Q1

George Weston Limited

Quarterly Report to Shareholders

12 Weeks Ended March 24, 2007

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 and are contained in discussions regarding the Company's objectives, plans, goals, aspirations, strategies, potential future growth, results of operations, performance and business prospects and opportunities. Forward-looking statements are typically, though not always, 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 of 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 and efficiencies, including those resulting from restructuring, inventory liquidation and other cost reduction and simplification initiatives, the ability to execute restructuring plans, implement strategies and introduce innovative products successfully and in a timely manner, changes in the markets for the inventory intended for liquidation and changes in the expected realizable value and costs associated with the liquidation, unanticipated, increased or decreased costs associated with the announced initiatives, including those related to compensation costs, the Company's relationship with its employees, results of labour negotiations including the terms of future collective bargaining agreements, changes to the regulatory environment in which the Company operates now or in the future, the inherent uncertainty regarding the outcome of litigation or any dispute resolution initiative, 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 calculation of the goodwill impairment charge involves the estimation of several variables, including but not limited to market multiples, projected future sales and earnings, capital investment, discount rates, terminal growth rates and the fair values of those assets and liabilities being valued. The Company cautions that this list of factors is not exhaustive.

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 market and neither the Company nor its existing competitors significantly increase their presence or change pricing or market strategies materially, the Company successfully offers new and innovative products and executes its strategies as planned, anticipated cost savings and efficiencies are realized as planned, continuing future restructuring activities are effectively executed in a timely manner, costs associated with the liquidation of inventory are not higher or lower than expected, the Company's assumptions regarding average compensation costs and average years of service for employees affected by the simplification initiatives are materially correct, the Company does not significantly change its approach to its current restructuring activities, there is no material amount of excess inventory in the Company's supply chain, there are no material work stoppages and the performance of third-party service providers is in accordance with expectations.

These estimates and assumptions may change in the future due to uncertain competitive and economic market conditions or changes in business strategies. This list of 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 Risks and Risk Management and Financial Risks and Risk Management sections of the MD&A included in Weston's 2006 Financial Report.

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 disclaims any obligation or intention 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 first quarter 2007 basic net earnings per common share were $0.70, a decrease of 23.1% compared to $0.91 in 2006. Weston's first quarter 2007 adjusted basic net earnings per common share(1) were $0.99 compared to $1.00 in 2006, a decline of 1.0%. A number of items identified in determining adjusted basic net earnings per common share(1) in this and the previous quarter are discussed in the MD&A.

Sales for the first quarter of 2007 of $7.2 billion increased 3.2% compared to 2006 and included a 1.7% decrease due to the continued decrease in tobacco sales at Loblaw Companies Limited ("Loblaw"), and increases of 0.2% due to foreign currency translation and 0.1% due to the consolidation of variable interest entities ("VIEs") by Loblaw.

Operating income of $209 million for the first quarter of 2007 compared to $321 million in 2006, a decrease of 34.9%. Adjusted operating income(1) for the first quarter of 2007 was $318 million compared to $340 million in the first quarter of 2006, a decrease of 6.5%, which resulted in an adjusted operating margin(1) of 4.6% compared to 5.2% in the prior year. A number of items identified in determining adjusted operating income(1) in this and the previous quarter are also discussed in the MD&A.

Interest expense and other financing charges for the first quarter of 2007 decreased 34.2% to $52 million from $79 million in 2006. The decrease is primarily due to lower net debt levels and non-cash income of $19 million (2006 – non-cash charge of $2 million) related to the accounting for Weston's 2001 forward sale agreement of 9.6 million Loblaw common shares.

The effective income tax rate decreased to 22.3% in the first quarter of 2007 compared to 26.9% in 2006, primarily due to a change in the proportion of taxable income earned across different tax jurisdictions, including the jurisdictions in which the income tax impacts of restructuring and other charges and stock-based compensation and the associated equity derivatives occurred.

OPERATING SEGMENTS

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

Weston Foods

Weston Foods sales for the first quarter of 2007 of $1.1 billion increased 3.2% compared to 2006, as a result of a sales increase of 2.0% and the positive impact of foreign currency translation of approximately 1.2% on reported sales growth. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by 3.4% for the first quarter of 2007. Overall volume decreased 1.4% for the first quarter of 2007 and was negatively impacted by approximately 1.1% due to the exit from the United States frozen foodservice bagel business during 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 first quarter of 2007 was $84 million compared to $72 million in 2006, an increase of 16.7%, and was impacted positively by sales growth and by the benefits realized from the continued focus on cost reduction initiatives, including restructuring activities. Adjusted operating margin(1) in the first quarter of 2007 was 7.9% compared to 7.0% in the same period in 2006.

Loblaw

Loblaw sales for the first quarter of 2007 increased 3.3% or $200 million to $6.3 billion. Sales increases were realized across all regions of the country and in the food, general merchandise and drugstore areas. Same-store sales increased by 4.0% excluding the impact of the continued decrease in tobacco sales. Total sales excluding the impact of tobacco sales and VIEs(1) increased by 5.1%. 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, adversely impacting sales. This loss of sales is expected to continue affecting comparisons to 2006 sales until the end of the third quarter of 2007.

(1) See Non-GAAP Financial Measures on page 15.

Loblaw earned operating income of $132 million in the first quarter of 2007 compared to $257 million during the same period in 2006. Operating margin was 2.1% compared to 4.2% in the first quarter of 2006. Adjusted operating income[1] in the first quarter of 2007 of $234 million compared to $268 million in 2006 and resulted in adjusted operating margins[1] of 3.9% and 4.7%, respectively. A number of items affecting adjusted operating income[1] in this and the previous quarter are discussed below and in the MD&A.

Loblaw's "Formula for Growth" continues to focus on how Loblaw will compete and succeed for the long term. The "Simplify" program is being executed as planned. In the first quarter, $89 million of restructuring and other charges and a $2 million charge for inventory liquidation were recorded, which reflected initiatives undertaken in the quarter that Loblaw has previously disclosed.

The Loblaw non-cash goodwill impairment charge of $800 million recorded in the Company's audited annual consolidated financial statements for the year ended December 31, 2006 continues to be assessed by Loblaw. Loblaw expects that the final charge will be approximately $800 million as previously disclosed. However, if necessary, this non-cash goodwill impairment charge will be adjusted by the end of the second quarter of 2007.

OUTLOOK

The outlook for the consolidated results of George Weston Limited for 2007 reflects the underlying result 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.

For the remainder of 2007, Weston Foods expects continued improvements in sales and adjusted operating income[1], on a year-over-year basis, largely as a result of improvements in pricing and as the benefits of restructuring and cost reduction activities continue to be realized. Operating margins are expected to continue to be pressured by underlying cost inflation.

While Loblaw expects sales excluding the impact of tobacco sales and VIEs[1] to increase during the remainder of 2007, adjusted operating income[1] and margin[1] are expected to be challenged as Loblaw continues to lower prices for its customers across Canada.

W. Galen Weston

W. Galen Weston
Chairman and President

Toronto, Canada
May 7, 2007

(1) See Non-GAAP Financial Measures on page 15.

The following MD&A for George Weston Limited should be read in conjunction with Weston's 2007 unaudited interim period consolidated financial statements and the accompanying notes on pages 18 to 31 of this Quarterly Report and the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2006 and the related annual MD&A included in Weston's 2006 Financial Report. Weston's 2007 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 unaudited 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 99 of Weston's 2006 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, the Domtar (Canada) Paper Inc. investment and assets of discontinued operations; and "rolling year return on average shareholders' equity", which is defined as cumulative net earnings available to common shareholders for the latest four quarters divided by average total common shareholders' equity. The information in this MD&A is current to May 7, 2007, unless otherwise noted.

CONSOLIDATED RESULTS OF OPERATIONS

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

	12 Weeks Ended	
($ millions except where otherwise indicated)	**Mar. 24, 2007**	Mar. 25, 2006
Total sales	**$ 7,221**	$ 6,997
Less: Sales attributable to tobacco sales	**217**	321
Sales attributable to the consolidation of VIEs	**94**	81
Sales excluding the impact of tobacco sales and VIEs(1)	**$ 6,910**	$ 6,595
Total sales growth	**3.2%**	
Less: Impact on sales growth attributable to tobacco sales	**(1.7)%**	
Impact on sales growth attributable to the consolidation of VIEs	**0.1%**	
Sales growth excluding the impact of tobacco sales and VIEs(1)	**4.8%**	

Adjusted Operating Income(1)

	12 Weeks Ended	
($ millions)	**Mar. 24, 2007**	Mar. 25, 2006
Operating income	**$ 209**	$ 321
Add (deduct) impact of the following:		
Restructuring and other charges	**89**	10
Inventory liquidation	**2**	
Net effect of stock-based compensation and the associated equity derivatives	**19**	4
VIEs	**(1)**	5
Adjusted operating income(1)	**$ 318**	$ 340

Adjusted EBITDA(1)

	12 Weeks Ended	
($ millions)	**Mar. 24, 2007**	Mar. 25, 2006
Adjusted operating income(1)	**$ 318**	$ 340
Add (deduct) impact of the following:		
Depreciation and amortization	**163**	161
VIEs depreciation and amortization	**(7)**	(6)
Adjusted EBITDA(1)	**$ 474**	$ 495

(1) See Non-GAAP Financial Measures on page 15.

