain and renew its asset base and invest for growth within North America.

(1) See Non-GAAP Financial Measures on page 20.

President's Choice Bank ("PC Bank"), a wholly owned subsidiary of Loblaw, securitized $125 million (2005 – $125 million) of credit card receivables during the third quarter of 2006 and $240 million (2005 – $225 million) year-to-date through the sale of a portion of the total interest in these receivables to an independent trust, yielding a nominal net loss (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 (used in) from Financing Activities of Continuing Operations Third quarter 2006 cash flows used in financing activities of continuing operations were $67 million compared to $236 million in 2005. On a year-to-date basis, cash flows from financing activities of continuing operations were $321 million compared to $219 million in 2005.

During the second quarter of 2006, Loblaw repaid its $125 million of 8.70% Series 1996 Provigo Inc. Debenture as it matured. In addition, Weston issued 8.0 million preferred shares Series V for total net proceeds of $194 million.

Subsequent to the end of the third quarter of 2006, Weston repaid its $200 million of 5.25% Medium Term Notes as they matured.

Subsequent to quarter end, the Company's long term corporate credit and preferred share ratings were downgraded by Standard & Poor's to "BBB+" from "A-", and to P-2 (low) from P-2, respectively and the commercial paper rating was confirmed at A-1 (low). The Company was removed from CreditWatch with negative implications and the outlook was changed to "stable". The Company does not expect these actions to have a material impact on its ability to access the capital markets or the cost thereof.

During the third quarter, Loblaw's Medium Term Notes and Debentures were downgraded by Dominion Bond Rating Service to "A" from "A (high)" and the Commercial Paper rating was confirmed at "R-1 (low)". In both cases, the trend was changed to "stable" from "negative". Subsequent to quarter end, Loblaw's long-term corporate credit and commercial paper ratings were downgraded by Standard & Poor's to "A-" from "A" and to "A-1 (low)" from "A-1 (mid)" respectively. Loblaw was removed from CreditWatch with negative implications and the outlook was changed to "stable". Loblaw does not expect these actions to have a material impact on its ability to access the capital markets or the cost thereof.

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 is 12 weeks in duration except for the third quarter, which is 16 weeks in duration.

Quarterly Financial Information (unaudited)

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
($ millions except where otherwise indicated)	**2006**	2005	2006	2005	2006	2005	2005	2004
Sales[(2)]	**$ 10,085**	$ 9,694	$ 7,507	$ 7,242	$ 6,997	$ 6,908	$ 7,345	$ 7,026
Net earnings from continuing operations	**$ 226**	$ 196	$ 184	$ 179	$ 128	$ 101	$ 240	$ 154
Net earnings (loss)	**$ 226**	$ 196	$ 184	$ 153	$ 128	$ 100	$ 249	$ (1)
Net earnings per common share from continuing operations ($)								
Basic	**$ 1.62**	$ 1.41	$ 1.32	$ 1.33	$ 0.91	$ 0.73	$ 1.78	$ 1.15
Diluted	**$ 1.62**	$ 1.41	$ 1.32	$ 1.33	$ 0.91	$ 0.73	$ 1.78	$ 1.14
Net earnings (loss) per common share ($)								
Basic	**$ 1.62**	$ 1.41	$ 1.32	$ 1.13	$ 0.91	$ 0.72	$ 1.85	$ (0.05)
Diluted	**$ 1.62**	$ 1.41	$ 1.32	$ 1.13	$ 0.91	$ 0.72	$ 1.85	$ (0.06)

(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.

Loblaw's sales and same-store sales in the third quarter of 2006 were impacted by the loss in tobacco sales as discussed previously. In the second and third quarters of 2006, Loblaw's investments in the form of lower food prices were made in specific markets. Sales and same-store sales growth in the second quarter of 2006 were positively 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 positive impact on sales growth in the second quarter and corresponding negative impact on sales growth in the first quarter of 2006 from the shift in Easter sales was estimated to be approximately 1%. The impact of school holiday timing during the first week of 2006 combined with one less selling day 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 quarter of 2005 of 1.6% when compared to the same quarter 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 third quarter of 2006 was negatively impacted by the exit from the United States frozen foodservice bagel business early in the third quarter of 2006 and the discontinuance of contract manufacturing of biscuits for certain customers during 2006. Weston Foods sales growth for the second quarter of 2006 was positively impacted by approximately 0.5% due to the timing of Easter. Weston Foods sales growth in 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 quarter of 2006 and the impact of one less selling day in the quarter.

