Q1 2008

Quarterly Report to Shareholders

George Weston Limited

12 Weeks Ended March 22, 2008

FORWARD-LOOKING STATEMENTS

This Quarterly Report for George Weston Limited ("Weston") and its subsidiaries (collectively, the "Company"), including this Management's Discussion and Analysis ("MD&A"), contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. Words such as "anticipate", "expect", "believe", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management, are intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect the Company's current expectations concerning future results and events.

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These risks and uncertainties include, but are not limited to: changes in economic conditions; changes in consumer spending and preferences; heightened competition, whether from new competitors or current competitors; the availability and cost of raw materials and ingredients, fuels and utilities; changes in the Company's or its competitors' pricing strategies; failure of the Company's franchised stores to perform as expected; risks associated with the terms and conditions of financing programs offered to the Company's independent franchisees; failure to realize anticipated cost savings and operating efficiencies from the Company's major initiatives, including investments in the Company's information technology systems, supply chain investments and other cost reduction and simplification initiatives; the inability of the Company's information technology infrastructure to support the requirements of the Company's business; the inability of the Company to manage inventory to minimize the impact of obsolete or excess issues and to control shrink; failure to execute successfully and in a timely manner the Company's major initiatives, including the implementation of strategies and introduction of innovative products; unanticipated costs associated with the Company's strategic initiatives, including those related to compensation costs; the inability of the Company's supply chain to service the needs of the Company's stores; deterioration in the Company's relationship with its employees, particularly through periods of change in the Company's business; failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements; changes to the regulatory environment in which the Company operates; the adoption of new accounting standards and changes in the Company's use of accounting estimates including in relation to inventory valuation; fluctuations in the Company's earnings due to changes in the value of stock-based compensation and equity forward contracts relating to the Company's and Loblaw Companies Limited's ("Loblaw") common shares; changes in the Company's tax liabilities resulting from changes in tax laws or future assessments; detrimental reliance on the performance of third-party service providers; public health events; the inability of the Company to obtain external financing; the inability of the Company to attract and retain key executives; and supply and quality control issues with vendors. These 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 2007 Annual Report. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements.

In addition to these risks and uncertainties, the material assumptions used in making the forward-looking statements contained herein and in particular in the Report to Shareholders and the section entitled "Outlook" on pages 3 and 15 of this Quarterly Report, include: there is no material change in economic conditions; patterns of consumer spending and preferences are reasonably consistent with historical trends; there is no significant change in competitive conditions, whether related to new competitors or current competitors; there is no unexpected change in the Company's or its competitors' current pricing strategies; the Company's franchised stores perform as expected; the Company successfully offers new and innovative products and executes its strategies as planned; anticipated cost savings and operating efficiencies are achieved, including those from the Company's cost reduction and simplification initiatives; there is no unexpected change in the Company's access to funding; and there are no significant regulatory, tax or accounting changes or other significant events occurring outside the ordinary course of business.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this Quarterly Report. The Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

CONSOLIDATED RESULTS OF OPERATIONS

(unaudited) ($ millions except where otherwise indicated)	12 Weeks Ended Mar. 22, 2008	Mar. 24, 2007	Change
Sales	**$ 7,337**	$ 7,221	1.6%
Operating income	**$ 252**	$ 209	20.6%
Interest expense and other financing charges	**$ 22**	$ 52	(57.7)%
Net earnings	**$ 131**	$ 104	26.0%
Basic net earnings per common share ($)	**$ 0.91**	$ 0.70	30.0%
Operating margin	**3.4%**	2.9%	
EBITDA[1]	**$ 413**	$ 376	9.8%
EBITDA margin[1]	**5.6%**	5.2%	
Free cash flow[1]	**$ (489)**	$ (407)	(20.1)%

Net earnings for the first quarter of 2008 were $131 million, a 26.0% increase over the same period last year and basic net earnings per common share of $0.91, compared to $0.70 in the first quarter last year, an increase of 30.0%.

As described on page 16 of the MD&A, effective the first quarter of 2008, the Company has decided to discontinue its use of the following Non-GAAP financial measures: sales and sales growth excluding the impact of tobacco sales and VIEs, adjusted operating income and adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin, and adjusted basic net earnings per common share from continuing operations.

Sales in the first quarter of 2008 were $7.3 billion compared to $7.2 billion in the same period last year, an increase of 1.6%. The impact of foreign currency translation on the Weston Foods operating segment negatively impacted consolidated sales growth by approximately 1.6% for the first quarter of 2008.

Operating income for the first quarter of 2008 was $252 million, compared to $209 million in 2007, an increase of 20.6%. Consolidated operating margin of 3.4% for the quarter compared to 2.9% for the same period in 2007. The year-over-year change in the following items together with additional factors outlined in the MD&A influenced the Company's operating income in the first quarter of 2008 compared to the same period in 2007:

- a $5 million charge to operating income (2007 – $89 million) related to restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw. The effect on basic net earnings per common share was a charge of $0.02 (2007 – $0.28 per common share charge);

- a $38 million charge to operating income (2007 – $19 million) related to the net effect of stock-based compensation and the associated equity derivatives of both Weston and Loblaw. The effect on basic net earnings per common share was a charge of $0.21 (2007 – $0.11 per common share charge); and

- income of $24 million in operating income (2007 – nil) related to a commodity derivatives fair value adjustment at Weston Foods. The effect on basic net earnings per common share was income of $0.12 (2007 – nil).

(1) See Non-GAAP Financial Measures on page 16.
(2) To be read in conjunction with "Forward-Looking Statements".

Excluding the impact of the specific items noted above, performance in the first quarter of 2008 proved to be challenging. Although Loblaw continues to make progress on its turnaround plan and is on track to deliver the expected benefits of cost management, better buying and operational discipline, it lags behind as an effective selling operation. The Weston Foods operating segment is experiencing unprecedented cost pressure as the prices of flour and other input items continue to escalate. However, a combination of pricing actions, changes in sales mix, and cost reduction initiatives resulted in positive operating income growth in the quarter for Weston Foods, as compared to the first quarter of 2007.

Interest expense and other financing charges for the first quarter of 2008 decreased 57.7% to $22 million from $52 million in 2007, primarily due to increased non-cash income of $51 million (2007 – $19 million) related to the accounting for Weston's 2001 forward sale agreement of 9.6 million Loblaw common shares, resulting in a basic net earnings per common share non-cash income impact of $0.29 (2007 – $0.10 per common share non-cash income).

The effective income tax rate increased to 33.0% in the first quarter of 2008 compared to 22.3% for the same period in 2007, primarily due to an increase in income tax accruals relating to certain income tax matters, and the net income tax impact associated with the re-measurement of the Weston 3% Exchangeable Debentures.

Free cash flow(1) for the first quarter of 2008 was negative $489 million compared to negative $407 million in the first quarter of 2007. The reduction was due to an increase in cash flows used in operating activities and an increase in capital expenditures compared to last year. Free cash flow(1) is typically negative in the first quarter and is expected to improve throughout the remainder of the year due to increases in net earnings and improvements in cash flows from working capital.

On March 20, 2008, Loblaw announced that it had entered into an $800 million, 5-year committed credit facility provided by a syndicate of banks, replacing the previous $500 million, 364-day credit facility. Subsequent to the first quarter, Weston entered into a $300 million, 5-year committed credit facility provided by a syndicate of banks, replacing the previous $300 million, 364-day credit facility.

OPERATING SEGMENTS

Weston Foods

Weston Foods sales for the first quarter of 2008 of $1.0 billion decreased 4.5% compared to the same period in 2007. Foreign currency translation negatively impacted reported sales growth by approximately 10.6%. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by 6.0% for the first quarter of 2008. Overall volume increased by 0.1% when compared to the same period last year.

Weston Foods operating income for the first quarter of 2008 was $99 million compared to $77 million in the same period in 2007, an increase of 28.6%. Weston Foods operating margin for the quarter was 9.8% compared to 7.3% in the same period in 2007. Excluding the impact of the changes in operating income specific to Weston Foods discussed above, which are more fully described in the MD&A, Weston Foods operating income growth was strong. Weston Foods experienced significant increases in the price of input items, particularly flour, as compared to the first quarter of 2007, but was able to increase prices and manage its sales mix towards higher margin products. In addition, the benefits realized from the continued focus on cost reduction initiatives, including restructuring activities, contributed to an increase in operating income.

Loblaw

Loblaw sales for the first quarter of 2008 increased 2.8% or $180 million to $6.5 billion compared to the first quarter of 2007. Sales volume based on retail units sold increased by 3.0% compared to 0.5% during the same period last year. The revenue impact of this increase was partially offset by internal retail food price deflation of approximately 1.0%. Same-store sales in the quarter increased by 2.8% over the first quarter of 2007, however, approximately 0.7% of this increase was due to the shift of Easter sales into the first quarter of this year as compared to the second quarter of 2007. Total sales increases in the first quarter of 2008 were achieved by

(1) See Non-GAAP Financial Measures on page 16.

positive growth in both customer and item counts. Total sales increases were achieved in Ontario, Atlantic, and Western Canada while Quebec sales were flat compared to the same period last year. All regions experienced positive same-store sales growth. Food and drugstore sales increased while general merchandise sales were flat when compared to the first quarter of 2007.

Loblaw operating income for the first quarter of 2008 was $153 million compared to $132 million in the same period in 2007, an increase of 15.9%. Loblaw operating margin for the quarter was 2.3% compared to 2.1% in the same period in 2007. Excluding the impact of the changes in operating income specific to Loblaw discussed above, which are more fully described in the MD&A, operating income and operating margin declined in the first quarter of 2008 as compared to the first quarter of 2007. Loblaw's ongoing commitment to lower retail prices continued to put pressure on margins. Key operational "shop-keeping" initiatives are progressing well, and shrink and labour productivity improved when compared to the first quarter of 2007. On-shelf availability steadily improved in the quarter. Loblaw continued to work on store pilots in all three formats in the first quarter of 2008. The pilots have been well received by customers and, although the pilots are at an early stage, sales growth and labour productivity are tracking on or ahead of expectations.

On April 21, 2008 Loblaw announced a number of changes to its senior executive team. Mr. Allan L. Leighton was appointed President, in addition to his role as Deputy Chairman. Mr. Mark Foote, President and Chief Merchandising Officer, left Loblaw and was succeeded by Mr. Frank Rocchetti as Executive Vice President and Chief Merchandising Officer. Mr. William M. Wells, Chief Financial Officer, resigned from Loblaw to assume the role of chief executive officer with another public company. Mr. Robert Vaux, Chief Financial Officer of George Weston Limited, was appointed interim Chief Financial Officer of Loblaw until further notice. In addition, Loblaw announced the departure of Mr. Pietro Satriano as Executive Vice President, Food. These changes will provide the clarity and focus required to support the next phase of Loblaw's turnaround plan.

OUTLOOK(2)

The consolidated results of George Weston Limited for 2008 will 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 the year, Weston Foods will focus on mitigating continuing cost inflation through a combination of cost reduction efforts and pricing actions in an effort to achieve operating margins consistent with those of last year.

In a very competitive environment, Loblaw sales volumes continued to improve from its investments in value for customers and focus on shelf availability. Throughout the remainder of the year, Loblaw intends to continue with its targeted pricing investments and expects solid sales volume growth. Management's ongoing focus on cost and operating efficiencies is expected to help offset the effect of pricing and competition on margins. Although some financial benefits of the restructuring are anticipated to take hold in the second half of the year, there is still much work to do.

[signed]

W. Galen Weston
Chairman and President

Toronto, Canada
May 5, 2008

(2) To be read in conjunction with "Forward-Looking Statements".

The following MD&A for George Weston Limited should be read in conjunction with Weston's 2008 unaudited interim period consolidated financial statements and the accompanying notes on pages 18 to 40 of this Quarterly Report and the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2007 and the related annual MD&A included in Weston's 2007 Annual Report. Weston's 2008 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 beginning on page 114 of Weston's 2007 Annual 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 and cash equivalents, short term investments, security deposits and the Domtar (Canada) Paper Inc. investment; and "rolling year return on average common 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 5, 2008, unless otherwise noted.

CONSOLIDATED RESULTS OF OPERATIONS

Sales Sales for the first quarter of 2008 increased 1.6%, or $116 million, to $7.3 billion from $7.2 billion in the first quarter of 2007. The impact of foreign currency translation on the Weston Foods operating segment negatively impacted consolidated sales growth by approximately 1.6% for the first quarter of 2008. When compared to the same period last year, the Company's consolidated sales for the first quarter of 2008 were impacted by each of its reportable operating segments as follows:

- Negatively by 0.7% at Weston Foods as a result of a sales decrease of 4.5%, which included the negative impact of foreign currency translation on reported sales growth of approximately 10.6%. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by 6.0% for the first quarter of 2008. Overall volume increased 0.1% for the first quarter of 2008 and was positively impacted by growth in certain higher margin categories being more than offset by declines in other categories.