Adjusted basic net earnings per common share(1)

($)	12 Weeks Ended Mar. 24, 2007	Mar. 25, 2006
Basic net earnings per common share	**$ 0.70**	$ 0.91
Add (deduct) impact of the following:		
Restructuring and other charges	**0.28**	0.04
Net effect of stock-based compensation and the associated equity derivatives	**0.11**	0.03
Accounting for the forward sale agreement of Loblaw common shares	**(0.10)**	0.01
VIEs		0.01
Adjusted basic net earnings per common share(1)	**$ 0.99**	$ 1.00

Sales Sales for the first quarter of 2007 increased 3.2%, or $224 million, to $7.2 billion from $7.0 billion in 2006, including a decrease of 1.7% due to the continued decrease in tobacco sales at Loblaw and an increase of 0.1% in sales relating to the consolidation of certain Loblaw independent franchisees as required by AcG 15. In the first quarter of 2007, sales excluding the impact of tobacco sales and VIEs(1) increased by $315 million or 4.8% over the comparable period in 2006. The impact of foreign currency translation due to the weakening Canadian dollar on the Weston Foods operating segment positively impacted consolidated sales growth by approximately 0.2% for the first quarter of 2007. The Company's consolidated sales were impacted by each of its reportable operating segments as follows:

- Positively by 0.5% due to a sales increase of 3.2% at Weston Foods, which included the positive impact of foreign currency translation of approximately 1.2%. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by 3.4% for the first quarter of 2007. Overall volume decreased 1.4% for the first quarter of 2007 and was negatively impacted by approximately 1.1% due to the exit from the United States frozen foodservice bagel business during the third quarter of 2006 and the discontinuance of contract manufacturing of biscuits for certain customers during 2006.

- Positively by 2.9% due to sales growth of 3.3% at Loblaw, including a decrease of 2.0% due to the continued decrease in tobacco sales and an increase of 0.2% in sales relating to the consolidation of certain independent franchisees as required by AcG 15. Sales increases were realized across all regions of the country and in the food, general merchandise and drugstore areas. Same-store sales increased by 4.0% excluding the impact of the continued decrease in tobacco sales. Total sales excluding the impact of tobacco sales and VIEs(1) increased by 5.1%.

Operating Income Operating income for the first quarter of 2007 was $209 million compared to $321 million in 2006, a decrease of 34.9%. Operating margin for the first quarter of 2007 was 2.9% compared to 4.6% in the same period in 2006. Operating income included restructuring and other charges in the first quarter of 2007 of $89 million (2006 – $10 million), a charge for the Loblaw inventory liquidation of $2 million and a charge for stock-based compensation net of the impact of the associated equity derivatives of $19 million (2006 – $4 million). In addition, operating income for 2007 includes income of $1 million (2006 – charge of $5 million) resulting from the consolidation of VIEs. After adjusting for the negative impact of the items described above, consolidated adjusted operating income(1) was $318 million compared to $340 million in 2006, a decline of 6.5%. The Company's consolidated adjusted operating income(1) was impacted by each of its reportable operating segments as follows:

- Positively by 3.5% due to an increase of 16.7% 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.

- Negatively by 10.0% due to a decline of 12.7% in adjusted operating income(1) at Loblaw. Loblaw's aggregate gross margin percentage softened from the continued investments in lower food prices to drive sales growth and increases in inventory shrink, primarily food, partially offset by improved mix of food, general merchandise and drugstore sales. Loblaw also experienced higher store operating costs including labour costs, primarily in Ontario, and higher overhead costs.

(1) See Non-GAAP Financial Measures on page 15.

The Company's 2007 consolidated adjusted operating margin[(1)] decreased to 4.6% from 5.2% in 2006 and the consolidated adjusted EBITDA margin[(1)] decreased to 6.9% from 7.5% in 2006, both negatively impacted by lower adjusted operating margins[(1)] at Loblaw, partially offset by higher adjusted operating margins[(1)] at Weston Foods.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the first quarter of 2007 decreased $27 million, or 34.2%, to $52 million from $79 million in 2006.

The change is mainly explained as follows:

- Interest on long term debt of $89 million decreased $3 million primarily due to lower weighted average debt levels.

- Interest on financial derivative instruments, which includes the effect of the Company's interest rate swaps, cross currency basis swaps and equity derivatives, resulted in a charge of $5 million (2006 – $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 first quarter of 2007, non-cash income of $19 million (2006 – non-cash charge of $2 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 $11 million compared to $7 million in 2006, primarily due to higher United States dollar denominated cash, cash equivalents and short term investments combined with an increase in United States short term interest rates, partially offset by an increase in Canadian short term interest rates.

- During the first quarter of 2007, $6 million (2006 – $5 million) of interest expense was capitalized to fixed assets.

Income Taxes The Company's effective income tax rate decreased to 22.3% compared to 26.9% in the first quarter of 2006 primarily due to a change in the proportion of taxable income earned across different tax jurisdictions, including the jurisdictions in which the income tax impacts of restructuring and other charges and stock-based compensation and the associated equity derivatives occurred.

Net Earnings Net earnings for the first quarter of 2007 decreased $24 million, or 18.8%, to $104 million from $128 million in 2006. Basic net earnings per common share for the first quarter of 2007 decreased $0.21, or 23.1%, to $0.70 from $0.91 in 2006. First quarter 2007 basic net earnings per common share of $0.70 included a net negative impact of $0.29 per common share as a result of the following factors:

- a $0.28 per common share charge related to restructuring and other charges for restructuring plans undertaken by Loblaw;

- a $0.11 per common share charge for the net effect of stock-based compensation and the associated equity derivatives; and

- $0.10 per common share non–cash income related to the accounting for Weston's 2001 forward sale agreement of Loblaw common shares.

First quarter 2006 basic net earnings per common share of $0.91 included a negative impact of $0.09 per common share as a result of the following factors:

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

(1) See Non-GAAP Financial Measures on page 15.

- a $0.03 per common share charge for the net effect of stock-based compensation and the associated equity derivatives;
- a $0.01 per common share non–cash charge related to the accounting for Weston's 2001 forward sale agreement of Loblaw common shares; and
- a $0.01 per common share charge related to the consolidation of VIEs.

After adjusting for the above noted items, Weston's first quarter 2007 adjusted basic net earnings per common share(1) was $0.99 compared to $1.00 in 2006, a decline of 1.0%.

REPORTABLE OPERATING SEGMENTS
Weston Foods

Adjusted Operating Income(1)

	12 Weeks Ended	
($ millions)	**Mar. 24, 2007**	Mar. 25, 2006
Operating income	**$ 77**	$ 64
Add impact of the following:		
Restructuring and other charges		7
Net effect of stock-based compensation and the associated equity derivatives	**7**	1
Adjusted operating income(1)	**$ 84**	$ 72

Adjusted EBITDA (1)

	12 Weeks Ended	
($ millions)	**Mar. 24, 2007**	Mar. 25, 2006
Adjusted operating income(1)	**$ 84**	$ 72
Depreciation and amortization	**27**	27
Adjusted EBITDA(1)	**$ 111**	$ 99

Sales Weston Foods sales for the first quarter of 2007 of $1.1 billion increased 3.2% compared to the same period in 2006, as a result of a sales increase of 2.0% and the positive impact of foreign currency translation on reported sales growth of approximately 1.2%. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by 3.4% for the first quarter of 2007. Overall volume decreased 1.4% for the first quarter of 2007 and was negatively impacted by approximately 1.1% due to the exit from the United States frozen foodservice bagel business during the third quarter of 2006 and the discontinuance of contract manufacturing of biscuits for certain customers during 2006.

Fresh bakery sales increased approximately 4.0% in the first quarter of 2007 compared to the same period in 2006, driven by price increases in key product categories partially offset by volume declines. Branded volume increases included growth in the *Thomas'* and *Arnold* brands in the United States and *D'Italiano* in Canada. Continued growth in whole grain products and the introduction of new and expanded products, such as *Thomas'* 100 Calorie English Muffins and *Thomas'* mini square bagels contributed positively to branded sales growth during the first quarter of 2007. Sales of white flour based products contributed positively to overall fresh bakery sales growth during the first quarter of 2007 due to price increases, partially offset by volume declines, particularly in private label products.

Fresh-baked sweet goods sales, primarily sold under the *Entenmann's* brand, increased approximately 0.7% in the first quarter of 2007 compared to the same period in 2006 due to volume growth partially offset by increased promotional activity. Volume growth was driven by the introduction of new and expanded products, such as *Entenmann's* 100 Calorie *Little Bites*.

(1) See Non-GAAP Financial Measures on page 15.

Frozen bakery sales increased approximately 6.2% in the first quarter of 2007 compared to the same period in 2006 driven by both price increases combined with changes in sales mix and volume growth. Frozen volumes were negatively impacted by the exit from the United States frozen foodservice bagel business in the third quarter of 2006.

Dairy sales increased approximately 1.6% in the first quarter of 2007 compared to the same period in 2006 due to price increases and improvements in sales mix as growth continues to be experienced in value-added products, partially offset by volume declines.

Biscuit category sales declined approximately 7.4% in the first quarter of 2007 compared to the same period in 2006 primarily due to lower volumes as a result of the discontinuance of contract manufacturing of biscuits for certain customers during 2006.

Operating Income Weston Foods operating income increased 20.3% to $77 million in the first quarter of 2007 from $64 million in 2006 and was impacted by lower restructuring and other charges and higher net stock-based compensation costs. Operating margin for the first quarter of 2007 was 7.3% compared to 6.2% in the same period in 2006. Restructuring and other charges in the first quarter of 2007 were nil compared to $7 million in 2006 and net stock-based compensation was a charge of $7 million in 2007 compared to $1 million in 2006. Adjusting for the impact of restructuring and other charges and net stock-based compensation costs, adjusted operating income(1) was $84 million for the first quarter of 2007, an increase of 16.7% from $72 million in 2006. Adjusted operating margin(1) and adjusted EBITDA margin(1) for the first quarter of 2007 were 7.9% and 10.5%, respectively (2006 – 7.0% and 9.6%). In addition, foreign currency translation positively impacted first quarter 2007 adjusted operating income(1) growth by approximately 1.5 percentage points.

Adjusted operating income(1) and margin(1) for the first quarter of 2007 were positively impacted by sales growth, primarily due to price increases in key product categories combined with changes in sales mix, and by the benefits realized from the continued focus on cost reduction initiatives, including restructuring activities. This was partially offset by the negative impact of inflationary cost pressures related to certain key ingredients and packaging that continue to challenge Weston Foods adjusted operating income(1) and margin(1) growth.

Weston Foods continues to evaluate strategic and cost reduction initiatives related to its manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Certain of these initiatives are in progress while others are still in the planning stages. Individual actions will be initiated and additional charges may be taken as plans are finalized and approved.