Quarterly 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;
- a departure entitlement charge at Loblaw;
- costs associated with Loblaw's supply chain disruptions;
- Loblaw charges related to Goods and Services Tax and provincial sales taxes in 2005;
- accounting for Weston's 2001 forward sale agreement of 9.6 million Loblaw common shares; and
- the effect of a reduction in statutory income tax rates in Canada during 2006.

OPERATING RISKS AND RISK MANAGEMENT

Labour During the third quarter of 2006, Loblaw's collective agreement of the employees of *The Real Canadian Superstore* banner in Alberta, Canada expired. Loblaw has good relations with its employees and unions and, although not currently anticipated, the renegotiation of this collective agreement may result in work stoppages or slowdowns, which could negatively affect Loblaw's financial performance, depending on their nature and duration.

Legal During the third quarter of 2006, the Government of Ontario passed Bill 102, the Transparent Drug System for Patients Act, 2006 (the "Act") and approved a number of amendments to regulations under the Ontario Drug Benefit Act and the Drug Interchangeability and Dispensing Fee Act. The legislation prohibits the receipt of rebates paid by manufacturers to pharmacies in respect of interchangeable products and products listed in Ontario's Formulary. Pharmacies are permitted to accept only limited defined professional allowances to be used in compliance with a new Code of Conduct. As a result of recently enacted legislative changes by the Ontario government, pharmacy-related operating income is expected to decrease commencing in the fourth quarter of 2006. Loblaw expects to mitigate some of the impact of these changes.

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 consolidated results of George Weston Limited for 2006 reflects the underlying results of its operating segments as discussed below. The consolidated results continue to reflect the changes undertaken by both the Weston Foods and Loblaw operating businesses in order to position them for strong growth in the future.

The outlook for Weston Foods for the 2006 full year is for continued growth in sales, excluding the impact of foreign currency translation, in an ongoing competitive pricing environment. Growth in adjusted operating income(1) and margins(1) over prior year's results is anticipated to continue but with pressure from underlying cost inflation, particularly with respect to certain key ingredient costs.

(1) See Non-GAAP Financial Measures on page 20.

Loblaw believes that sales growth for 2006 excluding the impact of variable interest entities[1] as previously stated will be in the range of 3% - 6%. Loblaw is continuing to invest in food prices in certain markets and increasing its level of advertising support which may have negative earnings implications for the year. As a result of these investments together with continuing higher supply chain costs, adjusted basic net earnings per common share[1] for 2006 are expected to be less than the previously provided guidance of 0% - 5% below 2005 results. Loblaw will also return to its previous practice of not providing earnings guidance.

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.

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, and they should not 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 on 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 on 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 the Impact of VIEs" included on pages 4 and 11 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 4, 8 and 12 of this MD&A.

Adjusted operating margin is calculated as adjusted operating income divided by sales excluding the 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 5, 9 and 12 of this MD&A.

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

(1) See Non-GAAP Financial Measures on page 20.

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 5 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)	**Oct. 7, 2006**	Oct. 8, 2005
Bank indebtedness	**$ 133**	$ 105
Commercial paper	**1,010**	883
Short term bank loans	**167**	129
Long term debt due within one year	**230**	159
Long term debt	**5,915**	6,124
Less:		
Cash and cash equivalents	**1,057**	1,538
Short term investments	**691**	59
Net debt	**5,707**	5,803
Less: Exchangeable debentures	**220**	225
Net debt excluding exchangeable debentures	**$ 5,487**	$ 5,578