- Positively by 2.5% due to sales growth of 2.8% at Loblaw. Same-store sales in the first quarter of 2008 increased by 2.8% during a period of internal retail price deflation of 1.0%. Sales volume, based on retail units sold, increased by 3.0% compared to 0.5% during the first quarter of 2007. Total sales increases in the first quarter of 2008 were achieved by positive growth in both customer and item counts. Total sales increases were achieved in Ontario, Atlantic, and Western Canada while Quebec sales were flat. All regions experienced positive same-store sales growth. Sales growth in food and drugstore were positive while sales of general merchandise were flat.

Operating Income Operating income for the first quarter of 2008 was $252 million compared to $209 million in 2007, an increase of 20.6%. The Company's first quarter 2008 operating margin increased to 3.4% from 2.9% in 2007.

The year-over-year change in the following items influenced operating income for the first quarter of 2008 compared to the first quarter of 2007:

- a charge of $5 million (2007 – $89 million) related to restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw;
- a charge of $38 million (2007 – $19 million) related to the net effect of stock-based compensation costs and the associated equity derivatives at both Weston and Loblaw. The amount of net stock-based compensation cost recorded in operating income is mainly dependant upon the number of unexercised, vested stock options and restricted share units relative to the number of underlying common shares on the equity derivatives and the level of and fluctuations in the market prices of the underlying common shares; and

- income of $24 million (2007 – nil) related to a commodity derivatives fair value adjustment at Weston Foods. This commodity derivatives fair value adjustment includes realized and unrealized gains and losses related to future purchases of raw materials.

When compared to the same period last year, the Company's change in operating income for the first quarter of 2008 was impacted by each of its reportable operating segments as follows:

- Positively by 10.5% due to an increase of 28.6% in operating income at Weston Foods with operating margin improving to 9.8% compared to 7.3% in 2007. Operating income and operating margin at Weston Foods were impacted positively by the commodity derivative fair value adjustment, net of an increase in net stock-based compensation costs. In addition, Weston Foods operating income was impacted positively by price increases and changes in sales mix and by the benefits realized from the continued focus on cost reduction initiatives, including completed restructuring activities.

- Positively by 10.1% due to an increase of 15.9% in operating income at Loblaw with operating margin improving to 2.3% compared to 2.1% in 2007. The increase in operating income and operating margin was due to lower restructuring costs in the first quarter of 2008. Margins declined in the first quarter of 2008 as a result of Loblaw's continued investment in lower prices to drive same-store sales growth. Loblaw initiated significant pricing investments in the third quarter of 2007 and as a result, margins in the first quarter of 2008 were negatively impacted when compared to the first quarter of 2007. Loblaw continues to experience higher store labour costs compared to the first quarter of 2007, however labour productivity improved in the first quarter of 2008 compared to the same period last year.

EBITDA(1) increased by $37 million or 9.8%, to $413 million in the first quarter of 2008 compared to $376 million in the first quarter of 2007. EBITDA margin(1) increased to 5.6% from 5.2% in the first quarter of 2007, positively impacted by higher EBITDA margins(1) at both Loblaw and Weston Foods.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the first quarter of 2008 decreased $30 million, or 57.7%, to $22 million from $52 million in the first quarter of 2007. The change was mainly the result of:

- non-cash income of $51 million compared to $19 million in 2007 which 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 of the forward contract is a non-cash item resulting from fluctuations in the market price of the underlying Loblaw common shares that Weston owns. Weston does not record any change in the market price associated with the Loblaw common shares it owns. Any cash paid under the forward contract could be offset by the sale of the Loblaw common shares; and

- interest expense on financial derivative instruments of $1 million compared to $5 million in 2007 which includes the effect of the Company's interest rate swaps, cross currency basis swaps and equity derivatives;

partially offset by:

- net short term interest income of $2 million compared to $6 million in 2007, primarily due to lower interest rates on United States dollar denominated cash, cash equivalents and short term investments.

Income Taxes The effective income tax rate increased to 33.0% in the first quarter of 2008 compared to 22.3% in the first quarter of 2007. The increase was primarily due to an increase in income tax accruals relating to certain income tax matters and the net income tax impact associated with the re-measurement of the Weston 3% Exchangeable Debentures.

(1) See Non-GAAP Financial Measures on page 16.

Net Earnings Net earnings for the first quarter of 2008 increased $27 million, or 26.0% to $131 million from $104 million in 2007. Basic net earnings per common share for the first quarter of 2008 increased $0.21, or 30.0%, to $0.91 from $0.70 in 2007.

Basic net earnings per common share were affected in the first quarter of 2008 compared to the first quarter of 2007 by the following factors:

- a $0.02 per common share charge (2007 – $0.28 per common share charge) related to restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw;
- a $0.21 per common share charge (2007 – $0.11 per common share charge) related to the net effect of stock-based compensation and the associated equity derivatives of both Weston and Loblaw;
- $0.12 per common share income (2007 – nil) related to the commodity derivatives fair value adjustment at Weston Foods;
- $0.29 per common share non-cash income (2007 – $0.10 per common share non-cash income) related to the accounting for Weston's 2001 forward sale agreement of Loblaw common shares; and
- a $0.05 per common share charge (2007 – $0.02 per common share income) related to the income tax effect of the fair value adjustment of the Domtar (Canada) Paper Inc. shares, net of the re-measurement of the Weston 3% Exchangeable Debentures.

REPORTABLE OPERATING SEGMENTS
Weston Foods

Sales Weston Foods sales for the first quarter of 2008 of $1.0 billion decreased 4.5% compared to the same period in 2007. Foreign currency translation negatively impacted reported sales growth by approximately 10.6%. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by 6.0% for the first quarter of 2008. Overall volume increased 0.1% for the first quarter of 2008 and was positively impacted by growth in certain higher margin categories being more than offset by declines in other categories.

The following sales analysis excludes the impact of foreign currency translation.

Fresh bakery sales increased approximately 8.6% in the first quarter of 2008 compared to the same period in 2007, driven by price increases in key product categories combined with changes in sales mix. Branded volume increases in the *Arnold* and *Thomas'* brands in the United States and *D'Italiano* brand in Canada were offset by volume declines in other categories particularly in food service and in private label products. Sales growth in whole grain and whole wheat products exceeded the sales growth of white flour based products. The introduction of new and expanded products, such as *Thomas'* Mini Bagels, *Thomas'* 100 Calorie Bagel, *Thomas'* 100 Calorie English Muffin, *Gadoua Vitalité, Wonder+ Headstart* and products under the *Weight Watchers®* licensed brand, contributed positively to branded sales growth during the first quarter of 2008.

Fresh-baked sweet goods sales, primarily sold under the *Entenmann's* brand, decreased approximately 1.8% in the first quarter of 2008 compared to the same period in 2007 due to lower volumes for the quarter. Overall volume decline was driven by softness in key full size categories, including the impact of item rationalization, partially offset by growth in hand-held categories with the introduction of new and expanded products, such as the *Entenmann's* 100 Calorie *Little Bites.*

Frozen bakery sales increased approximately 7.2% in the first quarter of 2008 compared to the same period in 2007 driven mainly by price increases combined with changes in sales mix. Volumes for the quarter were positively impacted by the timing of customer orders related to the Easter holiday.

Dairy and bottled beverage sales increased approximately 4.4% in the first quarter of 2008 compared to the same period in 2007 due to price increases, higher volumes and improvements in the sales mix as growth continued to be experienced in a number of key categories, particularly value-added, cream and flavored milk products. Growth also continued in the aseptically bottled products line.

Biscuit sales, principally wafers, ice-cream cones, cookies and crackers, increased approximately 5.6% in the first quarter of 2008 compared to the same period in 2007, primarily due to higher volume of Girl Scout cookie sales.

Operating Income Weston Foods operating income increased 28.6% to $99 million in the first quarter of 2008 from $77 million in the same period in 2007. Operating margin was 9.8% for the first quarter of 2008 compared to 7.3% in 2007.

The year-over-year change in the following items influenced operating income for the first quarter of 2008 compared to the first quarter of 2007:

- a charge of $2 million (2007 – nil) related to restructuring and other charges;
- a charge of $13 million (2007 – $7 million) related to the net effect of stock-based compensation and the associated equity derivatives; and
- income of $24 million (2007 – nil) related to the commodity derivatives fair value adjustment.

In addition, foreign currency translation negatively impacted first quarter 2008 operating income growth by approximately 15.5 percentage points.

Weston Foods is exposed to price fluctuations primarily as a result of anticipated purchases of certain raw materials, fuels and utilities. In accordance with the Company's risk management strategy, Weston Foods enters into commodity derivatives to reduce the impact of price fluctuations in a specified percentage of forecasted raw material purchases over a specified period of time. These commodity derivatives are not acquired for trading or speculative purposes. Certain of these derivatives are not designated as cash flow hedges of anticipated future raw material purchases, therefore hedge accounting does not apply. Accordingly, the changes in fair value of these derivatives, which include realized and unrealized gains and losses related to future purchases of raw materials, are recorded in operating income. During the first quarter of 2008, Weston Foods recorded in operating income a non-cash gain of $24 million (2007 – nil) related to the fair value adjustment of exchange traded commodity derivatives that were not designated within a hedging relationship. Regardless of designation for accounting, these commodity derivatives have the economic impact of largely mitigating the associated risks arising from price fluctuations in the underlying commodities.

Weston Foods operating income for the first quarter of 2008 was impacted positively by the commodity derivatives fair value adjustment, net of the increase in net stock-based compensation costs, as described in the specific items noted above. In addition, operating income was positively impacted by sales growth primarily due to price increases combined with changes in sales mix, and the benefits realized from the continued focus on cost reduction initiatives, restructuring activities and reduced product returns. Pricing and other actions mitigated the impact of inflationary cost pressures related to certain ingredients, primarily flour, oils and sugar. Gross margin increased mainly as a result of the commodity derivatives fair value adjustment. Operating margin improved as a result of the factors described above.

Profitability in the United States fresh-baked sweet goods category declined in the first quarter of 2008 primarily as a result of redundancy and start-up costs incurred as part of the restructure plan to downsize the Bay Shore, New York facility and transfer full-size cake production to new manufacturing assets located in Hazleton, Pennsylvania.

Weston Foods continues to evaluate other 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. The following items were recorded in the first quarter of 2008:

- During 2006, Weston Foods approved a restructuring plan to downsize its fresh-baked goods facility in Bay Shore, New York. The plan involves the transfer of full-size dessert cake and cookie production to other existing Weston Foods facilities. Once the downsizing is complete, the Bay Shore location will be a more focused facility producing primarily danish and pie products. This restructuring is expected to be completed by the third quarter of 2008. As a result of this restructuring plan, Weston Foods recognized an additional fixed asset impairment charge of $1 million (2007 – nil) and $2 million (2007 – nil) of additional employee termination benefits in the first quarter of 2008.

- During the third quarter of 2007, Weston Foods approved a plan to exit and transfer certain distribution and transportation activities in the mid-Western United States to third-party logistic providers. This plan is expected to be completed by the end of the second quarter of 2008. In the first quarter of 2008, Weston Foods recognized income of $1 million (2007 – nil) as a result of the reversal of exit related accruals net of additional exit costs.

EBITDA(1) increased by $16 million, or 14.8%, to $124 million in the first quarter of 2008 compared to $108 million in 2007. EBITDA margin(1) increased in the first quarter of 2008 to 12.2% from 10.2% in 2007.

Loblaw

Sales Sales for the first quarter increased by 2.8% to $6.5 billion compared to $6.3 billion in the first quarter of 2007. Total sales increases were realized in Ontario, Atlantic, and Western Canada while Quebec sales were flat compared to the same period last year. All regions experienced positive same-store sales growth. Sales growth in food and drugstore were positive while sales of general merchandise were flat when compared to the first quarter of 2007. Same-store sales increased by 2.8% in the quarter during a period of deflationary internal retail food prices.

The following factors explain the major components in the change in sales for the first quarter of 2008 compared to the same period in 2007:

- same-store sales growth of 2.8% with positive same-store sales growth in all regions across the country;
- Easter occurred 2 weeks earlier in 2008 compared to the prior year, resulting in a shift in holiday sales into the first quarter of 2008. Sales and same-store sales growth were positively impacted for the first quarter of 2008 by approximately 0.7%;
- Loblaw's internal retail food price deflation for the first quarter of 2008 was approximately 1.0% (2007 – inflation of 3.0%). National food price inflation as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI") was 0.1% for the first quarter of 2008 compared to 3.8% in the same period of 2007;
- Loblaw experienced positive volume growth of 3.0% (2007 – 0.5%) based on retail units sold; and
- during the first quarter of 2008, 6 new corporate and franchised stores were opened and 5 were closed, resulting in a net increase of 0.1 million square feet or 0.2%. During the latest four quarters, net retail square footage increased by 0.7 million square feet, or 1.5%, due to the opening of 34 new corporate and franchised stores and the closure of 34 stores, inclusive of stores that have undergone conversions and major expansions.

Operating Income Operating income of $153 million for the first quarter of 2008 compares to $132 million in the same period of 2007, an increase of 15.9%. Operating margin was 2.3% for the first quarter of 2008 compared to 2.1% in 2007.

The year-over-year change in the following items influenced operating income for the first quarter of 2008 compared to the first quarter of 2007:

- charge of $3 million (2007 – $89 million) related to restructuring costs; and
- charge of $25 million (2007 – $12 million) related to the net effect of stock-based compensation and the associated equity forwards. A non-cash loss on equity forwards resulted from a decline in Loblaw's share price during the first quarter of 2008.