During the first quarter of 2007, Weston Foods approved a plan to exit certain bread and roll manufacturing lines in the Southeast United States. All production associated with these lines will be transferred to third-party producers or other Weston Foods manufacturing facilities. As a result of this decision, Weston Foods recognized $4 million of accelerated depreciation and $1 million of employee termination benefits and other exit related costs in the first quarter of 2007.

During 2005, Weston Foods approved a plan to restructure its United States biscuit operations. This plan included the closure of two biscuit facilities located in Elizabeth, New Jersey ("Elizabeth") 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 the Elizabeth facility was completed in 2005 and a portion of the total resulting gain was deferred due to certain conditions relating to this sale lease-back transaction. All manufacturing activities ceased in the Elizabeth facility by the end of 2006. During the first quarter of 2007, Weston Foods vacated this facility in accordance with the terms and conditions of the sale lease-back arrangement and accordingly, recognized the previously deferred gain on sale of fixed assets of $6 million. In addition, Weston Foods recognized $1 million of other exit related costs in the first quarter of 2007. By the end of the first quarter of 2007, total cumulative charges since 2005 of $21 million of accelerated depreciation and $39 million of employee termination benefits and other exit related costs have been recognized related to this restructuring plan.

(1) See Non-GAAP Financial Measures on page 15.

Loblaw

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

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 24, 2007	Mar. 25, 2006
Total sales	**$ 6,347**	$ 6,147
Less: Sales attributable to tobacco sales	**217**	321
Sales attributable to the consolidation of VIEs	**94**	81
Sales excluding the impact of tobacco sales and VIEs(1)	**$ 6,036**	$ 5,745
Total sales growth	**3.3%**	
Less: Impact on sales growth attributable to tobacco sales	**(2.0)%**	
Impact on sales growth attributable to the consolidation of VIEs	**0.2%**	
Sales growth excluding the impact of tobacco sales and VIEs(1)	**5.1%**	

Adjusted Operating Income(1)

($ millions)	12 Weeks Ended Mar. 24, 2007	Mar. 25, 2006
Operating income	**$ 132**	$ 257
Add (deduct) impact of the following:		
Restructuring and other charges	**89**	3
Inventory liquidation	**2**	
Net effect of stock-based compensation and the associated equity derivatives	**12**	3
VIEs	**(1)**	5
Adjusted operating income(1)	**$ 234**	$ 268

Adjusted EBITDA(1)

($ millions)	12 Weeks Ended Mar. 24, 2007	Mar. 25, 2006
Adjusted operating income(1)	**$ 234**	$ 268
Add (deduct) impact of the following:		
Depreciation and amortization	**136**	134
VIEs depreciation and amortization	**(7)**	(6)
Adjusted EBITDA(1)	**$ 363**	$ 396

Sales Sales for the first quarter increased by 3.3% or $200 million to $6.3 billion. Sales increases were realized across all regions of the country and in the food, general merchandise and drugstore areas. Same-store sales increased by 4.0% excluding the impact of the continued decrease in tobacco sales. Total sales excluding the impact of tobacco sales and VIEs(1) increased by 5.1%. 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, adversely impacting sales. This loss of sales is expected to continue affecting comparisons to 2006 sales until the end of the third quarter of 2007.

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

- same-store sales growth excluding the impact of the continued decline in tobacco sales of 4.0%;
- continued 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 3.8% for the first quarter of 2007 compared to 2.6% in the same period of 2006. This measure of inflation may not accurately reflect the effect of inflation on the specific mix of goods in Loblaw's stores;
- food, general merchandise and drugstore growth over the comparable period in 2006; and

(1) See Non-GAAP Financial Measures on page 15.

- an increase in net retail square footage of 0.3 million square feet or 0.7% during the latest four quarters, due to the opening of 38 new corporate and franchised stores and the closure of 77 stores, inclusive of 45 stores that were closed as part of a previously announced store operations restructuring plan, and stores which have undergone conversions and major expansions. During the first quarter of 2007, 6 new corporate and franchised stores were opened and 50 were closed, including 44 stores that were closed as part of a previously announced store operations restructuring plan resulting in a net decrease of 0.7 million square feet or 1.5%.

Operating Income Operating income of $132 million for the first quarter of 2007 compares to $257 million in 2006, a decrease of 48.6%. Operating margin was 2.1% for the first quarter of 2007 compared to 4.2% in 2006.

Loblaw's "Formula for Growth" continues to focus on how Loblaw will compete and succeed for the long term. The "Simplify" program is being executed as planned. In the first quarter of 2007, certain charges were recorded that reflected activities in support of Loblaw's Formula for Growth, which have previously been disclosed and are as follows:

- Part of Loblaw's Simplify program involves the restructuring of its merchandising and store operations into more streamlined functions which includes a reduction of 800-1,000 jobs in the National Head Office and Store Support Centre and regional offices. The total restructuring costs, primarily severance costs, under this plan are anticipated to be at the lower end of the previously disclosed range of $150 million to $200 million. A substantial portion of the estimated charge in connection with this plan is anticipated to be recorded by the end of the second quarter of 2007. In the first quarter of 2007, Loblaw recognized $75 million of restructuring costs resulting from this plan, composed of $58 million for employee termination benefits including severance, additional pension costs resulting from the termination of employees and retention costs and $17 million of other costs, primarily consulting.
- A charge of $14 million was recorded in connection with the previously announced closure of certain stores in the Quebec and Atlantic markets and in the wholesale network that were part of the store operations restructuring activities.

In addition, Loblaw recognized the following charges in operating income:

- a charge of $12 million (2006 – $3 million) for the net effect of stock-based compensation and the associated equity forwards;
- a charge of $2 million, comprised primarily of storage costs, relating to the liquidation of inventory determined to be excess in the fourth quarter of 2006. Loblaw's efforts to liquidate this inventory are proceeding as expected; and
- income of $1 million (2006 – charge of $5 million) resulting from the consolidation of VIEs.

After adjusting for the above-noted items, adjusted operating income(1) was $234 million in the first quarter of 2007 compared to $268 million in the comparable period in 2006. Adjusted operating margin(1) was 3.9% in the first quarter of 2007 compared to 4.7% in 2006. Adjusted EBITDA margin(1) decreased to 6.0% from 6.9% in 2006.

In addition, the following items influenced adjusted operating income(1) for the first quarter of 2007:

- Legislative changes by the Ontario government in the second half of 2006 negatively impacted pharmacy-related operating income by approximately $10 million.
- Consulting costs, other than those in connection with the Simplify program, and costs associated with the change in Loblaw's executive bonus plan, amounted to approximately $15 million.
- Loblaw continues to reduce prices in a strategic and coordinated manner. This has started and will continue in both Ontario and Quebec in addition to a rollout to the rest of Canada over the course of the year.

(1) See Non-GAAP Financial Measures on page 15.

Aggregate gross margin percentage softened from the continued investments in lower food prices to drive sales growth and increases in inventory shrink, primarily food, partially offset by improved mix of food, general merchandise and drugstore sales. Loblaw also experienced higher store operating costs including labour costs, primarily in Ontario, and higher overhead costs.

Loblaw is in the process of implementing a perpetual inventory system which may result in a change to the accounting methodology used by Loblaw to estimate the value of Loblaw's general merchandise and certain other inventory. Loblaw is currently evaluating the potential impact of this implementation.

The non-cash goodwill impairment charge of $800 million recorded in the Company's audited annual consolidated financial statements for the year ended December 31, 2006 continues to be assessed by Loblaw. Loblaw expects that the final charge will be approximately $800 million as previously disclosed. However, if necessary, this non-cash goodwill impairment charge will be adjusted by the end of the second quarter of 2007.

CONSOLIDATED FINANCIAL CONDITION

Financial Ratios The Company's net debt (excluding the Exchangeable Debentures)(1) to equity ratio at the end of the first quarter of 2007 was 1.03:1 compared to 1.11:1 in the same period of 2006 and 0.96:1 at year end 2006. The change in this ratio from year end 2006 is primarily due to higher net debt (excluding the Exchangeable Debentures)(1). The change in this ratio at the end of the first quarter of 2007 when compared to the end of the first quarter in 2006 was mainly due to lower net debt (excluding the Exchangeable Debentures)(1). The net debt (excluding the Exchangeable Debentures)(1) to equity ratio is expected to improve throughout the remainder of the year.

The interest coverage ratio for the first quarter of 2007 decreased to 3.6 times compared to 3.8 times in the first quarter of 2006 primarily due to lower operating income partially offset by lower interest expense and other financing charges.

The Company's rolling year return on average total assets(1) at the end of the first quarter of 2007 was 2.6% compared to 10.0% in the comparable period of 2006 and 3.2% at year end 2006. The Company's rolling year return on average common shareholders' equity was 0.7% at the end of the first quarter of 2007 compared to 16.9% in the comparable period of 2006 and 1.3% for the year end 2006 return. Both ratios continue to be negatively impacted by the decline in cumulative operating income for the latest four quarters including the negative impact of the $800 million Loblaw goodwill impairment charge recorded in the fourth quarter of 2006.

Dividends On April 1, 2007, common share dividends of $0.36 per share and preferred share dividends of $0.32 per share, Series II, Series III and Series IV and preferred share dividends of $0.30 per share, Series V were paid as declared by Weston's Board of Directors (the "Board"). On March 15, 2007, preferred share dividends of $0.36 per share, Series I were paid as declared by the Board. The 2007 quarterly common share dividend was maintained at the 2006 dividend rate.

Outstanding Share Capital Weston's outstanding share capital is comprised of common shares and preferred shares. An unlimited number of common shares is authorized and 129.1 million common shares were outstanding at the end of the first quarter of 2007. An unlimited number of preferred shares Series I, Series II, Series III, Series IV and Series V is 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 first quarter of 2007.

Subsequent to the first quarter of 2007, Weston renewed its Normal Course Issuer Bid to purchase on the Toronto Stock Exchange or enter into equity derivatives to purchase up to 6,453,726 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.