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 its 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)	**Oct. 7, 2006**	Oct. 8, 2005
Total assets[(3)]	**$ 19,182**	$ 18,374
Less:		
Cash and cash equivalents	**1,057**	1,538
Short term investments	**691**	59
Long term assets of discontinued operations	**4**	12
Domtar investment	**215**	220
Total assets	**$ 17,215**	$ 16,545

(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)	16 Weeks Ended Oct. 7, 2006	16 Weeks Ended Oct. 8, 2005	40 Weeks Ended Oct. 7, 2006	40 Weeks Ended Oct. 8, 2005
Sales (note 2)	**$ 10,085**	$ 9,694	**$ 24,589**	$ 23,844
Operating Expenses				
Cost of sales, selling and administrative expenses (note 2)	**9,387**	8,957	**22,837**	21,983
Depreciation and amortization	**219**	211	**546**	516
Restructuring and other charges (note 3)	**14**	8	**39**	111
Goods & Services Tax and provincial sales taxes		40		40
	9,620	9,216	**23,422**	22,650
Operating Income	**465**	478	**1,167**	1,194
Interest Expense and Other Financing Charges (note 4)	**30**	88	**163**	234
Earnings from Continuing Operations Before the Following:	**435**	390	**1,004**	960
Income Taxes (note 5)	**127**	117	**259**	273
	308	273	**745**	687
Minority Interest	**82**	77	**207**	211
Net Earnings from Continuing Operations	**226**	196	**538**	476
Discontinued Operations (note 7)				(27)
Net Earnings	**$ 226**	$ 196	**$ 538**	$ 449
Net Earnings (Loss) per Common Share ($) - Basic and Diluted				
Continuing Operations (note 6)	**$ 1.62**	$ 1.41	**$ 3.85**	$ 3.47
Discontinued Operations				$ (0.21)
Net Earnings	**$ 1.62**	$ 1.41	**$ 3.85**	$ 3.26

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

Consolidated Statements of Retained Earnings
(unaudited)

($ millions except where otherwise indicated)	40 Weeks Ended Oct. 7, 2006	40 Weeks Ended Oct. 8, 2005
Retained Earnings, Beginning of Period	**$ 4,625**	$ 4,152
Net earnings	**538**	449
Dividends declared		
Per common share – $1.08 (2005 – $1.08)	**(139)**	(139)
Per preferred share – Series I – $1.09 (2005 – $1.09)	**(10)**	(10)
– Series II – $0.97 (2005 – $0.97)	**(10)**	(10)
– Series III – $0.97 (2005 – $0.59)	**(8)**	(5)
– Series IV – $0.97 (2005 – $0.21)	**(7)**	(2)
– Series V – $0.54	**(4)**	
Retained Earnings, End of Period	**$ 4,985**	$ 4,435

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

Consolidated Balance Sheets

($ millions)	As at Oct. 7, 2006 (unaudited)	As at Dec. 31, 2005
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,057**	$ 1,540
Short term investments	**691**	50
Accounts receivable (note 8)	**901**	933
Inventories	**2,291**	2,173
Income taxes	**76**	5
Future income taxes	**110**	134
Prepaid expenses and other assets	**98**	53
Total Current Assets	**5,224**	4,888
Fixed Assets	**9,113**	8,916
Goodwill and Intangible Assets	**3,319**	3,367
Future Income Taxes	**80**	89
Other Assets	**1,442**	1,321
Long Term Assets of Discontinued Operations (note 7)	**4**	12
Total Assets	**$ 19,182**	$ 18,593
LIABILITIES		
Current Liabilities		
Bank indebtedness	**$ 133**	$ 113
Commercial paper	**1,010**	498
Accounts payable and accrued liabilities	**2,697**	3,263
Short term bank loans	**167**	138
Long term debt due within one year (note 10)	**230**	361
Current liabilities of discontinued operations (note 7)	**9**	10
Total Current Liabilities	**4,246**	4,383
Long Term Debt (note 10)	**5,915**	5,913
Future Income Taxes	**382**	343
Other Liabilities	**660**	580
Minority Interest	**2,396**	2,255
Total Liabilities	**13,599**	13,474
SHAREHOLDERS' EQUITY		
Share Capital (note 11)	**1,208**	1,012
Retained Earnings	**4,985**	4,625
Cumulative Foreign Currency Translation Adjustment	**(610)**	(518)
Total Shareholders' Equity	**5,583**	5,119
Total Liabilities and Shareholders' Equity	**$ 19,182**	$ 18,593