The increase in operating income at Loblaw in the first quarter of 2008 as compared to the first quarter of 2007 was due to lower restructuring costs, partially offset by the increase in net stock-based compensation costs, as described in the specific items noted above. Excluding these items, operating income and EBITDA(1) were lower compared to the first quarter of 2007. Margins declined in the first quarter of 2008

(1) See Non-GAAP Financial Measures on page 16.

as a result of Loblaw's continued investment in lower retail prices to drive same-store sales growth. Loblaw initiated significant pricing investments in the third quarter of 2007 and as a result, margins in the first quarter of 2008 were negatively impacted compared to the first quarter of 2007. Sales increases in the quarter were insufficient to offset margin declines and Loblaw cost increases.

Loblaw experienced higher store labour costs in the first quarter of 2008 as a result of increased wages and incremental statutory holidays compared to the first quarter of 2007. There were two additional statutory holidays in the first quarter of 2008 compared to the prior year as a result of the shift in timing of the Easter holiday and a new holiday in certain provinces. Labour productivity improved in the first quarter of 2008 compared to the same period last year.

Loblaw continues to use consultants as an important enabler of its business transformation, however, their focus is transitioning to support supply chain and information technology improvements. Consulting costs in the first quarter of 2008 were higher than in the first quarter of 2007.

EBITDA[(1)] increased by $21 million, or 7.8%, to $289 million in the first quarter of 2008 compared to $268 million in the first quarter of 2007. EBITDA margin[(1)] increased in the first quarter of 2008 to 4.4% from 4.2% in the comparable period 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 2008 was 1.01:1 compared to 1.03:1 at the end of the same period in 2007 and to 0.96:1 at year end 2007. The deterioration in this ratio from year end 2007 was mainly due to increases in bank indebtedness and short term bank loans partially offset by a decrease in commercial paper, and an increase in shareholders' equity. The increase in shareholders' equity was due to the impact of translation of the Company's United States net investment, which was caused by the depreciation of the Canadian dollar relative to the United States dollar during the quarter. The improvement in this ratio at the end of the first quarter of 2008 compared to the end of the first quarter in 2007 was mainly due to an increase in cash and cash equivalents, partially offset by a decrease in short term investments.

The interest coverage ratio in the first quarter of 2008 increased to 9.3 times compared to 3.6 times for the first quarter of 2007 primarily due to lower interest expense and other financing charges resulting from the fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw common shares, which positively impacted the interest coverage ratio in 2008 by approximately 6.1 times.

For further details on the net debt (excluding the Exchangeable Debentures)[(1)] to equity ratio and interest coverage ratio, see note 15 to the unaudited interim period consolidated financial statements.

The Company's rolling year return on average total assets[(1)] at the end of the first quarter of 2008 was 6.9% compared to 2.6% in the comparable period of 2007 and 6.7% at year end 2007. The Company's rolling year return on average common shareholders' equity was 13.2% at the end of the first quarter of 2008 compared to 0.7% at the end of the first quarter of 2007 and 12.7% for the year end 2007 return. The ratios in the first quarter of 2007 were negatively impacted by the decline in cumulative operating income for the latest four quarters including the negative impact of the $800 million non-cash Loblaw goodwill impairment charge recorded in the fourth quarter of 2006.

Dividends On April 1, 2008, common share dividends of $0.36 per share and preferred share dividends of $0.32 per share for the Series II, Series III and Series IV preferred shares and dividends of $0.30 per share for the Series V preferred shares were paid as declared by Weston's Board of Directors. On March 15, 2008, preferred share dividends of $0.36 per share for the Series I preferred shares were paid as declared by the Board. The common share dividend for the first quarter of 2008 was maintained at the 2007 quarterly dividend rate.

(1) See Non-GAAP Financial Measures on page 16.

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 2008. 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 2008.

Subsequent to the first quarter of 2008, Weston renewed its Normal Course Issuer Bid to purchase on the Toronto Stock Exchange or enter into equity derivatives to purchase up to 5% of its common shares outstanding. In accordance with the rules and by-laws of the Toronto Stock Exchange, Weston may purchase its shares at the then market prices of such shares. Weston did not purchase any shares under its Normal Course Issuer Bid in the first quarter of 2008 or in 2007.

Further information on the Company's outstanding share capital is provided in note 15 to the unaudited interim period consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows used in Operating Activities of Continuing Operations First quarter 2008 cash flows used in operating activities of continuing operations were $280 million compared to $208 million in the comparable period in 2007. The increase in cash flows used in operating activities of continuing operations for the first quarter was mainly due to a decrease in operating income, excluding the impact of restructuring costs, in addition to changes in cash flows used in non-cash working capital. The change in cash flows used in non-cash working capital was primarily driven by changes in accounts receivable partially offset by changes in accounts payable and accrued liabilities.

Cash Flows from (used in) Investing Activities of Continuing Operations First quarter 2008 cash flows from investing activities of continuing operations were $93 million compared to cash flows used in investing activities of continuing operations of $222 million in 2007. The primary reason for this change was a change in cash flows from short term investments partially offset by an increase in capital expenditures and a change in cash flows from credit card receivables, after securitization. Capital investment for the first quarter amounted to $127 million (2007 – $117 million).

During the first quarter of 2008, nil (2007 – $40 million) of credit card receivables were securitized by *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of Loblaw. In the first quarter of 2008, the securitization yielded nil (2007 – nominal net gain) based on the assumptions disclosed in note 12 to the consolidated financial statements for the year ended December 31, 2007 included in Weston's 2007 Annual 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 $89 million (2007 – $72 million) on a portion of the securitized amount.

Cash Flows from Financing Activities of Continuing Operations First quarter 2008 cash flows from financing activities of continuing operations were $357 million compared to $174 million in 2007. The change in cash flows from financing activities of continuing operations was primarily due to an increase in short term bank loans at Loblaw partially offset by a decline in commercial paper levels.

In the first quarter of 2008, Loblaw entered into an $800 million, 5-year committed credit facility provided by a syndicate of banks which is subject to certain financial covenants. This facility is the primary source of Loblaw's short term funding requirements and permits borrowings having up to a 180-day term that accrue interest based on short term floating interest rates. This facility replaced a $500 million, 364-day committed credit facility which had no financial covenants and permitted borrowings having up to a 180-day term that accrued interest based on short term floating interest rates that was terminated when the 5-year committed credit facility was completed. As at March 22, 2008, $728 million was drawn on the new 5-year committed credit facility.

Loblaw has obtained its long term financing primarily through a Medium Term Notes ("MTN") program. Loblaw may also refinance maturing long term debt, including $390 million of 6.00% MTN maturing in June 2008, with MTN if market conditions are appropriate or it may consider other alternatives. Subsequent to the first quarter of 2008, Loblaw filed a 2008 Preliminary Short Form Base Shelf Prospectus allowing for the issue of up to $1 billion of unsecured debentures and/or preferred shares. Loblaw intends to file the final 2008 Base Shelf Prospectus in the second quarter of 2008. No such securities have been issued under this Prospectus as at May 5, 2008.

During the first quarter of 2008, Loblaw's MTN, other notes and debentures and commercial paper ratings were downgraded by Dominion Bond Rating Service ("DBRS") and Standard & Poor's ("S&P"). DBRS downgraded Loblaw's long term credit rating to "BBB (high)" from "A (low)" and also lowered Loblaw's short term credit rating to "R-2 (high)" from "R-1 (low)". In addition S&P downgraded Loblaw's commercial paper rating to "A-2" from "A-1 (low)". As a result of the DBRS downgrade of the short term credit rating, Loblaw has limited access to commercial paper. However, Loblaw has secured short term funding from other sources, primarily the $800 million, 5-year committed credit facility.

On April 30, 2008, DBRS downgraded Loblaw's long term ratings to "BBB" from "BBB (high)", maintaining the Negative trend. At the same time, DBRS downgraded Loblaw's short term rating to "R-2 (middle)" from "R-2 (high)" and changed the trend to Negative from Stable. Loblaw does not expect the downgrades to have a material impact on its access to capital markets or on its cost of funds.

During the first quarter of 2008, DBRS downgraded Weston's MTN and debentures to "BBB" from "BBB (high)", the short term credit rating to "R-2 (high)" from "R-1 (low)", Debentures to "BBB (low)" from "BBB" and the preferred shares to "Pfd-3" from "Pfd-3 (high)", all with a Stable trend. Subsequent to the first quarter of 2008, Weston's long term corporate credit, commercial paper and preferred share ratings were affirmed by S&P at "BBB", "A-2" and "P-3 (high)", respectively. Weston was removed from CreditWatch with Negative Implications and the ratings outlook was changed to Negative. As a result of the DBRS downgrade of Weston's commercial paper credit rating, Weston has limited access to commercial paper.

Subsequent to the first quarter of 2008, Weston entered into a $300 million, 5-year committed credit facility provided by a syndicate of banks. This facility replaced the previous $300 million, 364-day revolving committed credit facility that was scheduled to expire in May 2008. Weston is subject to certain financial covenants under the new facility. The new facility permits borrowings having up to a 180-day term that accrue interest based on short term floating interest rates.

Weston has obtained its long term financing primarily through an MTN program. Weston may refinance maturing long term debt, including $250 million of 5.90% MTN maturing in 2009, with MTN if market conditions are appropriate or it may consider other alternatives.

The Company's ability to obtain funding from external sources may be restricted by further downgrades in the Company's credit ratings, should the Company's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its short term and long term debt requirements. The Company mitigates these risks by actively maintaining appropriate levels of cash and cash equivalents, short term investments and security deposits, actively monitoring market conditions and diversifying its sources of funding and maturity profile.

Subsequent to the first quarter of 2008, the Company exercised its right to redeem all of the outstanding Weston 3% Exchangeable Debentures pursuant to the trust indenture dated June 29, 1998 by paying cash of $633.08 per each one thousand dollar principal amount of Exchangeable Debentures plus accrued but unpaid interest of $3 million, for an aggregate amount of approximately $140 million. Weston also sold its investment in Domtar (Canada) Paper Inc. for $144 million, and used these proceeds to settle its obligation under the Exchangeable Debentures.

Free Cash Flow[1] Free cash flow[1] for the first quarter of 2008 was negative $489 million compared to negative $407 million in the first quarter of 2007. The reduction was due to an increase in cash flows used in operating activities and an increase in capital expenditures compared to last year. Free cash flow[1] is typically negative in the first quarter and is expected to improve throughout the remainder of the year due to increases in net earnings and improvements in cash flows from working capital.

Independent Funding Trust Certain independent franchisees of Loblaw obtain financing through a structure involving independent trusts, which were created to provide loans to the independent franchisees to facilitate their purchase of inventory and fixed assets, consisting mainly of fixtures and equipment. These trusts are administered by a major Canadian chartered bank. The independent funding trust within the structure had financed its activities through the issuance of short term asset-backed commercial paper ("ABCP") to third-party investors. The independent funding trust had a global style liquidity agreement from a major Canadian chartered bank in the event that it was unable to issue short term ABCP. The gross principal amount of loans issued to the Loblaw's independent franchisees outstanding at the end of the first quarter of 2008 was $402 million (2007 – $411 million) including $165 million (2007 – $136 million) of loans payable by VIEs consolidated by Loblaw. Based on a formula, Loblaw agreed to provide credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trust equal to approximately 10% of the principal amount of the loans outstanding at any point in time, $44 million (2007 – $44 million) as of the end of the first quarter of 2008.

Neither the independent funding trust nor the Company could voluntarily terminate the agreement prior to December 2009, and following that date only upon six months' prior notice. Automatic termination of the agreement could occur only if specific, predetermined events occurred and were not remedied within the time periods required, including downgrades of Loblaw below a long term credit rating of "A (low)" or a short term credit rating of "R-1 (low)" as issued by DBRS. On February 7, 2008, DBRS downgraded Loblaw's long term credit rating to "BBB (high)" from "A (low)" and also lowered Loblaw's short term credit rating to "R-2 (high)" from "R-1 (low)". Subsequent to the DBRS downgrades, Loblaw was notified that an Event of Termination of the independent funding trust agreement for Loblaw's franchisees had occurred as a result of the credit rating downgrades. The $44 million (2007 − $44 million) standby letter of credit provided to the independent funding trust by Loblaw was not drawn upon.

Subsequent to the first quarter of 2008, Loblaw finalized an alternative financing arrangement for the independent funding trust with a syndicate of banks, in the form of a $475 million, 364-day revolving committed credit facility for the benefit of its franchisees. Based on a formula, Loblaw agreed to provide credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trust equal to approximately 15% of the principal amount of the loans outstanding at any point in time, $66 million as of the closing of the credit facility. This credit enhancement allows the independent funding trust to provide favourable financing terms to Loblaw's independent franchisees. As well, each independent franchisee provides security to the independent funding trust for its obligations by way of a general security agreement. In the event that an independent franchisee defaults on its loan and Loblaw has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trust would assign the loan to Loblaw and draw upon this standby letter of credit. Loblaw has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

This new alternative financing will result in a higher financing cost to the franchisees, which in turn could adversely affect operating results. The new financing structure will be reviewed to determine if there are any implications with respect to the consolidation of VIEs.