(1) See Non-GAAP Financial Measures on page 15.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows used in Operating Activities of Continuing Operations First quarter 2007 cash flows used in operating activities of continuing operations were $208 million compared to $415 million in the comparable period of 2006. The improvement in cash flows used in operating activities of continuing operations is mainly due to the decrease in the use of non-cash working capital by Loblaw. A change in inventory in the first quarter of 2007 compared to the same period in 2006 accounted for the majority of the change in non-cash working capital.

Cash Flows used in Investing Activities of Continuing Operations First quarter 2007 cash flows used in investing activities of continuing operations were $98 million compared to $414 million in 2006. The majority of the change in cash flows used in investing activities of continuing operations was the result of a decline in capital investment in addition to less of a movement in short term investments from cash and cash equivalents relative to year end, when compared to the prior year, due to the change in the term to maturity profile of the Company's short term investments.

Capital investment for the first quarter of 2007 totaled $117 million (2006 – $227 million) as the Company continues its commitment to maintain and renew its asset base and invest for growth within North America.

During the first quarter of 2007, $40 million (2006 – $55 million) of credit card receivables were securitized by *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of Loblaw, through the sale of a portion of the total interest in these receivables to independent trusts, yielding a nominal net gain (2006 – nominal net gain) based on the assumptions disclosed in note 13 to the consolidated financial statements for the year ended December 31, 2006 included in Weston's 2006 Financial Report. The independent trusts' 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% (2006 – 9%) on a portion of the securitized amount.

Cash Flows from Financing Activities of Continuing Operations First quarter 2007 cash flows from financing activities of continuing operations were $174 million compared to $561 million in 2006. The change in cash flows from financing activities of continuing operations is mainly due to a decline in commercial paper issued during the period relative to the comparable period of 2006.

During the first quarter of 2007, Dominion Bond Rating Services ("DBRS") placed Weston's Medium Term Notes ("MTN"), debentures, commercial paper and preferred share ratings under review with negative implications; and Standards & Poor's ("S&P") placed Weston's long term corporate credit, commercial paper and preferred share ratings on CreditWatch with negative implications. Subsequent to the first quarter, Weston's long term corporate credit, commercial paper and preferred share ratings were downgraded by S&P to "BBB" from "BBB+", to "A-2" from "A-1 (low)" and to "P-3 (high)" from "P-2 (low)", respectively. Weston was removed from CreditWatch with negative implications and the outlook was changed to "stable".

Also during the first quarter of 2007, DBRS placed Loblaw's MTN and debentures ratings under review with negative implications and confirmed Loblaw's commercial paper rating at its current level with a "stable" trend. S&P placed Loblaw's long term corporate credit and commercial paper ratings on CreditWatch with negative implications. Subsequent to the first quarter, DBRS downgraded Loblaw's MTN and debentures to "A (low)" from "A" and confirmed Loblaw's commercial paper rating at "R-1 (low)", both with a "negative" trend. Also, subsequent to the first quarter, Loblaw's long term corporate credit was downgraded by S&P to "BBB+" from "A-" and confirmed Loblaw's commercial paper rating at "A-1 (low)". Loblaw was removed from CreditWatch with negative implications and the outlook was changed to "stable".

The rating declines will increase borrowing costs, however Weston and Loblaw anticipate to continue to be able to obtain external financing.

During the first quarter of 2007, Loblaw entered into a $500 million, 364-day revolving committed credit facility extended by several banks for general corporate purposes and to support Loblaw's commercial paper program.

On March 7, 2007, pursuant to a transaction whereby Domtar Inc. ("Domtar") was combined with the fine paper business of Weyerhaeuser Inc., Domtar common shares were exchanged for an equal number of either exchangeable shares of Domtar (Canada) Paper Inc. or common shares of Domtar Corporation ("New Domtar"), a Delaware Corporation. The Company elected to receive exchangeable shares of Domtar (Canada) Paper Inc. in exchange for its Domtar common shares.

After March 7, 2007, Weston's 3% Exchangeable Debentures ("Debentures") entitle the holders to exchange their Debentures for common shares of New Domtar on the basis of 95.2381 common shares of New Domtar for each one thousand dollar principal amount of Debentures. Weston's obligation on the exchange or redemption of these Debentures can be satisfied by delivery of a cash amount equivalent to the current market price of the common shares of New Domtar at such time, the common shares of New Domtar or any combination thereof. During a transitional period whereby New Domtar is awaiting certain regulatory approvals regarding the delivery of New Domtar shares in exchange for exchangeable shares of Domtar (Canada) Paper Inc., Weston is offering on the exchange or redemption of these Debentures, the exchangeable shares of Domtar (Canada) Paper Inc. until such time as regulatory approval is received.

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)

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
($ millions except where otherwise indicated)	**2007**	2006	2006	2005	2006	2005	2006	2005
Sales	**$ 7,221**	$ 6,997	$ 7,578	$ 7,345	$ 10,085	$ 9,694	$ 7,507	$ 7,242
Net earnings (loss) from continuing operations	**$ 104**	$ 128	$ (428)	$ 240	$ 226	$ 196	$ 184	$ 179
Net earnings (loss)	**$ 104**	$ 128	$ (417)	$ 249	$ 226	$ 196	$ 184	$ 153
Net earnings (loss) per common share from continuing operations ($)								
Basic	**$ 0.70**	$ 0.91	$ (3.42)	$ 1.78	$ 1.62	$ 1.41	$ 1.32	$ 1.33
Diluted	**$ 0.70**	$ 0.91	$ (3.42)	$ 1.78	$ 1.62	$ 1.41	$ 1.32	$ 1.33
Net earnings (loss) per common share ($)								
Basic	**$ 0.70**	$ 0.91	$ (3.33)	$ 1.85	$ 1.62	$ 1.41	$ 1.32	$ 1.13
Diluted	**$ 0.70**	$ 0.91	$ (3.33)	$ 1.85	$ 1.62	$ 1.41	$ 1.32	$ 1.13

Sales growth continued in the first quarter of 2007 at a higher rate than 2006. At Loblaw, same-store sales growth during the current quarter increased 2.4% including the negative impact from the decline in tobacco sales. Loblaw sales and same-store sales growth during the last two quarters of 2006 and the first quarter of 2007 were negatively impacted by the loss in tobacco sales. At Weston Foods, quarterly sales growth was positively impacted by pricing combined with changes in sales mix. Weston Foods quarterly sales growth was also impacted by foreign currency translation. Weston Foods sales growth for the last two quarters of 2006 and the first quarter of 2007 was negatively impacted by the exit from the United States frozen foodservice bagel business during the third quarter of 2006 and the discontinuance of contract manufacturing of biscuits for certain customers during 2006.

Quarterly net earnings for the last eight quarters were impacted by the following items:

- restructuring and other charges incurred by Weston Foods and Loblaw;
- fluctuations in stock-based compensation net of the impact of the associated equity derivatives as a result of changes in the market price of Weston's and Loblaw's common shares;
- non-cash Loblaw goodwill impairment charge;
- Loblaw's charge related to its Ontario collective labour agreement;

- Loblaw's charge related to inventory liquidation;
- a departure entitlement payment at Loblaw; and
- accounting for Weston's 2001 forward sale agreement of 9.6 million Loblaw common shares.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

Management of Loblaw has concluded that, as of March 24, 2007, a weakness existed in the design of its internal control over financial reporting in the area of inventory controls, principally related to Loblaw's general merchandise inventory valuation. This design weakness was caused primarily by the absence of sufficient compensating controls in the face of the lack of a perpetual inventory system. At December 31, 2006, the controls and processes surrounding the inventory liquidation activity which took place in the fourth quarter of 2006 provided sufficient compensating controls in this area.

While it is possible that this design weakness, if left unaddressed, could result in a material misstatement of the Company's inventory balances now or in the future, management has concluded that the consolidated financial statements included in this quarterly report fairly present the Company's financial position, consolidated results of operations and cash flows for the 12 weeks ended March 24, 2007. Management has reached this conclusion based on the aggregate effect of a number of factors, including the general merchandise inventory liquidation activity that took place in the fourth quarter of 2006, the performance of a significant number of inventory counts at Loblaw stores in the first quarter of 2007, and further substantive procedures performed by Loblaw management to validate the recorded value of inventory.

Loblaw is implementing a plan for the remediation of this design weakness. In the short term, the number of inventory counts will be increased to a level at which Loblaw can be confident of the statistical validity of extrapolating the results of those counts. Loblaw will implement a perpetual inventory system in the next 12 to 24 months.

Other than as described above, there has been no change in the Company's internal control over financial reporting that occurred during the 12 weeks ended March 24, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

LEGAL PROCEEDINGS

During the first quarter of 2007, Weston and Loblaw were two of 17 defendants served with an action brought in the Superior Court of Ontario by certain beneficiaries of a multi-employer pension plan in which employees of Loblaw and its independent franchisees participate. In their claim against the employers and the trustees of the multi-employer pension plan, the plaintiffs claim that assets of the multi-employer pension plan have been mismanaged. One billion dollars of damages are claimed in the action. In addition, the plaintiffs are seeking to have a representative defendant appointed for the employers of all the members of the multi-employer pension plan. The action is framed as a representative action on behalf of all beneficiaries of the multi-employer pension plan. The action is at a very early stage and Weston and Loblaw intend to vigorously defend it. Statements of Defence have not yet been filed.

On March 7, 2007, pursuant to a transaction whereby Domtar was combined with the fine paper business of Weyerhaeuser Inc., Domtar common shares were exchanged for an equal number of either exchangeable shares of Domtar (Canada) Paper Inc. or common shares of Domtar Corporation, a Delaware Corporation. The Company elected to receive exchangeable shares of Domtar (Canada) Paper Inc. in exchange for its Domtar common shares.

A Share Purchase Agreement governing the June 1998 sale by Weston of E.B. Eddy Paper, Inc. to Domtar (the "SPA") contains a price adjustment clause. The SPA provides, subject to certain exceptions, that if any person subsequently acquired more than 50% of the outstanding voting shares of Domtar, the price adjustment clause applies. Weston believes that a price adjustment in the amount of $110 million is payable and Weston has demanded payment of such amount from Domtar. Domtar's position is that the purchase price adjustment does not apply because of the application of an exception contained in the SPA. Weston intends to pursue its legal rights pursuant to the SPA.