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

Consolidated Cash Flow Statements
(unaudited)

($ millions)	16 Weeks Ended Oct. 7, 2006	16 Weeks Ended Oct. 8, 2005	40 Weeks Ended Oct. 7, 2006	40 Weeks Ended Oct. 8, 2005
Operating Activities				
Net earnings from continuing operations before minority interest	**$ 308**	$ 273	**$ 745**	$ 687
Depreciation and amortization	**219**	211	**546**	516
Restructuring and other charges (note 3)	**14**	8	**39**	111
Goods and Services Tax and provincial sales taxes		40		40
Future income taxes	**58**	39	**65**	56
Fair value adjustment of Weston's forward sale agreement (note 4)	**(69)**	(14)	**(90)**	(28)
Change in non-cash working capital	**(67)**	91	**(795)**	(447)
Other	**36**	13	**53**	(25)
Cash Flows from Operating Activities of Continuing Operations	**499**	661	**563**	910
Investing Activities				
Fixed asset purchases	**(372)**	(442)	**(814)**	(968)
Short term investments	**(85)**	(26)	**(658)**	329
Proceeds on termination of financial derivatives				5
Proceeds from fixed asset sales	**84**	74	**97**	120
Credit card receivables, after securitization (note 8)	**32**	17	**84**	71
Franchise investments and other receivables	**(4)**	(31)	**(8)**	(65)
Other	**(12)**	(41)	**(33)**	(90)
Cash Flows used in Investing Activities of Continuing Operations	**(357)**	(449)	**(1,332)**	(598)
Financing Activities				
Bank indebtedness	**(58)**	(29)	**21**	(38)
Commercial paper	**145**	(254)	**512**	43
Short term debt loans – Issued	**10**	9	**29**	27
Long term debt – Issued	**14**	21	**18**	329
– Retired (note 10)	**(16)**	(12)	**(154)**	(241)
Share capital – Issued (note 11)		195	**194**	394
Subsidiary share capital – Issued				1
– Retired		(16)		(16)
Dividends – To common shareholders	**(93)**	(93)	**(186)**	(186)
– To preferred shareholders	**(25)**	(17)	**(49)**	(30)
– To minority shareholders	**(44)**	(44)	**(66)**	(66)
Other		4	**2**	2
Cash Flows (used in) from Financing Activities of Continuing Operations	**(67)**	(236)	**321**	219
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	**(1)**	(71)	**(35)**	(41)
Initial impact of Variable Interest Entities				20
Cash Flows from (used in) Continuing Operations	**74**	(95)	**(483)**	510
Cash Flows (used in) from Discontinued Operations (note 7)	**(1)**	22		20
Change in Cash and Cash Equivalents	**73**	(73)	**(483)**	530
Cash and Cash Equivalents, Beginning of Period	**984**	1,611	**1,540**	1,008
Cash and Cash Equivalents, End of Period	**$ 1,057**	$ 1,538	**$ 1,057**	$ 1,538

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 as those used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2005, except as described in note 2. 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 third quarter of 2006 and 2005 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 cost 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 $43 million for the third quarter of 2005 and $138 million for the first three quarters 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:

	16 Weeks Ended					
			Oct. 7, 2006			Oct. 8, 2005
($ millions)	**Weston Foods**	**Loblaw**	**Total**	Weston Foods	Loblaw	Total
Fixed asset impairment					$ 4	$ 4
Accelerated depreciation	**$ 1**		**$ 1**	$ 8		8
Gain on sale of fixed assets				(18)		(18)
Employee termination benefits	**6**		**6**	(1)	2	1
Site closing and other exit costs	**6**	**$ 1**	**7**	2	11	13
	$ 13	**$ 1**	**$ 14**	$ (9)	$ 17	$ 8