(1) See Non-GAAP Financial Measures on page 16.

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)	**2008**	2007	2007	2006	2007	2006	2007	2006
Sales	**$ 7,337**	$ 7,221	$ 7,692	$ 7,578	$ 10,163	$ 10,085	$ 7,739	$ 7,507
Net earnings (loss) from continuing operations	**$ 131**	$ 104	$ 151	$ (428)	$ 179	$ 226	$ 129	$ 184
Net earnings (loss)	**$ 131**	$ 104	$ 151	$ (417)	$ 179	$ 226	$ 129	$ 184
Net earnings (loss) per common share from continuing operations ($)								
Basic and diluted	**$ 0.91**	$ 0.70	$ 1.07	$ (3.42)	$ 1.25	$ 1.62	$ 0.90	$ 1.32
Net earnings (loss) per common share ($)								
Basic and diluted	**$ 0.91**	$ 0.70	$ 1.07	$ (3.33)	$ 1.25	$ 1.62	$ 0.90	$ 1.32

Consolidated sales growth continued in the first quarter of 2008 compared to the first quarter of 2007. At Loblaw, same-store sales growth during the current quarter increased 2.8%. Sales and same-store sales growth in the first quarter of 2008 were positively impacted by the timing of Easter, which occurred two weeks earlier in 2008, resulting in a shift in holiday sales into the first quarter of 2008 compared to the second quarter of 2007. At Weston Foods, quarterly sales growth was positively impacted by increases in pricing combined with changes in sales mix. Weston Foods quarterly sales growth was also impacted by foreign currency translation. Weston Foods sales growth during the second and third quarters of 2007 was also 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 significant 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 prices of Weston's and Loblaw's common shares;
- commodity derivatives fair value adjustment at Weston Foods;
- the income tax effect of the fair value adjustment of Domtar (Canada) Paper Inc. shares, net of the re-measurement of Weston 3% Exchangeable Debentures;
- accounting for Weston's 2001 forward sale agreement of 9.6 million Loblaw common shares;
- the curtailment of a post-retirement plan at Weston Foods;
- Loblaw's charges related to inventory liquidation; and
- the non-cash Loblaw goodwill impairment charge in the fourth quarter of 2006.

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.

There was no change in the Company's internal controls over financial reporting that occurred during the twelve weeks ended March 22, 2008 that 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, the Company 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 those of 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 and are seeking, among other demands, damages of $1 billion. The action is framed as a representative action on behalf of all the beneficiaries of the multi-employer pension plan. Subsequent to the first quarter of 2008, the Company received confirmation that the action against the Company has been dismissed, but the action against the trustees is ongoing. One of the trustees, an officer of Loblaw, may be entitled to indemnification from Loblaw.

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 2008

Capital Disclosures and Financial Instruments - Disclosure and Presentation

In December 2006, the Canadian Institute of Chartered Accountants ("CICA") issued three new accounting standards: Section 1535, "Capital Disclosures" ("Section 1535"), Section 3862, "Financial Instruments – Disclosures" ("Section 3862") and Section 3863, "Financial Instruments – Presentation" ("Section 3863").

Section 1535 establishes guidelines for the disclosure of information regarding a company's capital and how it is managed. Enhanced disclosures with respect to the entity's objectives, policies and processes for managing capital and quantitative disclosure about what the entity regards as capital are required. For new disclosures refer to note 15 to the unaudited interim period consolidated financial statements. The adoption of Section 1535 did not have an impact on the Company's results of operations or financial condition.

Section 3862 and Section 3863 replaced Section 3861 "Financial Instruments – Disclosure and Presentation". Section 3862 requires increased disclosures regarding the risks associated with financial instruments and how these risks are managed. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivative instruments and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity. For new disclosures refer to notes 17 and 19 to the unaudited interim period consolidated financial statements. Comparative information about the nature and extent of risks arising from financial instruments is not required in the year Section 3862 is adopted. The adoption of Section 3862 and Section 3863 did not have an impact on the Company's results of operations or financial condition.

Inventories

During the first quarter of 2008, the Company also implemented Section 3031, "Inventories" ("Section 3031"), which replaced Section 3030 of the same title. Section 3031 provides guidance with respect to the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. Costs such as storage costs and administrative overhead that do not contribute to bringing inventories to their present location and condition are specifically excluded from the cost of inventories and expensed in the period incurred. Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories is now required. The cost of the inventories should be based on a first-in, first-out or a weighted average cost formula. Techniques used for the measurement of cost of inventories, such as the retail method may be used if the results approximate cost. The new standard also requires additional disclosures including the accounting policies used in measuring inventories, the carrying amount of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of any write-downs recognized as a reduction in expenses.

Upon implementation of Section 3031, a decrease in opening inventories of $67 million and a corresponding decrease of $27 million to opening retained earnings net of income taxes of $25 million and minority interest of $15 million were recorded on the consolidated balance sheet resulting mainly from the application by Loblaw of a consistent cost formula for all inventories having a similar nature and use. For further details of the specific accounting changes and related impacts, see notes 2 and 10 to the unaudited interim period consolidated financial statements.

FUTURE ACCOUNTING STANDARDS

Goodwill and Intangible Assets

In November 2007, the CICA issued amendments to Section 1000, "Financial Statement Concepts", and Accounting Guideline 11, "Enterprises in the Development Stage", issued a new Section 3064, "Goodwill and Intangible Assets" ("Section 3064") to replace Section 3062, "Goodwill and Other Intangible Assets", withdrew Section 3450, "Research and Development Costs" and amended Emerging Issues Committee Abstract 27, "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments provide guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The amendments are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and therefore the Company will implement them in the first quarter of 2009, retroactively with restatement of the comparative periods for the current and prior years. The impact of implementing these amendments on the Company's financial statements is currently being assessed.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems. The Company will assess the impact of the transition to IFRS and will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

For further details on the above future accounting standards see note 1 to the unaudited interim period consolidated financial statements.

OUTLOOK(1)

The consolidated results of George Weston Limited for 2008 will 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 the year, Weston Foods will focus on mitigating continuing cost inflation through a combination of cost reduction efforts and pricing actions in an effort to achieve operating margins consistent with those of last year.

In a very competitive environment, Loblaw sales volumes continued to improve from its investments in value for customers and focus on shelf availability. Through the remainder of the year, Loblaw intends to continue with its targeted pricing investments and expects solid sales volume growth. Loblaw management's ongoing focus on cost and operating efficiencies is expected to help offset the effect of pricing and competition on margins. Although some financial benefits of the restructuring are anticipated to take hold in the second half of the year, there is still much work to do.

ADDITIONAL INFORMATION

Additional information about the Company 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.

(1) To be read in conjunction with "Forward-Looking Statements".

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.

NON-GAAP FINANCIAL MEASURES

The Company reports its financial results in accordance with Canadian GAAP. It has historically also included in its Quarterly and Annual Reports certain Non-GAAP financial measures and ratios. Over the past year, the Company has reviewed its practices with respect to the disclosure of Non-GAAP financial measures. The Company considered the separate presentation of Non-GAAP financial measures taking into account the discussion in the MD&A of the results of operations and the impact of specific events on these results of operations, the disclosure practices of its industry peers and best practices.

Based on this review, the Company has decided to discontinue its use of the following Non-GAAP financial measures: sales and sales growth excluding the impact of tobacco sales and VIEs, adjusted operating income and adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin, and adjusted basic net earnings per common share from continuing operations. The Company will continue to discuss the impact of individual specific items that are important in understanding the ongoing operations including those that relate to sales, operating income and basic earnings per common share.

The Company will continue to use the following Non-GAAP financial measures: EBITDA and EBITDA margin, net debt, return on average total assets and free cash flow. The Company believes these Non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined 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.

EBITDA and EBITDA Margin The following table reconciles earnings before interest, income taxes, depreciation and amortization ("EBITDA") to Canadian GAAP net earnings reported in the unaudited interim period consolidated statements of earnings for the twelve weeks ended as indicated. For each of its reportable operating segments, segment EBITDA is reconciled to segment operating income. 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.

EBITDA margin is calculated as EBITDA divided by sales.

	12 Weeks Ended Mar. 22, 2008			12 Weeks Ended Mar. 24, 2007		
($ millions)	**Weston Foods**	**Loblaw**	**Consolidated**	Weston Foods	Loblaw	Consolidated
Net earnings			**$ 131**			$ 104
Add impact of the following:						
Minority interest			**23**			18
Income taxes			**76**			35
Interest expense and other financing charges			**22**			52
Operating income	**$ 99**	**$ 153**	**$ 252**	$ 77	$ 132	$ 209
Depreciation and amortization	**25**	**136**	**161**	27	136	163
Accelerated depreciation(1)				4		4
EBITDA	**$ 124**	**$ 289**	**$ 413**	$ 108	$ 268	$ 376

(1) Accelerated depreciation is included in restructuring and other charges in the consolidated statements of earnings as discussed in note 3 to the unaudited interim period consolidated financial statements.

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 and cash equivalents, short term investments and security deposits which are included in other assets 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.

($ millions)	**Mar. 22, 2008**	Mar. 24, 2007
Bank indebtedness	**$ 162**	$ 185
Commercial paper	**18**	1,001
Short term bank loans	**1,212**	188
Long term debt due within one year	**940**	36
Long term debt	**4,968**	5,955
Less: Cash and cash equivalents	**1,292**	832
Short term investments	**299**	535
Security deposits included in other assets	**445**	442
Net debt	**5,264**	5,556
Less: Exchangeable Debentures	**130**	228
Net debt excluding Exchangeable Debentures	**$ 5,134**	$ 5,328

Free Cash Flow The following table reconciles free cash flow to Canadian GAAP cash flows used in operating activities from continuing operations reported in the unaudited interim period consolidated cash flow statements for the twelve weeks ended as indicated. The Company calculates free cash flow as cash flows used in operating activities of continuing operations less fixed asset purchases and dividends. The Company believes free cash flow is a useful measure of the change in the Company's cash available for additional funding activities.

	12 Weeks Ended	
($ millions)	**Mar. 22, 2008**	Mar. 24, 2007
Cash flows used in operating activities of continuing operations	**$ (280)**	$ (208)
Less: Fixed asset purchases	**127**	117
Dividends	**82**	82
Free cash flow	**$ (489)**	$ (407)

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

($ millions)	**Mar. 22, 2008**	Mar. 24, 2007
Canadian GAAP total assets	**$ 18,527**	$ 18,399
Less: Cash and cash equivalents	**1,292**	832
Short term investments	**299**	535
Security deposits included in other assets	**445**	442
Domtar (Canada) Paper Inc. investment	**130**	228
Total assets	**$ 16,361**	$ 16,362

Consolidated Statements of Earnings
(unaudited)

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 22, 2008	Mar. 24, 2007
Sales	**$ 7,337**	$ 7,221
Operating Expenses		
Cost of sales, selling and administrative expenses	**6,919**	6,760
Depreciation and amortization	**161**	163
Restructuring and other charges (note 3)	**5**	89
	7,085	7,012
Operating Income	**252**	209
Interest Expense and Other Financing Charges (note 4)	**22**	52
Earnings Before the Following:	**230**	157
Income Taxes (note 5)	**76**	35
	154	122
Minority Interest	**23**	18
Net Earnings	**$ 131**	$ 104
Net Earnings per Common Share ($) – Basic and Diluted (note 6)	**$ 0.91**	$ 0.70

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. 22, 2008	Mar. 24, 2007
Share Capital		
Preferred Shares	**$ 1,077**	$ 1,077
Common Shares	**133**	133
Total Share Capital, Beginning and End of Period	**$ 1,210**	$ 1,210
Retained Earnings, Beginning of Period	**$ 4,726**	$ 4,506
Cumulative impact of implementing new accounting standards (note 2)	**(27)**	(100)
Net earnings	**131**	104
Dividends declared		
Per common share ($) – $0.36 (2007 – $0.36)	**(46)**	(46)
Per preferred share ($) – Series I – $0.36 (2007 – $0.36)	**(4)**	(4)
– Series II – $0.32 (2007 – $0.32)	**(3)**	(3)
– Series III – $0.32 (2007 – $0.32)	**(3)**	(3)
– Series IV – $0.32 (2007 – $0.32)	**(2)**	(2)
– Series V – $0.30 (2007 – $0.30)	**(2)**	(2)
Retained Earnings, End of Period	**$ 4,770**	$ 4,450
Accumulated Other Comprehensive Loss, Beginning of Period	**$ (999)**	$ (503)
Cumulative impact of implementing new accounting standards (note 2)		9
Other comprehensive income (loss)	**122**	(13)
Accumulated Other Comprehensive Loss, End of Period (note 16)	**$ (877)**	$ (507)
Total Shareholders' Equity	**$ 5,103**	$ 5,153

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

Consolidated Statements of Comprehensive Income
(unaudited)