In addition to the claim described above, the Company is the subject of various legal proceedings and claims that arise in the ordinary course of business. The outcome of all of these proceedings is uncertain. However, based on information currently available, these claims, individually and in the aggregate, are not expected to have a material impact on the Company.

ACCOUNTING STANDARDS IMPLEMENTED IN 2007

On January 1, 2007, the Company implemented the Canadian Institute of Chartered Accountants new Handbook sections 3855 "Financial Instruments – Recognition and Measurement", 3865 "Hedges", 1530 "Comprehensive Income", 3251 "Equity", and 3861 "Financial Instruments – Disclosure and Presentation". The transitional adjustments resulting from these standards are recognized in the opening balance of retained earnings and opening accumulated other comprehensive loss. Prior periods have not been restated except to reclassify unrealized foreign currency translation losses on net investments in self-sustaining foreign operations to accumulated other comprehensive loss.

The new accounting standards require that all financial instruments be classified into a defined category, namely, held-for-trading financial assets or financial liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. The financial instruments within scope, including derivatives, are included on the Company's balance sheet and measured at fair value except for loans and receivables, held-to-maturity financial assets and other financial liabilities which are measured at cost or amortized cost. Held-for-trading financial assets and financial liabilities are measured at fair value with gains and losses recognized in net earnings in the period in which they arise. Available-for-sale financial assets are measured at fair value, with unrealized gains and losses, including changes in foreign exchange rates, recognized in other comprehensive income until the financial asset is derecognized or impaired, at which time any unrealized gains or losses are recorded in net earnings. In cash flow hedges, the effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. To the extent the change in fair value of the derivative is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in net earnings.

Upon implementation of these standards, the Company has recorded the following transitional adjustments:

($ millions)	Balance as Reported, Dec. 31, 2006	Transitional Adjustments	Opening Balance Jan. 1, 2007
Other assets	$ 1,459	$ (101)	$ 1,358
Accounts payable and accrued liabilities	$ 3,196	$ 1	$ 3,197
Long term debt	$ 5,918	$ (11)	$ 5,907
Future income taxes	$ 366	$ (41)	$ 325
Other liabilities	$ 668	$ 41	$ 709
Retained earnings	$ 4,506	$ (100)	$ 4,406
Accumulated other comprehensive loss	$ (503)	$ 9	$ (494)

For further details of the specific accounting changes and related impacts, see note 2 of the unaudited interim period consolidated financial statements.

OUTLOOK

The outlook for the consolidated results of George Weston Limited for 2007 reflects the underlying result 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.

For the remainder of 2007, Weston Foods expects continued improvements in sales and adjusted operating income[(1)], on a year-over-year basis, largely as a result of improvements in pricing and as the benefits of restructuring and cost reduction activities continue to be realized. Operating margins are expected to continue to be pressured by underlying cost inflation.

While Loblaw expects sales, excluding the impact of tobacco sales and VIEs[(1)] to increase during the remainder of 2007, adjusted operating income[(1)] and margin[(1)] are expected to be challenged as Loblaw continues to lower prices for its customers across Canada.

ADDITIONAL INFORMATION

Additional information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com.

This Quarterly Report includes selected information on Loblaw Companies Limited, a 62%-owned public reporting company with shares trading on the Toronto Stock Exchange. For information regarding Loblaw, readers should also refer to the materials filed by Loblaw with the Canadian securities regulatory authorities from time to time. These filings are also maintained at Loblaw's corporate website at www.loblaw.ca.

NON-GAAP FINANCIAL MEASURES

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

Sales and Sales Growth Excluding the Impact of Tobacco Sales and VIEs These financial measures exclude the impact on sales from the decrease in tobacco sales and from the consolidation by Loblaw of certain independent franchisees which resulted from the implementation of AcG 15 retroactively without restatement effective January 1, 2005. Tobacco sales continue to decrease as a result of a major tobacco supplier shipping directly to certain customers of Loblaw's cash & carry and wholesale club network commencing in the third quarter of 2006. These impacts on sales are excluded because the Company believes this allows for a more effective analysis of the operating performance of the Company. 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 Tobacco Sales and VIEs" included on pages 3 and 8 of this MD&A.

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

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

(1) See Non-GAAP Financial Measures on page 15.

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

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

Adjusted Basic Net Earnings per Common Share 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 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" included on page 4 of this MD&A.

Net Debt The following table reconciles net debt excluding Exchangeable Debentures to Canadian GAAP measures reported in the unaudited interim period consolidated balance sheets as indicated. The Company calculates net debt as the sum of long term debt and short term debt less cash, cash equivalents and short term investments and believes this measure is useful in evaluating the amount of leverage employed. The Company calculates net debt excluding Exchangeable Debentures as net debt (as calculated above) less Exchangeable Debentures and believes this measure is also useful in evaluating the amount of leverage employed by the Company as the Exchangeable Debentures can be settled by using the Company's investment in Domtar (Canada) Paper Inc., included in other assets.

($ millions)	**Mar. 24, 2007**	Mar. 25, 2006
Bank indebtedness	**$ 185**	$ 156
Commercial paper	**1,001**	1,066
Short term bank loans	**188**	148
Long term debt due within one year	**36**	359
Long term debt	**5,955**	5,900
Less:		
Cash and cash equivalents	**1,085**	1,267
Short term investments	**724**	342
Net debt	**5,556**	6,020
Less: Exchangeable Debentures	**228**	225
Net debt excluding Exchangeable Debentures	**$ 5,328**	$ 5,795

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

($ millions)	**Mar. 24, 2007**	Mar. 25, 2006
Total assets	**$ 18,399**	$ 18,783
Less:		
Cash and cash equivalents	**1,085**	1,267
Short term investments	**724**	342
Long term assets of discontinued operations		12
Domtar (Canada) Paper Inc. investment	**228**	220
Total assets	**$ 16,362**	$ 16,942

Consolidated Statements of Earnings

(unaudited)

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 24, 2007	Mar. 25, 2006
Sales	**$ 7,221**	$ 6,997
Operating Expenses		
Cost of sales, selling and administrative expenses	**6,760**	6,505
Depreciation and amortization	**163**	161
Restructuring and other charges (note 3)	**89**	10
	7,012	6,676
Operating Income	**209**	321
Interest Expense and Other Financing Charges (note 4)	**52**	79
Earnings Before the Following:	**157**	242
Income Taxes (note 5)	**35**	65
	122	177
Minority Interest	**18**	49
Net Earnings	**$ 104**	$ 128
Net Earnings per Common Share ($) – Basic and Diluted (note 6)	**$ 0.70**	$ 0.91

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

Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 24, 2007	Mar. 25, 2006
Share Capital		
Preferred Shares	**$ 1,077**	$ 881
Common Shares	**133**	131
Total Share Capital, Beginning and End of Period	**$ 1,210**	$ 1,012
Retained Earnings, Beginning of Period	**$ 4,506**	$ 4,625
Cumulative impact of implementing new accounting standards (note 2)	**(100)**	
Net earnings	**104**	128
Dividends declared		
Per common share ($) – $0.36 (2006 – $0.36)	**(46)**	(46)
Per preferred share ($) – Series I – $0.36 (2006 – $0.36)	**(4)**	(4)
– Series II – $0.32 (2006 – $0.32)	**(3)**	(3)
– Series III – $0.32 (2006 – $0.32)	**(3)**	(3)
– Series IV – $0.32 (2006 – $0.32)	**(2)**	(2)
– Series V – $0.30	**(2)**	
Retained Earnings, End of Period	**$ 4,450**	$ 4,695
Accumulated Other Comprehensive Loss, Beginning of Period (note 2)	**$ (503)**	$ (518)
Cumulative impact of implementing new accounting standards (notes 2 and 11)	**9**	
Other comprehensive (loss) income	**(13)**	14
Accumulated Other Comprehensive Loss, End of Period	**$ (507)**	$ (504)
Total Shareholders' Equity	**$ 5,153**	$ 5,203

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

Consolidated Statements of Comprehensive Income

(unaudited)

($ millions)	12 Weeks Ended Mar. 24, 2007	Mar. 25, 2006
Net earnings	**$ 104**	$ 128
Other comprehensive income, net of income taxes and minority interest		
Foreign currency translation adjustment	**(14)**	14
Net unrealized loss on available-for-sale financial assets	**(2)**	
Reclassification of gain on available-for-sale financial assets to net earnings	**(7)**	
	(9)	
Net gain on derivatives designated as cash flow hedges	**3**	
Reclassification of loss on derivatives designated as cash flow hedges to net earnings	**7**	
	10	
Other comprehensive (loss) income	**(13)**	14
Total Comprehensive Income	**$ 91**	$ 142

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

Consolidated Balance Sheets

($ millions)	Mar. 24, 2007 (unaudited)	Mar. 25, 2006 (unaudited)	Dec. 31, 2006
		As at	
ASSETS			
Current Assets			
Cash and cash equivalents	**$ 1,085**	$ 1,267	$ 1,219
Short term investments	**724**	342	610
Accounts receivable (note 7)	**940**	911	1,007
Inventories	**2,082**	2,206	2,187
Income taxes	**116**	65	80
Future income taxes	**168**	138	151
Prepaid expenses and other assets	**81**	94	59
Total Current Assets	**5,196**	5,023	5,313
Fixed Assets	**9,207**	8,969	9,219
Goodwill and Intangible Assets	**2,527**	3,375	2,536
Future Income Taxes	**64**	84	68
Other Assets	**1,405**	1,320	1,459
Long Term Assets of Discontinued Operations		12	
Total Assets	**$ 18,399**	$ 18,783	$ 18,595
LIABILITIES			
Current Liabilities			
Bank indebtedness	**$ 185**	$ 156	$ 99
Commercial paper	**1,001**	1,066	838
Accounts payable and accrued liabilities	**2,731**	2,712	3,196
Short term bank loans	**188**	148	178
Long term debt due within one year	**36**	359	27
Current liabilities of discontinued operations	**3**	10	4
Total Current Liabilities	**4,144**	4,451	4,342
Long Term Debt (note 9)	**5,955**	5,900	5,918
Future Income Taxes	**325**	343	366
Other Liabilities	**737**	604	668
Minority Interest	**2,085**	2,282	2,088
Total Liabilities	**13,246**	13,580	13,382
SHAREHOLDERS' EQUITY			
Share Capital (note 10)	**1,210**	1,012	1,210
Retained Earnings	**4,450**	4,695	4,506
Accumulated Other Comprehensive Loss (notes 2 and 11)	**(507)**	(504)	(503)
Total Shareholders' Equity	**5,153**	5,203	5,213
Total Liabilities and Shareholders' Equity	**$ 18,399**	$ 18,783	$ 18,595