	40 Weeks Ended					
			Oct. 7, 2006			Oct. 8, 2005
($ millions)	**Weston Foods**	**Loblaw**	**Total**	Weston Foods	Loblaw	Total
Fixed asset impairment		**$ 2**	**$ 2**		$ 8	$ 8
Accelerated depreciation	**$ 12**		**12**	$ 16	2	18
Gain on sale of fixed assets				(18)		(18)
Employee termination benefits	**7**	**4**	**11**	28	54	82
Site closing and other exit costs	**11**	**3**	**14**	5	16	21
	$ 30	**$ 9**	**$ 39**	$ 31	$ 80	$ 111

Weston Foods

During the third quarter of 2006, Weston Foods approved a plan to restructure a portion of its distribution network in Quebec. As a result of this restructuring, Weston Foods expects to recognize a total charge of $7 million for employee termination benefits and other exit related costs over the next eighteen months. During the third quarter of 2006 and year-to-date, Weston Foods recognized a charge of $5 million for employee termination benefits and other exit related costs related to this plan. Also during the third quarter of 2006, Weston Foods approved a plan to close a fresh bakery manufacturing facility in Quebec. This manufacturing facility closure is expected to be completed early in the first quarter of 2007. As a result of this restructuring, Weston Foods expects to recognize total accelerated depreciation of $1 million and a charge of $2 million for employee termination benefits and other exit related costs by the end of the first quarter of 2007. During the third quarter of 2006 and year-to-date, Weston Foods recognized a charge of $1 million for employee termination benefits and other exit related costs related to this plan.

During the second quarter of 2006, Weston Foods approved a plan to close a frozen bagel plant in Nebraska. The closure was completed early in the third quarter of 2006. As a result of this restructuring, Weston Foods recognized total accelerated depreciation of $1 million and a charge of $1 million for employee termination benefits and other exit related costs during the third quarter of 2006. On a year-to-date basis, Weston Foods recognized $7 million of restructuring and other charges related to this plan, consisting of $5 million of accelerated depreciation and $2 million of employee termination benefits and other exit related costs.

During 2005, Weston Foods approved a plan to restructure its United States biscuit operations. This plan includes the closure of two biscuit facilities located in Elizabeth, New Jersey and Richmond, Virginia by the end of 2006 with the majority of the production relocated to a new facility in Virginia and an existing Weston Foods facility already operating in South Dakota. The sale and lease-back of these two facilities was completed in 2005. All manufacturing activities have ceased in the Richmond, Virginia facility while all manufacturing activities in the Elizabeth, New Jersey facility are expected to cease by the end of 2006. During the third quarter of 2006, Weston Foods recognized $5 million (2005 – income of $10 million) of restructuring and other charges related to the previously approved plan to restructure its United States biscuit operations, consisting of $5 million (2005 – $3 million) of employee termination benefits and other exit related costs and in 2005, $5 million of accelerated depreciation and a gain of $18 million related to the sale and lease-back of the two facilities. On a year-to-date basis, Weston Foods recognized $17 million (2005 – $22 million) of restructuring and other charges related to this plan, consisting of $7 million (2005 – $11 million) of accelerated depreciation, $10 million (2005 – $29 million) of employee termination benefits and other exit related costs and in 2005, a gain of $18 million related to the sale and lease-back of the two facilities. At the end of the third quarter of 2006, total charges of $22 million of accelerated depreciation and $38 million of employee termination benefits and other exit costs have been recognized, on a cumulative basis over 2005 and 2006, related to this restructuring plan.

Year-to-date 2006, approximately $21 million (2005 – $8 million) of severance and other cash exit costs were paid related to restructuring activities. As at the end of the third quarter of 2006, accrued liabilities related to restructuring plans were $23 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 third quarter of 2006, Loblaw recognized $1 million (2005 – $6 million) of restructuring costs resulting from this plan. At the end of the third quarter of 2006, $20 million in estimated costs remain to be incurred and will be recognized as appropriate criteria are met. The year-to-date charge of $8 million (2005 – $60 million) is composed of $4 million (2005 – $47 million) for employee termination benefits resulting from planned involuntary terminations and $4 million (2005 – $13 million) of other costs directly associated with these initiatives.