($ millions)	12 Weeks Ended Mar. 22, 2008	Mar. 24, 2007
Net earnings	**$ 131**	$ 104
Other comprehensive income (loss), net of income taxes and minority interest		
Foreign currency translation adjustment	**122**	(14)
Net unrealized gain (loss) on available-for-sale financial assets	**6**	(2)
Reclassification of loss (gain) on available-for-sale financial assets to net earnings	**7**	(7)
	13	(9)
Net (loss) gain on derivatives designated as cash flow hedges	**(5)**	3
Reclassification of (gain) loss on derivatives designated as cash flow hedges to net earnings	**(8)**	7
	(13)	10
Other comprehensive income (loss)	**122**	(13)
Total Comprehensive Income	**$ 253**	$ 91

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

Consolidated Balance Sheets

($ millions)	Mar. 22, 2008 (unaudited)	Mar. 24, 2007 (unaudited)	Dec. 31, 2007
		As at	
ASSETS			
Current Assets			
Cash and cash equivalents (note 7)	**$ 1,292**	$ 832	$ 1,076
Short term investments	**299**	535	461
Domtar Investment (note 14)	**130**		
Accounts receivable (notes 8 & 9)	**1,203**	940	1,141
Inventories (note 10)	**2,027**	2,082	2,172
Income taxes	**139**	116	91
Future income taxes	**112**	168	121
Prepaid expenses and other assets	**75**	81	49
Total Current Assets	**5,277**	4,754	5,111
Fixed Assets	**8,969**	9,207	8,960
Goodwill and Intangible Assets (note 11)	**2,292**	2,527	2,240
Future Income Taxes	**92**	64	91
Other Assets	**1,897**	1,847	1,986
Total Assets	**$ 18,527**	$ 18,399	$ 18,388
LIABILITIES			
Current Liabilities			
Bank indebtedness	**$ 162**	$ 185	$ 85
Commercial paper	**18**	1,001	609
Accounts payable and accrued liabilities	**2,843**	2,711	3,322
Short term bank loans (note 13)	**1,212**	188	250
Long term debt due within one year (note 14)	**940**	36	432
Current liabilities of discontinued operations	**3**	3	3
Total Current Liabilities	**5,178**	4,124	4,701
Long Term Debt (note 14)	**4,968**	5,955	5,494
Future Income Taxes	**279**	325	293
Other Liabilities	**884**	757	831
Minority Interest	**2,115**	2,085	2,132
Total Liabilities	**13,424**	13,246	13,451
SHAREHOLDERS' EQUITY			
Share Capital (note 15)	**1,210**	1,210	1,210
Retained Earnings	**4,770**	4,450	4,726
Accumulated Other Comprehensive Loss (note 16)	**(877)**	(507)	(999)
Total Shareholders' Equity	**5,103**	5,153	4,937
Total Liabilities and Shareholders' Equity	**$ 18,527**	$ 18,399	$ 18,388

Contingencies, commitments and guarantees (note 20).

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

Consolidated Cash Flow Statements
(unaudited)

($ millions)	12 Weeks Ended Mar. 22, 2008	Mar. 24, 2007
Operating Activities		
Net earnings before minority interest	**$ 154**	$ 122
Depreciation and amortization	**161**	163
Restructuring and other charges (note 3)	**5**	89
Future income taxes	**3**	(14)
Fair value adjustment of Weston's forward sale agreement (note 4)	**(51)**	(19)
Change in non-cash working capital	**(609)**	(589)
Other	**57**	40
Cash Flows used in Operating Activities of Continuing Operations	**(280)**	(208)
Investing Activities		
Fixed asset purchases	**(127)**	(117)
Short term investments	**193**	(221)
Proceeds from fixed asset sales	**10**	9
Credit card receivables, after securitization (note 8)	**74**	144
Franchise investments and other receivables	**(18)**	(7)
Other	**(39)**	(30)
Cash Flows from (used in) Investing Activities of Continuing Operations	**93**	(222)
Financing Activities		
Bank indebtedness	**76**	87
Commercial paper	**(591)**	163
Short term bank loans - Issued (note 13)	**962**	10
Long term debt - Issued	**5**	7
- Retired	**(13)**	(11)
Dividends - To common shareholders	**(46)**	(46)
- To preferred shareholders	**(14)**	(14)
- To minority shareholders	**(22)**	(22)
Cash Flows from Financing Activities of Continuing Operations	**357**	174
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	**46**	(1)
Cash Flows from (used in) Continuing Operations	**216**	(257)
Cash Flows used in Discontinued Operations		(1)
Change in Cash and Cash Equivalents	**216**	(258)
Cash and Cash Equivalents, Beginning of Period	**1,076**	1,090
Cash and Cash Equivalents, End of Period	**$ 1,292**	$ 832

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, 2007, except as described in note 2. Under Canadian GAAP, additional disclosure is required in annual financial statements and accordingly the unaudited interim period consolidated financial statements should be read together with the audited annual consolidated financial statements and the accompanying notes included in George Weston Limited's 2007 Annual 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 quarters of 2008 and 2007 and at year end 2007. In addition, the Company consolidates variable interest entities ("VIEs") pursuant to the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, "Consolidation of Variable Interest Entities", ("AcG 15"), that are subject to control by Loblaw on a basis other than through ownership of a majority of voting interest. AcG 15 defines a variable interest entity as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. AcG 15 requires the primary beneficiary to consolidate VIEs and considers an entity to be the primary beneficiary of a VIE if it holds variable interests that expose it to a majority of the VIE's expected losses or that entitle it to receive a majority of the VIE's expected residual returns or both.

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.

Future Accounting Standards

Goodwill and Intangible Assets In November 2007, the CICA issued amendments to Section 1000, "Financial Statement Concepts", and Accounting Guideline 11, "Enterprises in the Development Stage", issued a new Section 3064, "Goodwill and Intangible Assets" ("Section 3064") to replace Section 3062, "Goodwill and Other Intangible Assets", withdrew Section 3450, "Research and Development Costs" and amended Emerging Issues Committee Abstract 27, "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments provide guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The amendments are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and therefore the Company will implement them in the first quarter of 2009, retroactively with restatement of the comparative periods for the current and prior year. The impact of implementing these amendments on the Company's financial statements is currently being assessed.

International Financial Reporting Standards ("IFRS") The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The convergence from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems. The Company will assess the impact of the transition to IFRS and will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

2. Accounting Standards Implemented in 2008

Capital Disclosures and Financial Instruments - Disclosure and Presentation In December 2006, the CICA issued three new accounting standards: Section 1535, “Capital Disclosures” (“Section 1535”), Section 3862, “Financial Instruments – Disclosures” (“Section 3862”) and Section 3863, “Financial Instruments – Presentation” (“Section 3863”).

Section 1535 establishes guidelines for the disclosure of information regarding a company’s capital and how it is managed. The standard requires enhanced disclosures with respect to (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; and (iii) whether the entity has complied with any external capital requirements, and if it has not complied, the consequences of such non-compliance. For new disclosures, refer to note 15. The adoption of Section 1535 did not have an impact on the Company’s results of operations, or financial condition.

Section 3862 and Section 3863 replace Section 3861, “Financial Instruments – Disclosure and Presentation”. Section 3862 requires increased disclosures regarding the risks associated with financial instruments such as credit risk, liquidity risk and market risks and the techniques used to identify, monitor and manage these risks. Section 3863 carries forward standards for the presentation of financial instruments and non-financial derivative instruments and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity. For new disclosures refer to notes 17 and 19. Comparative information about the nature and extent of risks arising from financial instruments is not required in the year Section 3862 is adopted. The adoption of Section 3862 and Section 3863 did not have an impact on the Company’s results of operations, or financial condition.

Inventories Effective January 1, 2008, the Company implemented Section 3031, “Inventories” (“Section 3031”), issued by the CICA in June 2007, which replaces Section 3030 of the same title. Section 3031 requires inventories to be measured at the lower of cost and net realizable value. Costs such as storage costs and administrative overhead that do not contribute to bringing inventories to their present location and condition are specifically excluded from the cost of inventories and expensed in the period incurred. Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories is now required. The cost of inventories should be based on a first-in, first-out or weighted average cost formula. Techniques used for the measurement of cost of inventories, such as the retail method, may be used if the results approximate cost. The new standard also requires additional disclosures including the accounting policies used in measuring inventories, the carrying amounts of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of any write-downs recognized as a reduction in expenses.

The Company values inventories at the lower of cost and net realizable value. Costs include the cost of purchase net of vendor allowances and other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition. Loblaw’s seasonal general merchandise, Loblaw’s inventories at the distribution centres and Weston Foods inventories are measured at weighted average cost. Loblaw uses the retail method to measure the cost of certain retail store inventories. The Company estimates net realizable value as the amount that inventories are expected to be sold less estimated costs necessary to make the sale. In addition, Loblaw estimates net realizable value by taking into consideration fluctuations of retail price due to seasonality. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in retail selling price, the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period these costs are incurred.

The transitional adjustments resulting from the implementation of Section 3031 are recognized in the 2008 opening balance of retained earnings and prior periods have not been restated. Upon implementation of these requirements, a decrease in opening inventories of $67 million and a corresponding decrease of $27 million to opening retained earnings net of income taxes of $25 million and minority interest of $15 million were recorded on the consolidated balance sheet resulting mainly from the application by Loblaw of a consistent cost formula for all inventories having a similar nature and use.

In addition to the disclosure of accounting policies used in measuring inventories, Section 3031 also requires additional disclosures. See note 10 for the amount of inventories recognized as an expense in the period, the amount of inventories written down below cost and the amount of any reversal of any previously recognized write-downs.

Accounting Standards Implemented in 2007
On January 1, 2007, the Company implemented CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", Section 3865, "Hedges", Section 1530, "Comprehensive Income", Section 3251, "Equity" and Section 3861, "Financial Instruments – Disclosure and Presentation". These standards were applied without restatement of prior periods, with the exception of the reclassification of 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 resulted in a decrease in retained earnings, net of income taxes and minority interest of $100 million and a decrease in accumulated other comprehensive loss, net of income taxes and minority interest of $9 million in 2007 as more fully described in note 2 of the annual consolidated financial statements for the year ended December 31, 2007.

3. Restructuring and Other Charges

The following table summarizes the restructuring and other charges:

	12 Weeks Ended					
			Mar. 22, 2008			Mar. 24, 2007
($ millions)	**Weston Foods**	**Loblaw**	**Total**	Weston Foods	Loblaw	Total
Accelerated depreciation				$ 4		$ 4
Gain on sale of fixed assets				(6)		(6)
Fixed asset impairment	**$ 1**		**$ 1**			
Employee termination benefits	**2**	**$ 2**	**4**	1	$ 58	59
Site closing and other exit costs	**(1)**	**1**		1	31	32
	$ 2	**$ 3**	**$ 5**	$	$ 89	$ 89

Weston Foods

Manufacturing Assets During 2006, Weston Foods approved a restructuring plan to downsize its fresh-baked sweet goods facility in Bay Shore, New York. The plan involves the transfer of full-size dessert cake and cookie production to other existing Weston Foods facilities. Once the downsizing is complete, the Bay Shore location will be a more focused facility producing primarily danish and pie products. This restructuring is expected to be complete by the third quarter of 2008. As a result of this restructuring plan, Weston Foods recognized an additional fixed asset impairment charge of $1 million (2007 – nil) and $2 million (2007 – nil) of additional employee termination benefits in the first quarter of 2008.

Distribution Network Restructuring During the third quarter of 2007, Weston Foods approved a plan to exit and transfer certain distribution and transportation activities in the mid-Western United States to third-party logistic providers. This plan is expected to be completed by the end of the second quarter of 2008. Weston Foods recognized income of $1 million (2007 – nil) as a result of the reversal of exit related accruals net of additional exit costs in the first quarter of 2008.

In the first quarter of 2008, employee termination benefits and other exit related costs of approximately $3 million (2007 – $7 million) were paid related to all Weston Foods restructuring activities. As at the end of the first quarter of 2008, the accrued liabilities relating to restructuring activities were $10 million (2007 – $14 million).

Loblaw

Project Simplify During 2007, Loblaw approved and announced the restructuring of its merchandising and store operations into more streamlined functions as part of Project Simplify. In the first quarter of 2008, Loblaw recognized $3 million (2007 − $75 million) of restructuring costs resulting from this plan, comprised of $2 million (2007 − $58 million) for employee termination benefits including severance, additional pension costs resulting from the termination of employees and retention costs; and $1 million (2007 − $17 million) of other costs, primarily consulting directly associated with the restructuring. Cash payments in the first quarter of 2008 were $17 million (2007 − $30 million). As at the end of the first quarter of 2008, a remaining liability of $20 million (2007 − $45 million) was recorded on the consolidated balance sheet in respect of this initiative.

Store Operations During 2007, Loblaw completed the previously announced restructuring of its store operations. Cash payments in the first quarter of 2008 were nil (2007 − $9 million). In the first quarter of 2008, Loblaw recognized income of $1 million (2007 – charge of $14 million) related to this plan. As at the end of the first quarter of 2008, a remaining liability of $3 million (2007 − $14 million) was recorded on the consolidated balance sheet in respect of this initiative.