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

Consolidated Cash Flow Statements
(unaudited)

($ millions)	12 Weeks Ended Mar. 24, 2007	Mar. 25, 2006
Operating Activities		
Net earnings before minority interest	**$ 122**	$ 177
Depreciation and amortization	**163**	161
Restructuring and other charges (note 3)	**89**	10
Future income taxes	**(14)**	(2)
Fair value adjustment of Weston's forward sale agreement (note 4)	**(19)**	2
Change in non-cash working capital	**(589)**	(790)
Other	**40**	27
Cash Flows used in Operating Activities of Continuing Operations	**(208)**	(415)
Investing Activities		
Fixed asset purchases	**(117)**	(227)
Short term investments	**(116)**	(291)
Proceeds from fixed asset sales	**9**	9
Credit card receivables, after securitization (note 7)	**144**	118
Franchise investments and other receivables	**(7)**	(14)
Other	**(11)**	(9)
Cash Flows used in Investing Activities of Continuing Operations	**(98)**	(414)
Financing Activities		
Bank indebtedness	**87**	43
Commercial paper	**163**	568
Short term bank loans – Issued	**10**	10
Long term debt – Issued	**7**	4
– Retired	**(11)**	(6)
Dividends – To common shareholders	**(46)**	(46)
– To preferred shareholders	**(14)**	(12)
– To minority shareholders	**(22)**	
Cash Flows from Financing Activities of Continuing Operations	**174**	561
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	**(1)**	2
Cash Flows used in Continuing Operations	**(133)**	(266)
Cash Flows used in Discontinued Operations	**(1)**	(7)
Change in Cash and Cash Equivalents	**(134)**	(273)
Cash and Cash Equivalents, Beginning of Period	**1,219**	1,540
Cash and Cash Equivalents, End of Period	**$ 1,085**	$ 1,267

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, 2006, except as described below. Under Canadian GAAP, additional disclosure is required in annual financial statements and accordingly the unaudited interim period consolidated financial statements should be read together with the audited annual consolidated financial statements and the accompanying notes included in George Weston Limited's 2006 Financial Report.

Basis of Consolidation
The unaudited interim period consolidated financial statements include the accounts of George Weston Limited ("Weston") and its subsidiaries (collectively referred to as the "Company") with provision for minority interest. Weston's interest in the voting share capital of its subsidiaries is 100% except for Loblaw Companies Limited ("Loblaw"), which was 61.9% at the end of the first quarter of 2007 and at year end 2006. 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 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 and 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.

2. Accounting Standards Implemented in 2007
On January 1, 2007, the Company implemented the Canadian Institute of Chartered Accountants new Handbook sections 3855 "Financial Instruments – Recognition and Measurement", 3865 "Hedges", 1530 "Comprehensive Income", 3251 "Equity" and 3861 "Financial Instruments - Disclosure and Presentation". These standards have been applied without restatement of prior periods except to reclassify unrealized foreign currency translation losses on net investments in self-sustaining foreign operations to accumulated other comprehensive loss. All other transitional adjustments resulting from these standards are recognized in the opening balances of retained earnings and accumulated other comprehensive loss.

Section 3855, "Financial Instruments – Recognition and Measurement" ("Section 3855") establishes guidance for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial instruments must be classified into a defined category, namely, held-for-trading financial assets or financial liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. The standard requires that financial instruments within scope, including derivatives, be included on the Company's balance sheet and measured at fair value, except for loans and receivables, held-to-maturity financial assets and other financial liabilities which are measured at cost or amortized cost. Gains and losses on held-for-trading financial assets and financial liabilities are recognized in net earnings in the period in which they arise. Unrealized gains and losses, including changes in foreign exchange rates on available-for-sale financial assets are recognized in other comprehensive income until the financial asset is derecognized or impaired, at which time any unrealized gains or losses are recorded in net earnings. Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method.

Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models as more fully described in note 22 of the consolidated financial statements for the year ended December 31, 2006, included in Weston's 2006 Financial Report.

As a result of the implementation of Section 3855, the following classifications were assumed:

- Cash and cash equivalents and short term investments are classified as held-for-trading with the exception of certain Loblaw United States dollar denominated short term investments designated in a hedging relationship, which are classified as available-for-sale financial assets.
- Accounts receivable and other receivables are classified as loans and receivables.
- Investments in equity instruments are classified as available-for-sale, except for Weston's investment in exchangeable shares of Domtar (Canada) Paper Inc., which is designated as held-for-trading.
- Bank indebtedness, accounts payable and certain accrued liabilities, long term debt and capital lease obligations are classified as other financial liabilities.
- Weston's 3% Exchangeable Debentures ("Debentures"), which are exchangeable for common shares of Domtar Corporation, are re-measured each period based on the market value of the underlying shares. Prior to the adoption of Section 3855, the Debentures were accounted for in a hedging relationship, and the changes in fair value were deferred on the consolidated balance sheet. As the Debentures are no longer eligible for hedge accounting under the new standards, gains and losses resulting from the re-measurement are recognized in net earnings.

The Company has not classified any financial assets as held-to-maturity.

The above classifications resulted in the following re-measurement impacts:

- The re-measurement of financial assets classified as available-for-sale to fair value resulted in an increase in other assets of $9 million, and a corresponding increase in minority interest of $2 million and a decrease in accumulated other comprehensive loss of $4 million net of income taxes.
- As a result of classifying certain Loblaw United States dollar denominated short term investments designated in a hedging relationship as available-for-sale, the net unrealized gain previously recognized in retained earnings was reclassified to accumulated other comprehensive loss for an amount of $9 million net of income taxes and minority interest.
- The investment in common shares of Domtar Inc. (held by the Company prior to the March 7, 2007 transaction concerning Domtar Inc. as more fully described in note 9) and the retained interest held by *President's Choice* Bank ("*PC* Bank"), a wholly-owned subsidiary of Loblaw, in securitized receivables are classified as held-for-trading and resulted in a decrease in other assets of $9 million and a corresponding decrease in retained earnings of $8 million net of income taxes and minority interest.
- The re-measurement of financial assets classified as loans and receivables and financial liabilities classified as other liabilities at amortized cost was insignificant except for the impact of the Debentures. Under the accounting treatment as described above, a transitional adjustment resulted in a decrease of $11 million in long term debt, and a corresponding increase in opening retained earnings of $7 million, net of income taxes.

Non-financial derivatives must be recorded at fair value on the consolidated balance sheet unless they are exempt from derivative treatment based upon expected purchase, sale or usage requirements. All changes in their fair value are recorded in net earnings unless cash flow hedge accounting is applied, in which case changes in fair value are recorded in other comprehensive income. As a result of Loblaw re-measuring a non-financial derivative at fair value, an increase in other assets of $7 million and corresponding increases in minority interest of $2 million and opening retained earnings of $3 million net of income taxes were recognized. The standard requires embedded derivatives to be separated and fair valued if certain criteria are met. Under an election provided for by the standard, January 1, 2003 was elected as the transition date to apply this accounting treatment to embedded derivatives. The impact of this change in accounting treatment related to embedded derivatives was not significant.

During the first quarter of 2007, the change in fair value of held-for-trading financial assets, including non-financial derivatives, recognized in net earnings was a gain of $21 million, and was mainly comprised of the change in fair value of the exchangeable shares of Domtar (Canada) Paper Inc., which were designated as held-for-trading. The impact of this fair value adjustment on net earnings is offset by the re-measurement of the Debentures, as discussed previously.

Section 3855 also requires that obligations undertaken in issuing a guarantee that meets the definition of a guarantee pursuant to Accounting Guideline 14, “Disclosure of Guarantees” be recognized at fair value at inception. No subsequent re-measurement at fair value is required unless the financial guarantee qualifies as a derivative. As a result, a liability of $7 million related to the fair value of the standby letter of credit issued by a major Canadian chartered bank for the benefit of an independent funding trust which provides loans to Loblaw’s independent franchisees, was recognized along with corresponding decreases of $2 million to minority interest and $4 million net of income taxes to opening retained earnings.

Section 3865, “Hedges” replaces Accounting Guideline 13, “Hedging Relationships”. The requirements for identification, designation, documentation and assessment of effectiveness of hedging relationships remain substantially unchanged. Section 3865 addresses the accounting treatment of qualifying hedging relationships and the necessary disclosures and also requires all derivatives in hedging relationships to be recorded at fair value.

As described in notes 1 and 22 of Weston’s consolidated financial statements for the year ended December 31, 2006, included in Weston’s 2006 Financial Report, the Company has cash flow hedges which are used to manage exposure to fluctuations in commodity prices and to manage Loblaw’s exposure to foreign currency exchange rates and variable interest rates. For cash flow hedges, the effective portion of the change in fair value of the hedging item is recorded in other comprehensive income. To the extent the change in fair value of the derivative is not completely offset by the change in fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in net earnings. Amounts accumulated in other comprehensive income are reclassified to net earnings when the hedged item is recognized in net earnings. When a hedging instrument in a cash flow hedge expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in accumulated other comprehensive income relating to the hedge is carried forward until the hedged item is recognized in net earnings. When the hedged item ceases to exist as a result of its expiry or sale, or if an anticipated transaction is no longer expected to occur, the cumulative gain or loss in accumulated other comprehensive income is immediately reclassified to net earnings.