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. During the first three quarters of 2006, Loblaw recognized $1 million (2005 – $20 million) of restructuring costs resulting from this restructuring activity. All of the expected $25 million of costs related to these initiatives were recognized by the end of the first quarter of 2006.

Year-to-date 2006, approximately $8 million (2005 – $24 million) of severance and other cash exit costs were paid related to the above restructuring activities. As at the end of the third quarter of 2006, accrued liabilities and other liabilities related to these restructuring activities were $10 million and $21 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

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 7, 2006**	Oct. 8, 2005	**Oct. 7, 2006**	Oct. 8, 2005
Interest on long term debt	**$ 120**	$ 122	**$ 303**	$ 312
Interest on financial derivative instruments	**6**	2	**11**	(3)
Other financing charges(1)	**(76)**	(20)	**(107)**	(43)
Net short term interest	**(14)**	(9)	**(28)**	(15)
Capitalized to fixed assets	**(6)**	(7)	**(16)**	(17)
Interest expense and other financing charges	**$ 30**	$ 88	**$ 163**	$ 234

(1) Other financing charges for the third quarter and year-to-date 2006 includes non-cash income of $69 million (2005 – $14 million) and $90 million (2005 – $28 million) respectively, 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 $7 million (2005 – $6 million) for the third quarter of 2006 and income of $17 million (2005 – $15 million) on a year-to-date basis related to the forward accretion income net of the forward fee associated with Weston's forward sale agreement.

Net interest paid in the third quarter and year-to-date 2006 was $94 million and $302 million (2005 – $90 million and $281 million), respectively.

5. Income Taxes

Net income taxes paid in the third quarter and year-to-date 2006 were $53 million and $254 million (2005 – $41 million and $288 million), respectively.

The cumulative effects of changes in Canadian federal and certain provincial statutory income tax rates on future income tax assets and liabilities are included in the consolidated financial statements at the time of substantive enactment. Accordingly, in the second quarter of 2006, a $24 million reduction to future income tax expense was recognized as a result of the reduction in the Canadian federal and certain provincial statutory income tax rates.

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

	16 Weeks Ended		40 Weeks Ended	
($ millions except where otherwise indicated)	**Oct. 7, 2006**	Oct. 8, 2005	**Oct. 7, 2006**	Oct. 8, 2005
Net earnings from continuing operations	**$ 226**	$ 196	**$ 538**	$ 476
Prescribed dividends on preferred shares	**(17)**	(14)	**(41)**	(28)
Net earnings from continuing operations available to common shareholders	**$ 209**	$ 182	**$ 497**	$ 448
Weighted average common shares outstanding (in millions)	**129.0**	129.0	**129.0**	129.0
Dilutive effect of stock-based compensation (in millions)[(1)]	**0.1**	0.2	**0.1**	0.2
Diluted weighted average common shares outstanding (in millions)	**129.1**	129.2	**129.1**	129.2
Basic and diluted net earnings per common share from continuing operations ($)	**$ 1.62**	$ 1.41	**$ 3.85**	$ 3.47

(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 and year-to-date as follows:

	16 Weeks Ended		40 Weeks Ended	
Option Exercise Price	**Oct. 7, 2006**	Oct. 8, 2005	**Oct. 7, 2006**	Oct. 8, 2005
$78.85	**81,168**			
$93.35	**545,291**		**545,291**	
$95.88	**100,130**		**100,130**	
$100.00	**169,400**		**169,400**	
$111.02	**534,469**	584,755	**534,469**	584,755

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 was deferred and will be received over the next three years. Year-to-date 2006, $8 million of cash was received, primarily related to the deferred proceeds.