Supply Chain Network During 2005, Loblaw approved a comprehensive plan to restructure its supply chain operations nationally. The restructuring plan is expected to be completed in 2009 and the total restructuring costs under this plan are estimated to be approximately $90 million. Of this total, approximately $57 million is attributable to employee termination benefits, which include severance and additional pension costs resulting from the termination of employees, $13 million is attributable to fixed asset impairment and accelerated depreciation of assets relating to this restructuring activity and $20 million is attributable to site closing and other costs directly related to the restructuring plan. In the first quarter of 2008, Loblaw recognized $1 million (2007 – nil) of restructuring costs resulting from this plan which is composed of $1 million (2007 – nil) for employee termination benefits resulting from planned involuntary terminations. At the end of the first quarter of 2008, $10 million in estimated costs remained to be incurred and will be recognized as appropriate criteria are met. Cash payments in the first quarter of 2008 were $1 million (2007 − $1 million). As at the end of the first quarter of 2008, a remaining liability of $33 million (2007 − $24 million) was recorded on the consolidated balance sheet in respect of this initiative.

4. Interest Expense and Other Financing Charges

	12 Weeks Ended	
($ millions)	**Mar. 22, 2008**	Mar. 24, 2007
Interest on long term debt	**$ 89**	$ 89
Interest on financial derivative instruments	**1**	5
Other financing charges(1)	**(57)**	(25)
Net short term interest	**(2)**	(6)
Interest income on security deposits	**(4)**	(5)
Capitalized to fixed assets	**(5)**	(6)
Interest expense and other financing charges	**$ 22**	$ 52

(1) Other financing charges for the first quarter of 2008 includes non-cash income of $51 million (2007 – $19 million), related to the fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw common shares. The fair value adjustment of the forward contract is a non-cash item resulting from fluctuations in the market price of the underlying Loblaw common shares that Weston owns. Weston does not record any change in the market price associated with the Loblaw common shares it owns. Any cash paid under the forward contract could be offset by the sale of Loblaw common shares. Also included in other financing charges is forward accretion income of $10 million (2007 – $10 million) net of the forward fee of $4 million (2007 – $4 million) for the first quarter of 2008 associated with Weston's forward sale agreement.

During the first quarter of 2008, net interest expense of $85 million was recorded related to the financial assets and financial liabilities not classified as held-for-trading.

Interest paid in the first quarter of 2008 was $148 million (2007 – $138 million) and interest received was $57 million (2007 – $42 million).

5. Income Taxes

The effective income tax rate in the first quarter of 2008 increased to 33.0% compared to 22.3% in the first quarter of 2007 primarily due to an increase in income tax accruals relating to certain income tax matters and the net income tax impact associated with the re-measurement of Weston's 3% Exchangeable Debentures ("Exchangeable Debentures").

Net income taxes paid in the first quarter of 2008 were $101 million (2007 – $84 million).

6. Basic and Diluted Net Earnings per Common Share

	12 Weeks Ended	
($ millions except where otherwise indicated)	**Mar. 22, 2008**	Mar. 24, 2007
Net earnings	**$ 131**	$ 104
Prescribed dividends on preferred shares	**(13)**	(13)
Net earnings available to common shareholders	**$ 118**	$ 91
Weighted average common shares outstanding (in millions)	**129.1**	129.1
Dilutive effect of stock-based compensation (in millions) (1)		
Diluted weighted average common shares outstanding (in millions)	**129.1**	129.1
Basic and diluted net earnings per common share ($)	**$ 0.91**	$ 0.70

(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:

	12 Weeks Ended	
Option Exercise Price	**Mar. 22, 2008**	Mar. 24, 2007
$72.21	**687,892**	
$75.62	**4,135**	
$78.85		81,168
$93.35	**504,595**	536,251
$95.88	**30,130**	100,130
$100.00	**129,400**	129,400
$111.02	**497,201**	532,324

7. Cash and Cash Equivalents

The components of cash and cash equivalents as at March 22, 2008, March 24, 2007 and December 31, 2007 were as follows:

	As at		
($ millions)	**Mar. 22, 2008**	Mar. 24, 2007	Dec. 31, 2007
Cash	**$ 105**	$ 85	$ 110
Cash equivalents - short term investments with a maturity date of 90 days or less:			
Bank term deposits	**214**	57	119
Government treasury bills and treasury notes	**499**	103	456
Government-sponsored debt securities	**215**	339	177
Corporate commercial paper	**259**	165	214
Bank-sponsored asset-backed commercial paper		83	
Cash and cash equivalents	**$ 1,292**	$ 832	$ 1,076

In the first quarter of 2008, the Company recognized an unrealized foreign currency exchange gain of $73 million (2007 – loss of $3 million) as a result of translating its United States dollar denominated cash and cash equivalents, short term investments and security deposits which are included in other assets, $46 million (2007 – loss of $1 million) of which related to cash and cash equivalents. Loblaw recognized an unrealized foreign currency exchange gain of $33 million (2007 – loss of a nominal amount) as a result of translating its United States dollar denominated cash and cash equivalents, short term investments and security deposits which are included in other assets, of which a gain of $19 million (2007 – loss of a nominal amount) related to cash and cash equivalents. The resulting Loblaw gain or loss on cash and cash equivalents, short term investments and security deposits is partially offset in operating income and accumulated other comprehensive loss by the unrealized foreign currency exchange loss or gain on Loblaw's cross currency basis swaps. The remaining foreign currency exchange gain of $40 million (2007 – loss of $3 million), of which $27 million (2007 – loss of $1 million) relates to the translation of cash and cash equivalents held by Weston's self-sustaining foreign operations, is recognized in accumulated other comprehensive loss.

8. Accounts Receivable

During the first quarter of 2008, nil (2007 – $40 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 nil (2007 – nominal net gain) based on the assumptions disclosed in note 12 of the annual consolidated financial statements for the year ended December 31, 2007. The independent trust's recourse to *PC* Bank's assets is limited to *PC* Bank's retained interests and is further supported by Loblaw through a standby letter of credit for $89 million (2007 – $72 million) on a portion of the securitized amount. Other receivables consist mainly of receivables from Loblaw's independent franchisees, associated stores and independent accounts and receivables from Weston Foods customers.

		As at	
($ millions)	**Mar. 22, 2008**	Mar. 24, 2007	Dec. 31, 2007
Credit card receivables	**$ 1,947**	$ 1,465	$ 2,023
Amount securitized	**(1,475)**	(1,290)	(1,475)
Net credit card receivables	**472**	175	548
Other receivables	**731**	765	593
Accounts receivable	**$ 1,203**	$ 940	$ 1,141

Credit card receivables that are past due totaled $11 million as at March 22, 2008 but are not classified as impaired because they are less than 90 days past due and collection efforts are reasonably expected to result in repayment. Any credit card receivable balances with a payment that is contractually 180 days in arrears or where the likelihood of collection is considered remote is written-off. Concentration of credit risk with respect to receivables is limited due to the Company's customer base being diverse. Credit risk on the credit card receivables is managed as described in note 24 of the annual consolidated financial statements for the year ended December 31, 2007. Other receivables that are past due but not impaired totaled $75 million as at March 22, 2008 of which a nominal amount were more than 60 days past due.

9. Allowances for Receivables

The allowance for receivables recorded in the consolidated balance sheet is maintained at a level which is considered adequate to absorb credit related losses on credit card receivables and losses on other receivables. The receivables for *PC* Bank credit card, Loblaw associated stores and independent accounts and Weston Foods customers are presented net of allowances on the consolidated balance sheet. The allowance for Loblaw receivables from independent franchisees is recorded in accounts payable and accrued liabilities on the consolidated balance sheet. A continuity of the Company's allowances for receivables is as follows:

	Credit Card Receivables			Other Receivables		
	12 Weeks Ended		Year Ended	12 Weeks Ended		Year Ended
($ millions)	**Mar. 22, 2008**	Mar. 24, 2007	Dec. 31, 2007	**Mar. 22, 2008**	Mar. 24, 2007	Dec. 31, 2007
Allowances at beginning of period	**$ (13)**	$ (11)	$ (11)	**$ (62)**	$ (67)	$ (67)
Provision for losses	**(2)**	(3)	(11)	**(9)**	(19)	(86)
Recoveries	**(2)**	(2)	(7)			
Write-offs	**4**	4	16	**15**	16	87
Impact of foreign currency translation				**(1)**		4
Allowances at end of period	**$ (13)**	$ (12)	$ (13)	**$ (57)**	$ (70)	$ (62)

10. Inventories

($ millions)	Mar. 22, 2008
Raw materials and supplies	**$ 62**
Finished goods	**1,965**
Inventories	**$ 2,027**

The cost of inventories recognized as an expense during the first quarter of 2008 was $5,419 million, which includes $18 million of sales of inventory below cost that was recognized as an expense and the effect of commodity derivatives that are entered into.

The cost of inventories recognized as an expense includes $11 million for the write-down of inventories below cost to net realizable value. There was no reversal of previous write-downs of inventories.

11. Goodwill and Intangible Assets

				As at	
			Mar. 22, 2008	Mar. 24, 2007	Dec. 31, 2007
($ millions)	**Weston**	**Loblaw**	**Total**		
Goodwill, beginning of period	**$ 887**	**$ 946**	**$ 1,833**	$ 2,055	$ 2,055
Goodwill, acquired during the period		**1**	**1**		8
Adjusted purchase price allocation					(67)
Other					4
Impact of foreign currency translation	**35**		**35**	(6)	(167)
Goodwill, end of period	**922**	**947**	**1,869**	2,049	1,833
Trademarks and brand names[(1)]	**410**		**410**	463	394
Other intangible assets	**13**		**13**	15	13
Goodwill and intangible assets	**$ 1,345**	**$ 947**	**$ 2,292**	$ 2,527	$ 2,240

(1) The balance includes the positive impact of foreign currency translation of $16 million (2007 – negative impact of $3 million).

12. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $56 million (2007 – $62 million) for the first quarter of 2008. 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.

13. Short Term Bank Loans

At March 22, 2008, $253 million (March 24, 2007 – nil; December 31, 2007 – $30 million) was drawn on Weston's $300 million, 364-day revolving committed credit facility. The facility permits borrowings having up to a 180-day term that accrue interest based on short term floating interest rates.

Subsequent to the first quarter of 2008, Weston entered into a $300 million, 5-year committed credit facility provided by a syndicate of banks replacing the previous $300 million, 364-day revolving committed credit facility that was scheduled to expire in May 2008. Weston is subject to certain financial covenants under the new facility. The new facility permits borrowings having up to a 180-day term that accrue interest based on short term interest rates.

In the first quarter of 2008, Loblaw entered into an $800 million, 5-year committed credit facility provided by a syndicate of banks which is subject to certain financial covenants. This facility is the primary source of Loblaw's short term funding requirements and permits borrowings having up to a 180-day term that accrue interest based on short term floating interest rates. This facility replaced a $500 million 364-day committed credit facility which had no financial covenants and permitted borrowings having up to a 180-day term that accrued interest based on short term floating interest rates that was terminated when the 5-year committed credit facility was completed. As at March 22, 2008, $728 million was drawn on the new 5-year committed credit facility.

Also included in short term bank loans is Weston's Series B debentures, due on demand, of $231 million (March 24, 2007 – $188 million; December 31, 2007 – $220 million).

14. Long Term Debt
Subsequent to the first quarter of 2008, the Company exercised its right to redeem all of the outstanding Exchangeable Debentures pursuant to the trust indenture dated June 29, 1998 made between Weston and Computershare Trust Company of Canada by paying cash of $633.08 per each $1,000 principal amount of Exchangeable Debentures plus accrued but unpaid interest, for an aggregate amount including interest of approximately $140 million. Weston also sold its investment in Domtar (Canada) Paper Inc. for $144 million, and will use these proceeds to settle its obligation under the Exchangeable Debentures. At March 22, 2008, Weston has reclassified the balance of the Exchangeable Debentures from long term debt to long term debt due within one year and has also reclassified the Domtar investment from other assets to current assets.

15. Capital Management
The Company defines capital as net debt (excluding Exchangeable Debentures) and shareholders' equity.

The Company's objectives when managing capital are to:

- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- maintain financial capacity and access to capital to support future development of the business;
- minimize the cost of its capital while taking into consideration current and future industry, market and economic risks and conditions; and
- utilize short term funding sources to manage its working capital requirements and long term funding sources to match the long term nature of the fixed assets of the business.

The following ratios are used by the Company to monitor its capital:

		As at	
	Mar. 22, 2008	Mar. 24, 2007	Dec. 31, 2007
Interest coverage	**9.3**	3.6	5.9
Net debt (excluding Exchangeable Debentures) to equity	**1.01:1**	1.03:1	0.96:1

Interest coverage is calculated as operating income divided by interest expense and other financing charges adding back interest capitalized to fixed assets for the 12 weeks ended March 22, 2008 and March 24, 2007 and for the year ended December 31, 2007. The Company manages debt on a net basis calculated as outlined below. The Company's internal guideline targets a net debt (excluding Exchangeable Debentures) to equity ratio of less than 1:1. This ratio is useful in assessing the amount of leverage employed. These ratios are also calculated from time-to-time on an alternate basis by management to approximate the methodology of debt rating agencies and other market participants.