Upon implementation of these requirements with respect to cash flow hedges, an increase in other assets of $17 million and an increase in other liabilities of $34 million related to the fair value of the Loblaw interest rate swaps not previously recognized on the consolidated balance sheet, a decrease in minority interest of $2 million, and a decrease in accumulated other comprehensive loss of $6 million net of income taxes were recorded. A decrease of $9 million in opening retained earnings net of income taxes and minority interest, resulting from the financing element of off-market Loblaw interest rate swaps, was also recorded. In addition, an increase in accumulated other comprehensive loss of $9 million net of income taxes and minority interest was recorded related to the effective portion of the unrealized gains and losses on the Loblaw cross currency basis swaps previously recognized in retained earnings. A $1 million loss, net of income tax, was reclassified from accounts payable and accrued liabilities to accumulated other comprehensive loss representing the effective portion of the Company’s commodity hedges. Also on transition, the $125 million deferred loss on Weston’s forward sale agreement for 9.6 million Loblaw common shares, which was deferred in other assets, was reclassified to opening retained earnings resulting in a decrease of $89 million net of income taxes. The ineffective portion of the gains or losses on the derivatives within the hedging relationships was insignificant.

Section 1530, “Comprehensive Income” introduces a statement of comprehensive income, which is comprised of net earnings and other comprehensive income. Other comprehensive income represents the change in shareholders’ equity from transactions and other events from non-owner sources and includes unrealized foreign currency translation gains or losses arising from self-sustaining foreign operations, unrealized gains and losses on financial assets that are classified as available-for-sale and changes in the fair value of the effective portion of cash flow hedging instruments. Effective for the first quarter of 2007, the Company has included in the unaudited interim period consolidated financial statements a new consolidated statement of comprehensive income for the changes in these items, while the cumulative changes in other comprehensive income are included in accumulated other comprehensive loss, which is presented as a new category of shareholders’ equity on the consolidated balance sheet. See note 11 for further details of the accumulated other comprehensive loss balance.

Implementation of the new standards resulted in the reclassification of $503 million previously recorded in the cumulative foreign currency translation adjustment, to accumulated other comprehensive loss. Due to the transitional provisions of the standards this reclassification was accounted for retroactively, with restatement of comparative prior periods.

Section 3251, “Equity”, which replaced Section 3250, “Surplus”, establishes standards for the presentation of equity and changes in equity during the reporting period and requires the Company to present separately equity components and changes in equity arising from i) net earnings; ii) other comprehensive income; iii) other changes in retained earnings; iv) changes in contributed surplus; v) changes in share capital; and vi) changes in reserves. New consolidated statements of changes in shareholders’ equity are included in the unaudited interim period consolidated financial statements.

Section 3861, “Financial Instruments Disclosure and Presentation”, which replaces Section 3860, of the same name, establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

The following tables summarize the transitional adjustments recorded to the affected balance sheet accounts upon implementation:

($ millions)	Balance as Reported, Dec. 31, 2006	Transitional Adjustments	Opening Balance Jan. 1, 2007
Other assets	$ 1,459	$ (101)	$ 1,358
Accounts payable and accrued liabilities	$ 3,196	$ 1	$ 3,197
Long term debt	$ 5,918	$ (11)	$ 5,907
Future income taxes	$ 366	$ (41)	$ 325
Other liabilities	$ 668	$ 41	$ 709
Retained earnings	$ 4,506	$ (100)	$ 4,406
Accumulated other comprehensive loss	$ (503)	$ 9	$ (494)

	Retained Earnings		Accumulated Other Comprehensive Income/(Loss)	
($ millions)	Gross	Net of Income Taxes and Minority Interest	Gross	Net of Income Taxes and Minority Interest
Classification of financial assets as available-for-sale	$ (14)	$ (9)	$ 23	$ 13
Classification of financial assets as held-for-trading	(9)	(8)		
Exchangeable Debentures	11	7		
Non-financial derivative	7	3		
Guarantees	(7)	(4)		
Cash flow hedges	(9)		(9)	(4)
Reversal of deferred loss on Weston’s forward sale agreement	(125)	(89)		
	$ (146)	$ (100)	$ 14	$ 9

3. Restructuring and Other Charges

The following table summarizes the restructuring and other charges:

	12 Weeks Ended					
			Mar. 24, 2007			Mar. 25, 2006
($ millions)	**Weston Foods**	**Loblaw**	**Total**	Weston Foods	Loblaw	Total
Fixed asset impairment					$ 1	$ 1
Accelerated depreciation	**$ 4**		**$ 4**	$ 4		4
Gain of sale of fixed assets	**(6)**		**(6)**			
Employee termination benefits	**1**	**$ 58**	**59**	1		1
Site closing and other exit costs	**1**	**31**	**32**	2	2	4
	$ -	**$ 89**	**$ 89**	$ 7	$ 3	$ 10

Weston Foods

Manufacturing Assets

During the first quarter of 2007, Weston Foods approved a plan to exit certain bread and roll manufacturing lines in the Southeast United States. All production associated with these lines will be transferred to third-party producers or other Weston Foods manufacturing facilities. As a result of this decision, Weston Foods recognized $4 million of accelerated depreciation and $1 million of employee termination benefits and other exit related costs in the first quarter of 2007.

During 2005, Weston Foods approved a plan to restructure its United States biscuit operations. This plan included the closure of two biscuit facilities located in Elizabeth, New Jersey (“Elizabeth”) 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 the Elizabeth facility was completed in 2005 and a portion of the total resulting gain was deferred due to certain conditions relating to this sale lease-back transaction. All manufacturing activities ceased in the Elizabeth facility by the end of 2006. During the first quarter of 2007, Weston Foods vacated this facility in accordance with the terms and conditions of the sale lease-back arrangement and accordingly, recognized the previously deferred gain on sale of fixed assets of $6 million. In addition, Weston Foods recognized $1 million of other exit related costs in the first quarter of 2007. By the end of the first quarter of 2007, total cumulative charges since 2005 of $21 million of accelerated depreciation and $39 million of employee termination benefits and other exit related costs have been recognized related to this restructuring plan.

During the first quarter of 2007, approximately $7 million (2006 – $3 million) of severance and other cash exit costs were paid related to the Weston Foods restructuring activities. As at the end of the first quarter of 2007, accrued liabilities related to restructuring plans were $14 million.

Loblaw

Simplify Program

During the first quarter of 2007, Loblaw approved and announced the restructuring of its merchandising and store operations into more streamlined functions as part of Loblaw’s “Simplify” program. The total restructuring costs, primarily severance costs, under this plan are anticipated to be at the lower end of the previously disclosed range of $150 million to $200 million. A substantial portion of the estimated charge in connection with this plan is anticipated to be recorded by the end of the second quarter of 2007. In the first quarter of 2007, Loblaw recognized $75 million of restructuring costs resulting from this plan, composed of $58 million for employee termination benefits including severance, additional pension costs resulting from the termination of employees and retention costs and $17 million of other costs, primarily consulting.

Store Operations
During 2006, management of Loblaw approved and communicated a plan to close 19 underperforming Quebec stores, mainly within the *Provigo* banner, and 8 stores in the Atlantic region. In addition, as a result of the loss of tobacco sales following the decision by a major tobacco supplier to sell directly to certain customers of Loblaw, a review of the impact on the cash & carry and wholesale club network was undertaken. In 2006, management approved and communicated a formal plan to close 24 wholesale outlets which were impacted most significantly by this change. The total restructuring cost under these plans is estimated to be approximately $54 million. Of the $54 million, approximately $10 million is attributable to employee termination benefits, which include severance resulting from the termination of employees, $25 million to fixed asset impairment and accelerated depreciation relating to these restructuring activities and $19 million to site closing and other costs including lease obligations. In the first quarter of 2007, Loblaw recognized $14 million of restructuring costs relating to site closing and other costs including lease obligations and $5 million in estimated costs remain to be incurred and will be recognized as appropriate criteria are met.

Supply Chain Network
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 first quarter of 2009 and the total restructuring cost under this plan is estimated to be approximately $90 million. Of the $90 million, 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 relating to this restructuring activity and $20 million to site closing and other costs directly attributable to the restructuring plan. At the end of the first quarter of 2007, $20 million in estimated costs remain to be incurred and will be recognized as appropriate criteria are met.

Office Move and Reorganization of the Operation Support Functions
In 2005, 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. All of the expected $25 million of costs related to these initiatives had been recognized by the end of 2006.

During the first quarter of 2007, approximately $40 million (2006 – $4 million) of severance and other cash exit costs were paid related to the above Loblaw restructuring activities. As at the end of the first quarter of 2007, accrued liabilities and other liabilities related to these restructuring activities were $64 million and $21 million, respectively.

4. Interest Expense and Other Financing Charges

	12 Weeks Ended	
($ millions)	**Mar. 24, 2007**	Mar. 25, 2006
Interest on long term debt	**$ 89**	$ 92
Interest on financial derivative instruments	**5**	2
Other financing charges [(1)]	**(25)**	(3)
Net short term interest	**(11)**	(7)
Capitalized to fixed assets	**(6)**	(5)
Interest expense and other financing charges	**$ 52**	$ 79

(1) Other financing charges for the first quarter of 2007 includes non-cash income of $19 million (2006 – non-cash charge of $2 million), related to the fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw common shares ("underlying Loblaw shares") which was entered into during 2001 and matures in 2031. The fair value adjustment is based on the fluctuations in the market value of the underlying Loblaw shares and is a non-cash item that will ultimately be offset by the recognition of any gain on Weston's disposition of the underlying Loblaw shares. Also included in other financing charges is income of $6 million (2006 – $5 million) for the first quarter of 2007 related to the forward accretion income net of the forward fee associated with Weston's forward sale agreement.

Net interest paid in the first quarter of 2007 was $96 million (2006 – $91 million).

5. Income Taxes

Net income taxes paid in the first quarter of 2007 were $84 million (2006 – $119 million).