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:

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 7, 2006**	Oct. 8, 2005	**Oct. 7, 2006**	Oct. 8, 2005
Sales		$ 8		$ 79
Loss from discontinued operations		$ -		$ 27

The assets and liabilities of discontinued operations were as follows:

	As at	
($ millions)	**Oct. 7, 2006**	Dec. 31, 2005
Long term assets of discontinued operations:		
Other assets	**$ 4**	$ 12
Current liabilities of discontinued operations:		
Accounts payable and accrued liabilities	**$ 9**	$ 10

The cash flows (used in) from discontinued operations were as follows:

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 7, 2006**	Oct. 8, 2005	**Oct. 7, 2006**	Oct. 8, 2005
Cash flows used in operations	**$ (1)**	$ (4)	**$ (6)**	$ (5)
Cash flows from investing		26	**6**	25
Cash flows (used in) from discontinued operations	**$ (1)**	$ 22	**$ -**	$ 20

8. Credit Card Receivables

During the third quarter of 2006, $125 million (2005 – $125 million) of credit card receivables were securitized, $240 million (2005 – $225 million) year-to-date, 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 loss (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)	**Oct. 7, 2006**	Dec. 31, 2005
Credit card receivables	**$ 1,407**	$ 1,257
Amount securitized	**(1,250)**	(1,010)
Net credit card receivables	**$ 157**	$ 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 $71 million and $178 million (2005 – $59 million and $151 million) for the third quarter and year-to-date 2006, respectively. 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. Long Term Debt

During the second quarter of 2006, Loblaw repaid its $125 million of 8.70% Series 1996 Provigo Inc. Debenture as it matured.

Subsequent to the end of the third quarter of 2006, Weston repaid its $200 million of 5.25% Medium Term Notes as they matured.

11. Share Capital

Common Shares

	As at	
	Oct. 7, 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	**$ 70.92**	$ 86.31

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

During the second 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. In addition, included in share capital is a future tax benefit of $2 million related to the deductibility of the issuance costs. 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.

12. 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:

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 7, 2006**	Oct. 8, 2005	**Oct. 7, 2006**	Oct. 8, 2005
Stock option plans/share appreciation right plan income	**$ (6)**	$ (10)	**$ (11)**	$ (6)
Equity derivatives loss	**53**	15	**66**	21
Restricted share unit plan expense	**5**	4	**16**	9
Net stock-based compensation cost	**$ 52**	$ 9	**$ 71**	$ 24

During the first three quarters of 2006, Weston paid the share appreciation value of $0.4 million (2005 – $8 million) on the exercise of 10,670 (2005 – 192,238) stock options and share appreciation rights. In addition, 100,430 (2005 – 28,777) stock options and share appreciation rights were forfeited or cancelled during the first three quarters of 2006. Loblaw paid the share appreciation value of $6 million (2005 – $40 million) on the exercise of 486,413 (2005 – 1,076,638) stock options and 463,394 (2005 – 133,761) of Loblaw's stock options were forfeited or cancelled during the first three quarters of 2006. Under Loblaw's existing stock option plan, no stock options were granted during the third quarter of 2006 (2005 – 29,120 stock options were granted with an exercise price of $69.75 per common share), 140,612 (2005 – 66,255) stock options with an exercise price of $55.50 (2005 – $72.95) per common share were granted during the second quarter of 2006, and 48,742 (2005 – 2,152,252) stock options with an exercise price of $54.71 (2005 – $69.63) per common share were granted during the first quarter of 2006.

At the end of the third quarter of 2006, a total of 2,020,200 (2005 – 2,093,150) stock options and share appreciation rights were outstanding, which represented approximately 1.6% (2005 – 1.6%) 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