Debt The components of net debt (excluding Exchangeable Debentures) are as follows:

		As at	
($ millions)	**Mar. 22, 2008**	Mar. 24, 2007	Dec. 31, 2007
Bank indebtedness	**$ 162**	$ 185	$ 85
Commercial paper	**18**	1,001	609
Short term bank loans	**1,212**	188	250
Long term debt due within one year	**940**	36	432
Long term debt	**4,968**	5,955	5,494
Less: Cash and cash equivalents	**1,292**	832	1,076
Short term investments	**299**	535	461
Security deposits included in other assets	**445**	442	419
Net debt	**5,264**	5,556	4,914
Less: Exchangeable Debentures	**130**	228	157
Net debt excluding Exchangeable Debentures	**$ 5,134**	$ 5,328	$ 4,757

The Company monitors its credit ratings as it seeks access to capital as part of the Company's goal to maintain financial capacity and access to capital markets. The Company's ability to obtain funding from external sources may be restricted by a downgrade in the Company's credit ratings, should the Company's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its short term and long term debt requirements. The Company mitigates these risks by actively maintaining appropriate levels of cash and cash equivalents, short term investments and security deposits, actively monitoring market conditions and diversifying its capital sources and maturity profile.

On April 30, 2008, Dominion Bond Rating Service ("DBRS") downgraded Loblaw's long term ratings to "BBB" from "BBB (high)", maintaining the Negative trend. At the same time, DBRS downgraded Loblaw's short term rating to "R-2 (middle)" from "R-2 (high)" and changed the trend to Negative from Stable. Loblaw does not expect the downgrades to have a material impact on its access to capital markets or on its cost of funds.

Subsequent to the end of the first quarter of 2008, Loblaw filed a Preliminary Short Form Base Shelf Prospectus allowing for the issue of up to $1 billion of unsecured debentures and/or preferred shares. No such securities have been issued under this prospectus as at May 5, 2008.

Share Capital The Company's outstanding share capital is comprised of common shares and preferred shares. An unlimited number of common shares are authorized and 129.1 million common shares were outstanding at the end of the first quarter of 2008. An unlimited number of preferred shares Series I, Series II, Series III, Series IV and Series V are authorized and 9.4 million preferred shares Series I, 10.6 million preferred shares Series II, 8.0 million preferred shares Series III, 8.0 million preferred shares Series IV and 8.0 million preferred shares Series V were outstanding at the end of the first quarter of 2008.

Further information on the Company's outstanding share capital is provided in note 21 to the annual consolidated financial statements for the year ended December 31, 2007.

At quarter end, a total of 2,072,702 stock options were outstanding and represented 1.6% of the Company's issued and outstanding common share capital. Pursuant to guidelines set by the Company, the number of stock option grants is limited to a maximum of 5% of the issued and outstanding common shares at any time. The Company is currently in compliance with this internal guideline.

Subsequent to the first quarter of 2008, Weston renewed its Normal Course Issuer Bid to purchase on the Toronto Stock Exchange or enter into equity derivatives to purchase up to 5% of its common shares outstanding. In accordance with the rules and by-laws of the Toronto Stock Exchange, Weston may purchase its common shares at the then market prices of such shares. Weston has not purchased any common shares under its Normal Course Issuer Bid during 2008.

Dividends The declaration and payment of dividends and the amount thereof are at the discretion of the Board. Over the long term, the Company's objective is for its common dividend payment ratio to be in the range of 20% to 25% of the prior year's basic net earnings per common share adjusted as appropriate for items which are not regarded to be reflective of ongoing operations giving consideration to the year end cash position, future cash flow requirements and investment opportunities. During the quarter, the Board declared dividends as follows:

($)		Declared per Share
Common shares		$ 0.36
Preferred shares	– Series I	$ 0.36
	– Series II	$ 0.32
	– Series III	$ 0.32
	– Series IV	$ 0.32
	– Series V	$ 0.30

Covenants and Regulatory Requirements The committed credit facility which Loblaw entered into during the first quarter of 2008 and the committed credit facility entered into by Weston subsequent to the first quarter of 2008 (see note 13) are subject to certain covenants. As at the end of the first quarter of 2008, both Loblaw and Weston were in compliance with these covenants.

The Company is also subject to externally imposed capital requirements from the Office of the Superintendent of Financial Institutions ("OSFI"), as the primary regulator of *PC* Bank, and the Central Bank of Barbados, as the primary regulator of Glenhuron Bank Limited ("Glenhuron"), both wholly-owned subsidiaries of the Company. *PC* Bank's capital management objectives are to maintain a consistently strong capital position while considering the Bank's economic risks and to meet all regulatory capital requirements as defined by OSFI. A new regulatory capital management framework, Basel II, has been implemented in Canada. *PC* Bank is therefore currently regulated under Basel II, a framework that establishes regulatory capital requirements that are more sensitive to a bank's risk profile. *PC* Bank has met all applicable capital targets as at the end of the first quarter of 2008. Glenhuron is currently regulated under Basel I. Under Basel I, Glenhuron's assets are risk weighted and the minimum ratio of capital to risk weighted assets is 8.0%. Glenhuron's ratio of capital to risk weighted assets exceeded the minimum requirements under Basel I as at the end of the first quarter of 2008.

In addition, a wholly-owned subsidiary of the Company that engages in insurance activities exceeded the minimum capital and surplus requirements as at the end of the first quarter of 2008.

16. Accumulated Other Comprehensive Loss

The following tables provide further detail regarding the composition of accumulated other comprehensive loss:

	12 Weeks Ended Mar. 22, 2008			
($ millions)	Foreign currency translation adjustment	Cash flow hedges	Available-for-sale assets	Total
Balance, beginning of period	$ (1,011)	$ 14	$ (2)	$ (999)
Foreign currency translation adjustment	122			122
Net unrealized gain on available-for-sale financial assets[(1)]			6	6
Reclassification of loss on available-for-sale financial assets[(2)]			7	7
Net loss on derivatives designated as cash flow hedges[(3)]		(5)		(5)
Reclassification of gain on derivatives designated as cash flow hedges[(4)]		(8)		(8)
Balance, end of period	$ (889)	$ 1	$ 11	$ (877)

(1) Net of income taxes of nil and minority interest of $3 million.
(2) Net of income taxes of nil and minority interest of $5 million.
(3) Net of income taxes of nil and minority interest of $3 million.
(4) Net of income taxes of nil and minority interest of $5 million.

($ millions)		Foreign currency translation adjustment		Cash flow hedges		Available-for-sale assets		Total
	12 Weeks Ended Mar. 24, 2007							
Balance, beginning of period	$	(503)					$	(503)
Cumulative impact of implementing new accounting standards(1)			$	(4)	$	13		9
Foreign currency translation adjustment		(14)						(14)
Net unrealized loss on available-for-sale financial assets(2)						(2)		(2)
Reclassification of gain on available-for-sale financial assets(3)						(7)		(7)
Net gain on derivatives designated as cash flow hedges(4)				3				3
Reclassification of loss on derivatives designated as cash flow hedges(5)				7				7
Balance, end of period	$	(517)	$	6	$	4	$	(507)

(1) Net of income taxes of $1 million and minority interest of $6 million.
(2) Net of income taxes of nil and minority interest of $1 million.
(3) Net of income taxes of nil and minority interest of $4 million.
(4) Net of income taxes of a nominal amount and minority interest of $2 million.
(5) Net of income taxes of a nominal amount and minority interest of $4 million.

See note 22 of the annual consolidated financial statements for the year ended December 31, 2007 for a continuity of accumulated other comprehensive loss for the year ended December 31, 2007.

An estimated net gain of nil, net of income taxes and minority interest, recorded in accumulated other comprehensive loss related to cash flow hedges as at March 22, 2008 is expected to be reclassified to net earnings during the next 12 months. Remaining amounts will be reclassified to net earnings over periods up to 4 years. This will be offset by the available-for-sale financial assets that are hedged.

During the first quarter of 2008, the change in the cumulative foreign currency translation adjustment from year end 2007 decreased accumulated other comprehensive loss by $122 million (2007 – increased accumulated other comprehensive loss by $14 million). This change was due to the positive (2007 – negative) impact of translating the Company's investment in self-sustaining foreign operations due to the depreciation (2007 – appreciation) of the Canadian dollar relative to the United States dollar during the period.

17. Fair Values of Financial Instruments

The following tables provide a comparison of carrying and fair values for each classification of financial instruments as at March 22, 2008, March 24, 2007 and December 31, 2007:

As at Mar. 22, 2008

($ millions)	Financial derivatives designated in a cash flow hedge	Financial instruments required to be classified as held-for-trading	Financial instruments designated as held-for-trading	Available-for-sale instruments measured at fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Total fair value
Cash and cash equivalents, short term investments and security deposits included in other assets			$ 1,622	$ 414			$ 2,036	$ 2,036
Domtar investment			130				130	130
Derivatives included in accounts receivable	$ 1	$ 28					29	29
Other receivables					$ 1,174		1,174	1,174
Other financial assets included in other assets					196		196	196
Available-for-sale securities included in other assets				16			16	16
Derivatives included in other assets	173	545					718	718
Total financial assets	$ 174	$ 573	$ 1,752	$ 430	$ 1,370		$ 4,299	$ 4,299
Accounts payable and accrued liabilities						$ 2,843	$ 2,843	$ 2,843
Short term borrowings						1,392	1,392	1,392
Long term debt						5,908	5,908	5,820
Derivatives included in other liabilities		$ 251					251	251
Total financial liabilities		$ 251				$ 10,143	$ 10,394	$ 10,306

The equity investment in Loblaw franchises is measured at cost of $135 million because there are no quoted market prices in an active market and these investments are classified as available-for-sale. Loblaw has no intention of disposing of these equity investments.

As at Mar. 24, 2007

($ millions)	Financial derivatives designated in a cash flow hedge	Financial instruments required to be classified as held-for-trading	Financial instruments designated as held-for-trading	Available-for-sale instruments measured at fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Total fair value
Cash and cash equivalents, short term investments and security deposits included in other assets			$ 1,270	$ 539			$ 1,809	$ 1,809
Derivatives included in accounts receivable	$ 1	$ 1					2	2
Other receivables					$ 938		938	938
Other financial assets included in other assets			228(1)		162		390	390
Available-for-sale securities included in other assets				9			9	9
Derivatives included in other assets	98	265					363	363
Total financial assets	$ 99	$ 266	$ 1,498	$ 548	$ 1,100		$ 3,511	$ 3,511
Accounts payable and accrued liabilities						$ 2,711	$ 2,711	$ 2,711
Short term borrowings						1,374	1,374	1,374
Long term debt						5,991	5,991	6,788
Derivatives included in other liabilities		$ 78					78	78
Total financial liabilities		$ 78				$ 10,076	$ 10,154	$ 10,951

(1) Domtar investment included in other assets as at March 24, 2007.

The equity investment in Loblaw franchises is measured at cost of $138 million because there are no quoted market prices in an active market and these investments are classified as available-for-sale. Loblaw has no intention of disposing of these equity investments.

As at Dec. 31, 2007

($ millions)	Financial derivatives designated in a cash flow hedge	Financial instruments required to be classified as held-for-trading	Financial instruments designated as held-for-trading	Available-for-sale instruments measured at fair value	Loans and receivables	Other financial liabilities	Total carrying amount	Total fair value
Cash and cash equivalents, short term investments and security deposits included in other assets			$ 1,512	$ 444			$ 1,956	$ 1,956
Derivatives included in accounts receivable	$ 1	$ 20					21	21
Other receivables					$ 1,120		1,120	1,120
Other financial assets included in other assets			157(1)		185		342	342
Available-for-sale securities included in other assets				16			16	16
Derivatives included in other assets	184	466					650	650
Total financial assets	$ 185	$ 486	$ 1,669	$ 460	$ 1,305		$ 4,105	$ 4,105
Accounts payable and accrued liabilities						$ 3,322	$ 3,322	$ 3,322
Short term borrowings						944	944	944
Long term debt						5,926	5,926	6,090
Derivatives included in other liabilities		$ 203					203	203
Total financial liabilities		$ 203				$ 10,192	$ 10,395	$ 10,559

(1) Domtar investment included in other assets as at December 31, 2007.

The equity investment in Loblaw franchises is measured at cost of $134 million because there are no quoted market prices in an active market and these investments are classified as available-for-sale. Loblaw has no intention of disposing of these equity investments.

The following table summarizes the change in fair value of financial assets and financial liabilities, including non-financial derivatives, classified as held-for-trading, recognized in net earnings:

	12 Weeks Ended			
	Mar. 22, 2008		Mar. 24, 2007	
($ millions)	**Designated as held-for-trading**	**Required to be classified as held-for-trading**	Designated as held-for-trading	Required to be classified as held-for-trading
Cash equivalents, short term investments and security deposits included in other assets	**$ (22)**			
Retained interest	**(1)**		$ 1	
Electricity forward		**(2)**		$ (3)
Embedded currency derivative		**2**		
Interest rate swaps		**6**		
Cross currency basis swaps		**18**		
Equity forward sale agreement based on 9.6 million Loblaw common shares		**(61)**		(29)
Commodity derivatives fair value adjustment		**(24)**		
Equity swaps and forwards associated with stock-based compensation		**42**		19
Exchangeable shares of Domtar (Canada) Paper Inc.[1]	**27**		(26)	
Fair value loss (gain)	**$ 4**	**$ (19)**	$ (25)	$ (13)

(1) The impact of this fair value adjustment in operating income is substantially offset by the re-measurement of the Exchangeable Debentures.