6. Basic and Diluted Net Earnings per Common Share

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 24, 2007	Mar. 25, 2006
Net earnings	**$ 104**	$ 128
Prescribed dividends on preferred shares	**(13)**	(11)
Net earnings available to common shareholders	**$ 91**	$ 117
Weighted average common shares outstanding (in millions)	**129.1**	129.0
Dilutive effect of stock-based compensation (in millions) (1)	**-**	0.1
Diluted weighted average common shares outstanding (in millions)	**129.1**	129.1
Basic and diluted net earnings per common share ($)	**$ 0.70**	$ 0.91

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

Option Exercise Price	12 Weeks Ended Mar. 24, 2007	Mar. 25, 2006
$78.85	**81,168**	
$93.35	**536,251**	579,000
$95.88	**100,130**	100,130
$100.00	**129,400**	175,400
$111.02	**532,324**	572,384

7. Credit Card Receivables

During the first quarter of 2007, $40 million (2006 – $55 million) of credit card receivables were securitized by *President's Choice* Bank (*"PC* Bank"), a wholly owned subsidiary of Loblaw, through the sale of a portion of the total interest in these receivables to independent trusts. The securitization yielded a nominal net gain (2006 – nominal net gain) based on the assumptions disclosed in note 13 to the consolidated financial statements for the year ended December 31, 2006. The independent trusts' 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% (2006 – 9%) on a portion of the securitized amount.

($ millions)	As at Mar. 24, 2007	Mar. 25, 2006	Dec. 31, 2006
Credit card receivables	**$ 1,465**	$ 1,193	$ 1,571
Amount securitized	**(1,290)**	(1,065)	(1,250)
Net credit card receivables	**$ 175**	$ 128	$ 321

8. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $62 million (2006 – $56 million) for the first quarter of 2007. 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.

9. Long Term Debt

On March 7, 2007, pursuant to a transaction whereby Domtar Inc. (“Domtar”) was combined with the fine paper business of Weyerhaeuser Inc., Domtar common shares were exchanged for an equal number of either exchangeable shares of Domtar (Canada) Paper Inc. or common shares of Domtar Corporation (“New Domtar”), a Delaware Corporation. The Company elected to receive exchangeable shares of Domtar (Canada) Paper Inc. in exchange for its Domtar common shares.

After March 7, 2007, the Debentures entitle the holders to exchange their Debentures for common shares of New Domtar on the basis of 95.2381 common shares of New Domtar for each one thousand dollar principal amount of Debentures. Weston’s obligation on the exchange or redemption of these Debentures can be satisfied by delivery of a cash amount equivalent to the current market price of the common shares of New Domtar at such time, the common shares of New Domtar or any combination thereof. During a transitional period whereby New Domtar is awaiting certain regulatory approvals regarding the delivery of New Domtar shares in exchange for exchangeable shares of Domtar (Canada) Paper Inc., Weston is offering on the exchange or redemption of these Debentures, the exchangeable shares of Domtar (Canada) Paper Inc. until such time as regulatory approval is received.

Also see note 13, Contingencies, Commitments and Guarantees, for further implications of this transaction to the Company.

10. Share Capital

Common Shares

	As at	
	Mar. 24, 2007	Dec. 31, 2006
Actual common shares outstanding (in millions)	**129.1**	129.1
Weighted average common shares outstanding (in millions)	**129.1**	129.0
Market price per common share	**$ 71.82**	$ 75.60

11. Accumulated Other Comprehensive Loss

The following table provides further detail regarding the composition of accumulated other comprehensive loss:

For the period ended March 24, 2007 ($ millions)	Foreign Currency Translation Adjustment	Cash Flow Hedges	Available-for-sale assets	Total
Balance, beginning of period	$ (503)			$ (503)
Cumulative impact of implementing new accounting standards (net of income taxes and minority interest of $5)		$ (4)	$ 13	9
Net unrealized loss on available-for-sale financial assets (net of income taxes and minority interest of $1)			(2)	(2)
Reclassification of gain on available-for-sale financial assets (net of income taxes and minority interest of $4)			(7)	(7)
Net gain on derivatives designated as cash flow hedges (net of income taxes and minority interest of $2)		3		3
Reclassification of loss on derivatives designated as cash flow hedges (net of income taxes and minority interest of $4)		7		7
Foreign currency translation adjustment	(14)			(14)
Balance, end of period	$ (517)	$ 6	$ 4	$ (507)

An estimated net gain of $3 million recorded in accumulated other comprehensive loss related to the cash flow hedges as at March 24, 2007, is expected to be reclassified to net earnings during the next 12 months. This will be offset by the foreign currency fluctuation and interest income on the available-for-sale financial assets and the interest expense on the financial liabilities that are hedged. Remaining amounts will be reclassified to net earnings over periods up to 6 years.

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:

	12 Weeks Ended	
($ millions)	**Mar. 24, 2007**	Mar. 25, 2006
Stock option plans/share appreciation right plan expense		$ 2
Equity derivatives loss (gain)	**$ 15**	(2)
Restricted share unit plan expense	**4**	4
Net stock-based compensation cost	**$ 19**	$ 4

Stock Option Plan

During the first quarter of 2007, Weston granted 689,192 stock options with an exercise price of $72.21 per common share under its existing stock option plan and paid the share appreciation value of $0.4 million (2006 – $0.2 million) on the exercise of 15,600 (2006 – 6,100) stock options. In addition, 87,027 (2006 – 7,333) stock options and share appreciation rights were forfeited or cancelled during the first quarter of 2007. Loblaw granted 3,885,439 (2006 – 48,742) stock options with an exercise price of $47.44 (2006 – $54.71) per common share under its existing stock option plan, paid the share appreciation value of $0.2 million (2006 – $0.4 million) on the exercise of 102,000 (2006 – 26,521) stock options and 525,614 (2006 – 17,886) of Loblaw's stock options were forfeited or cancelled during the first quarter of 2007.

At the end of the first quarter of 2007 a total of 2,520,823 (2006 – 2,117,867) stock options and share appreciation rights were outstanding, which represented approximately 2.0% (2006 – 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 total number of outstanding common shares.

Subsequent to the first quarter, Loblaw granted 38,938 stock options under its existing stock option plan, which allows for settlement in shares or in the share appreciation value in cash at the option of the employee, with an exercise price of $46.01 per common share.

Restricted Share Units ("RSU") Plan

During the first quarter of 2007, under its existing RSU plan, Weston granted 32,636 (2006 – 143,049) RSUs to 35 employees (2006 – 99). In addition 1,060 RSUs were cancelled and 558 RSUs were settled in cash. Loblaw granted 281,820 (2006 – 644,712) RSUs to 289 employees (2006 – 231). In addition, Loblaw cancelled 57,691 (2006 – 447) RSUs and paid out 54,357 (2006 – nil) RSUs in the amount of $3 million (2006 – nil). At the end of the first quarter of 2007, a total of 329,929 (2006 – 301,667) Weston and 919,724 (2006 – 1,027,449) Loblaw RSUs were outstanding.

Subsequent to the first quarter, Loblaw granted 4,724 RSUs to 6 employees under its existing RSU plan.

13. Contingencies, Commitments and Guarantees

On March 7, 2007, pursuant to a transaction whereby Domtar was combined with the fine paper business of Weyerhaeuser Inc., Domtar common shares were exchanged for an equal number of either exchangeable shares of Domtar (Canada) Paper Inc. or common shares of Domtar Corporation, a Delaware Corporation.

A Share Purchase Agreement governing the June 1998 sale by Weston of E.B. Eddy Paper, Inc. to Domtar (the "SPA") contains a price adjustment clause. The SPA provides, subject to certain exceptions, that if any person subsequently acquired more than 50% of the outstanding voting shares of Domtar, the price adjustment clause applies. Weston believes that a price adjustment in the amount of $110 million is payable and Weston has demanded payment of such amount from Domtar. Domtar's position is that the purchase price adjustment does not apply because of the application of an exception contained in the SPA. Weston intends to pursue its legal rights pursuant to the SPA.

During the first quarter of 2007, Weston and Loblaw were two of 17 defendants served with an action brought in the Superior Court of Ontario by certain beneficiaries of a multi-employer pension plan in which employees of Loblaw and its independent franchisees participate. In their claim against the employers and the trustees of the multi-employer pension plan, the plaintiffs claim that assets of the multi-employer pension plan have been mismanaged. One billion dollars of damages are claimed in the action. In addition, the plaintiffs are seeking to have a representative defendant appointed for the employers of all the members of the multi-employer pension plan. The action is at a very early stage and Weston and Loblaw intends to vigorously defend it. Statements of Defence have not yet been filed.

In addition to the claim described above, the Company is the subject of various legal proceedings and claims that arise in the ordinary course of business. The outcome of all of these proceedings is uncertain. However, based on information currently available, these claims, individually and in the aggregate, are not expected to have a material impact on the Company.

14. 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 2006 Financial Report. The Company measures each segment's performance based on operating income. No segment is reliant on any single external customer.

	12 Weeks Ended	
($ millions)	**Mar. 24, 2007**	Mar. 25, 2006
Sales		
Weston Foods	**$ 1,061**	$ 1,028
Loblaw	**6,347**	6,147
Intersegment	**(187)**	(178)
Consolidated	**$ 7,221**	$ 6,997
Operating Income		
Weston Foods (1)	**$ 77**	$ 64
Loblaw (2)	**132**	257
Consolidated	**$ 209**	$ 321

(1) Operating income for the first quarter of 2007 includes restructuring and other charges of $nil (2006 – $7) (see note 3).

(2) Operating income for the first quarter of 2007 includes restructuring and other charges of $89 (2006 – $3) (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 Shared Services at the Company's Executive Office or by e-mail at investor@weston.ca.

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

This Quarterly Report includes selected information on Loblaw Companies Limited, a 62%-owned public reporting company with shares trading on the Toronto Stock Exchange. For information regarding Loblaw, readers should also refer to the materials filed by Loblaw with the Canadian securities regulatory authorities from time to time. These filings are also maintained at Loblaw's corporate website at www.loblaw.ca.

Ce rapport est disponible en français.

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Weston

22 St. Clair Avenue East
Toronto, Canada M4T 2S7
Tel: 416.922.2500
Fax: 416.922-4395