Under its existing RSU plan, Weston did not grant any RSUs (2005 – nil) in the third quarter of 2006. In the second quarter of 2006, 5,000 (2005 – 142,685) RSUs were granted and in the first quarter of 2006, 143,049 (2005 – nil) RSUs were granted. In addition, 6,329 (2005 – 100) RSUs were cancelled and 2,589 (2005 – nil) RSUs were settled in cash in the first three quarters of 2006. At the end of the third quarter of 2006, a total of 299,032 (2005 – 142,585) Weston RSUs were outstanding. Loblaw did not grant any RSUs (2005 – 5,096) in the third quarter of 2006. In the second quarter of 2006, 46,289 (2005 – 11,594) RSUs were granted and in the first quarter of 2006, 644,712 (2005 – 376,645) RSUs were granted under its existing RSU plan. In addition, 209,997 (2005 – nil) RSUs were cancelled and 111,470 (2005 – nil) RSUs were settled in cash in the first three quarters of 2006. At the end of the third quarter of 2006, a total of 752,718 (2005 – 393,335) Loblaw RSUs were outstanding.

13. Departure Entitlement Charge

Loblaw recorded a $12 million charge to income in the third quarter of 2006 related to the departure of John A. Lederer from the position of President and Director of Loblaw. An additional $10 million was paid pursuant to various incentive plans, the majority of which was previously accrued.

14. Subsequent Events

Subsequent to the third quarter of 2006, a number of Loblaw actions were in progress that are expected to result in costs being recorded during the fourth quarter of 2006. The aggregate impact of some of these actions has been quantified and is expected to be in the range of $127 million to $140 million. These actions are as follows:

- Subsequent to the end of the third quarter of 2006, members of certain Ontario locals of the United Food and Commercial Workers union ratified a new four-year collective agreement. The new agreement enables Loblaw to convert 44 stores in Ontario to *The Real Canadian Superstore* banner or food stores with equivalent labour economics, and the flexibility to invest in additional store labour where appropriate. As a result of securing this agreement, Loblaw will incur one-time costs of approximately $75 million to $80 million, including a $36 million contribution to a multi-employer pension plan. Also included in these costs is a payment of $31 million, due upon ratification.

- As part of a review of the Quebec operations, Loblaw management approved a plan in the fourth quarter of 2006 to close 19 underperforming stores mainly within the Provigo banner. This will result in a charge of approximately $40 million to $45 million for fixed asset impairment and other costs arising from these store closures and employee termination costs.

- As a result of the loss in tobacco sales following the change by a major tobacco supplier to direct shipment to certain customers of Loblaw, a review of the impact on the cash & carry and wholesale club network was undertaken. Subsequent to quarter end, Loblaw management approved and communicated a formal plan to close 24 wholesale outlets over the next several months, which were impacted most significantly by this change. This reorganization will result in a charge of approximately $12 million to $15 million for fixed asset impairment and other costs arising from these closures and employee termination costs.

These costs will be recorded when the appropriate criteria for recognition are met. The majority of these costs are expected to be recorded in the fourth quarter of 2006. Loblaw continues to evaluate and review the costs of these actions.

15. 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.

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 7, 2006**	Oct. 8, 2005	**Oct. 7, 2006**	Oct. 8, 2005
Sales				
Weston Foods	**$ 1,337**	$ 1,345	**$ 3,364**	$ 3,396
Loblaw	**9,010**	8,610	**21,856**	21,075
Intersegment	**(262)**	(261)	**(631)**	(627)
Consolidated	**$ 10,085**	$ 9,694	**$ 24,589**	$ 23,844
Operating Income				
Weston Foods(1)	**$ 69**	$ 101	**$ 189**	$ 193
Loblaw(2)	**396**	377	**978**	1,001
Consolidated	**$ 465**	$ 478	**$ 1,167**	$ 1,194

(1) Operating income for the third quarter of 2006 and year-to-date 2006 includes restructuring and other charges of $13 (2005 – income of $9) and $30 (2005 – $31), respectively (see note 3).

(2) Operating income for the third quarter of 2006 and year-to-date 2006 includes restructuring and other charges of $1 (2005 – $17) and $9 (2005 – $80), respectively (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, Financial Services and Investor Relations 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, which is broadcast live on the Company's website. 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 subsidiary company with shares trading on the Toronto Stock Exchange.

Ce rapport est disponible en français.

Weston

22 St. Clair Avenue East
Toronto, Canada M4T 2S7
Tel: 416.922-2500
Fax: 416.922-4395