18. 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. 22, 2008**	Mar. 24, 2007
Equity derivatives loss	**$ 39**	$ 15
Restricted share unit plan (income) expense	**(1)**	4
Net stock-based compensation cost	**$ 38**	$ 19

Stock Option Plan During the first quarter of 2008, Weston granted 219,349 (2007 – 689,192) stock options with an exercise price of $46.24 (2007 – $72.21) per common share. Weston also paid the share appreciation value of nil (2007 – $0.4 million) on the exercise of nil (2007 – 15,600) stock options and share appreciation rights. In addition, 88,968 (2007 – 87,027) stock options and share appreciation rights were forfeited or cancelled during the first quarter of 2008.

Loblaw granted 3,303,557 (2007 – 3,885,439) stock options with an exercise price of $28.95 (2007 – $47.44) per common share during the first quarter. Loblaw paid the share appreciation value of nil (2007 – a nominal amount) on the exercise of nil (2007 – 102,000) stock options. In addition, 264,185 (2007 – 525,614) stock options were forfeited or cancelled during the first quarter of 2008.

At the end of the first quarter of 2008 a total of 2,072,702 (2007 – 2,074,830) Weston stock options were outstanding, which represented approximately 1.6% (2007 – 1.6%) of Weston's issued and outstanding common shares. The stock options were within the Company's guideline of 5% of the total number of outstanding common shares.

Restricted Share Units ("RSU") Plan Under its existing RSU plan, Weston granted 27,732 (2007 – 32,636) RSUs to 38 (2007 – 35) employees in the first quarter of 2008. In addition 4,197 (2007 – 1,060) RSUs were cancelled and nil (2007 – 558) RSUs were settled in cash in the first quarter of 2008.

Under its existing RSU plan, Loblaw granted 352,268 (2007 – 281,820) RSUs to 316 (2007 – 289) employees in the first quarter. In addition, 20,163 (2007 – 57,691) RSUs were cancelled and 200,779 (2007 – 54,357) were paid out in the amount of $7 million (2007 – $3 million) in the first quarter of 2008.

At the end of the first quarter of 2008, a total of 313,894 (2007 – 329,929) Weston and 900,013 (2007 – 919,724) Loblaw RSUs were outstanding.

19. Risk Management
The Company is exposed to the following risks as a result of holding financial instruments: credit risk, market risk and liquidity risk. The Company's risk management practices are more fully described in note 24 of the annual consolidated financial statements for the year ended December 31, 2007. The following is a description of those risks and how the exposures are managed:

Credit Risk The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations, or if there is a concentration of transactions carried out with the same counterparty or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. Exposure to credit risk relates to derivative instruments, cash equivalents, short term investments and security deposits, amounts receivable from Weston Foods customers and suppliers, *PC Bank's* credit card receivables and accounts receivables from independent franchisees, associates and independent accounts.

The Company may be exposed to losses if a counterparty to the Company's financial or non-financial derivative agreements fails to fulfill its obligations.

The Company's maximum exposure to credit risk as it relates to derivative instruments is represented by the fair value of the derivatives on the balance sheet (see note 17).

See note 9 for additional information on the credit quality performance of *PC* Bank's credit card receivables, Loblaw accounts receivable from independent franchisees, associated stores and independent accounts and Weston Foods customers.

Market Risk Market risk is the loss that may arise from changes in market factors such as interest rates, foreign currency exchange rates, commodity prices and common share prices.

Interest Rate Risk The Company is exposed to interest rate risk which it manages through the use of interest rate swaps. The Company's interest rate risk arises from the issuance of Medium Term Notes, short term debt and commercial paper net of its cash and cash equivalents, short term investments and security deposits included in other assets. The Company manages fluctuations in its interest expense through its exposure to a mix of fixed and variable interest rates.

The Company estimates that a 100 basis point increase (decrease) in interest rates, with all other variables held constant, would result in an increase (decrease) of $7 million to interest expense and other financing charges.

Foreign Currency Exchange Rate Risk Loblaw is exposed to foreign currency exchange rate variability primarily on its United States dollar denominated cash and cash equivalents, short term investments and security deposits included in other assets. To manage its foreign currency exchange rate exposure, Loblaw enters into cross currency basis swaps. As a result, a significant strengthening (weakening) of the Canadian dollar against the US dollar, with all other variables held constant, would have no significant impact on net earnings before income taxes and minority interest.

Commodity Price Risk The Company is exposed to increases in the prices of commodities. To manage this exposure, Loblaw uses purchase commitments for a portion of its needs for certain consumer products that may be commodities based and Loblaw expects to take delivery of these consumer products in the normal course of business. A non-financial derivative contract with a notional value of $31 million is used to hedge electricity price risk for a portion of Loblaw's expected electricity consumption in Alberta. In addition, the Company uses exchange traded futures and options to manage its anticipated exposure to fluctuations in commodity prices. The Company estimates that a 10% increase (decrease) of relevant commodity prices, with all other variables held constant, would result in a net gain (loss) of $27 million on net earnings before income taxes and minority interest.

Common Share Price Risk Weston and Loblaw enter into equity derivatives to manage exposure to fluctuations in stock-based compensation cost as a result of changes in the market prices of the respective underlying common shares. The equity derivatives allow for various methods of settlement including net settlement. These derivatives change in value as the market prices of the respective underlying common shares change and provide a partial offset to fluctuations in stock-based compensation cost, including RSU plan expense. The partial offset between stock-based compensation costs, including RSU plan expense, and the equity derivatives is effective when the market price of the respective underlying common shares exceeds the exercise price of the related employee stock options. When the market price of the respective underlying common shares is lower than the exercise price of the related employee stock options, only RSUs will provide a partial offset to these equity derivatives. The amount of net stock-based compensation cost recorded in operating income is mainly dependent upon the number of unexercised stock options and RSUs and their vesting schedules relative to the number of respective underlying common shares on the equity derivatives and the level of and fluctuations in the market price of the respective underlying common shares. A 5% increase (decrease) in the respective underlying shares of the equity swaps and forwards, with all other variables held constant, would result in a gain (loss) of $11 million in net earnings before income taxes and minority interest.

Weston's equity forward sale agreement based on 9.6 million Loblaw common shares which matures in 2031 will be settled in cash as follows: Weston will receive the forward price and will pay the market value of the underlying Loblaw common shares at maturity. The obligation of Weston under this forward is secured by the underlying Loblaw common shares. Weston entered into this forward to partially offset any repayment risk associated with its Series A, 7.00% and Series B Debentures. Further, if the market value of the underlying Loblaw common shares exceeds the obligation of Weston under this forward, a portion of the proceeds from a future sale of these shares may be used to satisfy the obligation under this forward contract upon termination or maturity. At maturity, if the forward price is greater than the market price, Weston will receive a cash amount equal to the difference. If the forward price is less than the market price, Weston will pay a cash amount equal to the difference. A 5% increase (decrease) in the underlying shares of the equity forward, with all other variables held constant, would result in a loss (gain) of $14 million in net earnings before income taxes and minority interest. Any cash paid under the forward contract could be offset by the sale of Loblaw common shares.

Liquidity Risk Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company meets liquidity requirements by holding assets that can be readily converted into cash, and by managing cash flows.

The Company's ability to obtain funding from external sources may be restricted by further downgrades in the Company's credit ratings if the Company's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its short term and long term debt requirements. The Company mitigates these risks by actively maintaining appropriate levels of cash and cash equivalents, short term investments and security deposits, actively monitoring market conditions and diversifying its sources of funding and maturity profile.

The following are the undiscounted contractual maturities of significant financial liabilities as at March 22, 2008:

($ millions)	2008 Remaining	2009	2010	2011	2012	Thereafter	Total
Interest rate swaps payable(1)	$ 13	$ 13	$ 13	$ 13	$ 5		$ 57
Equity swaps and forwards associated with stock-based compensation(2)			207	36	26	$ 163	432
Long term debt including fixed interest payments(3)(4)	629	693	593	932	259	7,739	10,845
	$ 642	$ 706	$ 813	$ 981	$ 290	$ 7,902	$ 11,334

(1) Based on the pay fixed interest which will be partially offset by the floating interest received.
(2) Based on the average cost base as at March 22, 2008.
(3) Based on the maturing face values and annual interest for each instrument as well as annual payment obligations for VIEs, mortgages and capital leases.
(4) Excludes the Exchangeable Debentures which were redeemed subsequent to the first quarter of 2008 (see note 14).

The Company's bank indebtedness, commercial paper, short term bank loans and accounts payable and accrued liabilities are short term in nature, and as such are all due within the next 12 months.

20. Contingencies, Commitments and Guarantees

Guarantees – Independent Funding Trust Certain independent franchisees of Loblaw obtain financing through a structure involving independent trusts, which were created to provide loans to the independent franchisees to facilitate their purchase of inventory and fixed assets, consisting mainly of fixtures and equipment. These trusts are administered by a major Canadian chartered bank. The independent funding trust within the structure had financed its activities through the issuance of short term asset-backed commercial paper ("ABCP") to third-party investors. The independent funding trust had a global style liquidity agreement from a major Canadian chartered bank in the event that it was unable to issue short term ABCP. The gross principal amount of loans issued to the Loblaw's independent franchisees outstanding at the end of the first quarter of 2008 was $402 million (2007 – $411 million) including $165 million (2007 – $136 million) of loans payable by VIEs consolidated by Loblaw. Based on a formula, Loblaw agreed to provide credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trust equal to approximately 10% of the principal amount of the loans outstanding at any point in time, $44 million (2007 – $44 million) as of the end of the first quarter of 2008.

Neither the independent funding trust nor the Company could voluntarily terminate the agreement prior to December 2009, and following that date only upon six months' prior notice. Automatic termination of the agreement could occur only if specific, predetermined events occurred and were not remedied within the time periods required, including downgrades of Loblaw below a long term credit rating of "A (low)" or a short term credit rating of "R-1 (low)" as issued by DBRS. On February 7, 2008, DBRS downgraded Loblaw's long term credit rating to "BBB (high)" from "A (low)" and also lowered Loblaw's short term credit rating to "R-2 (high)" from "R-1 (low)". Subsequent to the DBRS downgrades, Loblaw was notified that an Event of Termination of the independent funding trust agreement for Loblaw's franchisees had occurred as a result of the credit rating downgrades. The $44 million (2007 − $44 million) standby letter of credit provided to the independent funding trust by Loblaw was not drawn upon.

Subsequent to the first quarter of 2008, Loblaw finalized an alternative financing arrangement for the independent funding trust with a syndicate of banks, in the form of a $475 million, 364-day revolving committed credit facility for the benefit of its franchisees. Based on a formula, Loblaw agreed to provide credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trust equal to approximately 15% of the principal amount of the loans outstanding at any point in time, $66 million as of the closing of the credit facility. This credit enhancement allows the independent funding trust to provide favourable financing terms to Loblaw's independent franchisees. As well, each independent franchisee provides security to the independent funding trust for its obligations by way of a general security agreement. In the event that an independent franchisee defaults on its loan and Loblaw has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trust would assign the loan to Loblaw and draw upon this standby letter of credit. Loblaw has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

This new alternative financing will result in a higher financing cost to the franchisees, which in turn could adversely affect operating results. The new financing structure will be reviewed to determine if there are any implications with respect to the consolidation of VIEs.

Legal Proceedings During the first quarter of 2007, the Company 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 those of 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 and are seeking, among other demands, damages of $1 billion. The action is framed as a representative action on behalf of all the beneficiaries of the multi-employer pension plan. Subsequent to the first quarter of 2008, the Company received confirmation that the action against the Company and Loblaw has been dismissed, but the action against the trustees is ongoing. One of the trustees, an officer of Loblaw, may be entitled to indemnification from Loblaw.

In addition to the claims 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.

21. Comparative Information

Certain prior year's information was reclassified to conform with the current year presentation. Security deposits which were previously presented as cash and cash equivalents and short term investments on the consolidated balance sheet are now included in other assets on the consolidated balance sheet and total $445 million (March 31, 2007 – $442 million; December 31, 2007 – $419 million) as at March 22, 2008. These securities represent government treasury bills and treasury notes and government-sponsored debt securities that wholly-owned subsidiaries of the Company are required to place with counterparties as collateral to maintain outstanding equity swap and forward portfolios and insurance activities. The amount of the required security deposits will fluctuate.

22. 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 2007 Annual Report. The Company measures each segment's performance based on operating income. No segment is reliant on any single external customer.

	12 Weeks Ended	
($ millions)	**Mar. 22, 2008**	Mar. 24, 2007
Sales		
Weston Foods	**$ 1,013**	$ 1,061
Loblaw	**6,527**	6,347
Intersegment	**(203)**	(187)
Consolidated	**$ 7,337**	$ 7,221
Operating Income		
Weston Foods	**$ 99**	$ 77
Loblaw	**153**	132
Consolidated	**$ 252**	$ 209

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, 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.

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Weston

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