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2008

Quarterly Report to Shareholders
George Weston Limited
40 Weeks Ended October 4, 2008

Weston

Weston

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 sales growth, anticipated cost savings or 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; increased costs relating to utilities, including electricity, and fuel; 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 and reformulated products; unanticipated results associated with the Company’s strategic initiatives, including the impact of dispositions of businesses on the Company’s future revenues and earnings; 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 which could lead to work stoppages; 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 derivative 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; any requirement of the Company to make contributions to its registered funded defined benefit pension plans in excess of those currently contemplated; 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 19 of this Quarterly Report, include: there is no material change in economic conditions; patterns of consumer spending and preferences remain reasonably consistent with historical trends; there is no significant change in competitive conditions, or in the mix of the Company’s assets or businesses; whether related to new competitors or current competitors; there are no unexpected changes 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 adverse change in the Company’s access to liquidity; 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)	16 Weeks Ended			40 Weeks Ended		
	Oct. 4, 2008	Oct. 6, 2007	Change	Oct. 4, 2008	Oct. 6, 2007	Change
Sales	\$ 10,611	\$ 10,163	4.4%	\$ 25,795	\$ 25,123	2.7%
Operating income	\$ 413	\$ 376	9.8%	\$ 1,005	\$ 913	10.1%
Operating margin	3.9%	3.7%		3.9%	3.6%	
Interest expense and other financing charges	\$ 87	\$ 49	77.6%	\$ 216	\$ 203	6.4%
Net earnings	\$ 179	\$ 179	0.0%	\$ 428	\$ 412	3.9%
Basic net earnings per common share (\$)	\$ 1.28	\$ 1.25	2.4%	\$ 3.03	\$ 2.85	6.3%
EBITDA ⁽¹⁾	\$ 638	\$ 592	7.8%	\$ 1,553	\$ 1,461	6.3%
EBITDA margin ⁽¹⁾	6.0%	5.8%		6.0%	5.8%	
Free cash flow ⁽¹⁾	\$ 62	\$ 232	(73.3)%	\$ (222)	\$ 227	(197.8)%

Net earnings for the third quarter of 2008 were \$179 million, which were consistent with the same period in 2007, and basic net earnings per common share of \$1.28 compared to \$1.25 for the same period in 2007, an increase of 2.4%.

Sales in the third quarter of 2008 were \$10.6 billion compared to \$10.2 billion for the same period in 2007, an increase of 4.4%. The impact of foreign currency translation on the Weston Foods operating segment negatively impacted consolidated sales growth by approximately 0.1% for the third quarter of 2008.

Operating income for the third quarter of 2008 was \$413 million compared to \$376 million in the same period in 2007, an increase of 9.8%. Consolidated operating margin of 3.9% for the third quarter increased compared to 3.7% for the same period in 2007. Year-over-year changes in the following items together with additional factors outlined in the MD&A influenced the Company's operating income in the third quarter of 2008 compared to the same period in 2007:

- a charge of \$3 million (2007 – \$33 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 \$0.01 (2007 – \$0.12);
- income of \$3 million (2007 – a charge of \$30 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 income of \$0.01 (2007 – a charge of \$0.18);
- a charge of \$63 million (2007 – income of \$13 million) related to the commodity derivatives fair value adjustment at Weston Foods. The effect on basic net earnings per common share was a charge of \$0.31 (2007 – income of \$0.06);
- income of nil (2007 – \$1 million) related to the fair value adjustment of the Domtar (Canada) Paper Inc. shares, net of the re-measurement of the Weston 3% Exchangeable Debentures. The effect on basic net earnings per common share was income of nil (2007 – charge of \$0.06); and
- income of nil (2007 – \$7 million) related to the curtailment of a post-retirement plan at Weston Foods. The effect on basic net earnings per common share was income of nil (2007 – \$0.03).

(1) See Non-GAAP Financial Measures on page 19.

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

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Excluding the impact of the specific items noted above, operating income in the third quarter of 2008 improved compared to the same period in 2007. The Weston Foods operating segment experienced significant increases in the price of flour, fuel and other input items as compared to the third quarter of 2007. However, a combination of pricing actions, changes in sales mix, and cost reduction initiatives resulted in positive operating income growth in the third quarter, after excluding the impact of the specific items noted above, as compared to the third quarter of 2007. Third quarter results at Loblaw showed some signs of progress towards its goal of becoming an effective selling organization. Loblaw also continued to realize benefits from improved buying, cost management and operating procedures.

Interest expense and other financing charges for the third quarter of 2008 increased 77.6% to \$87 million from \$49 million in 2007, primarily due to lower net short term investment income, dividends on capital securities and decreased non-cash income related to the accounting for Weston's 2001 forward sale agreement of 9.6 million Loblaw common shares of \$17 million (2007 – \$44 million), which resulted in a basic net earnings per common share non-cash income of \$0.10 (2007 – \$0.24).

The effective income tax rate decreased to 25.2% in the third quarter of 2008 compared to 30.9% for the same period in 2007, primarily due to a change in the proportions of taxable income earned across different tax jurisdictions and lower Canadian federal and certain provincial statutory income tax rates relative to the third quarter of 2007, which was partially offset by an increase in income tax accruals relating to certain income tax matters.

Free cash flow⁽¹⁾ for the third quarter of 2008 was \$62 million compared to \$232 million in the third quarter of 2007. The change was primarily due to a decrease in cash flows from operating activities, specifically working capital of \$128 million, partially offset by a decrease in capital expenditures of \$21 million compared to the third quarter last year. On a year-to-date basis, free cash flow⁽¹⁾ was negative \$222 million compared to positive \$227 million in 2007. The year-to-date change was primarily due to a decrease in cash flows from working capital of \$332 million and a decrease in net earnings before minority interest, excluding restructuring and other charges of \$126 million, partially offset by a decrease in capital expenditures of \$57 million.

During the third quarter of 2008, Loblaw completed two financing transactions which generated \$518 million. In June 2008, a preferred share public offering for net proceeds of \$218 (net of transactions costs), was closed and in September 2008, \$300 million of credit card receivables were securitized. The proceeds enabled Loblaw to repay short term borrowings from its \$800 million credit facility. As at October 4, 2008, \$273 million was drawn on this five year committed credit facility.

OPERATING SEGMENTS

Weston Foods

Weston Foods sales for the third quarter of 2008 of \$1.4 billion increased 8.5% compared to the third quarter of 2007. Foreign currency translation negatively impacted reported sales growth by approximately 0.6%. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by 10.9% for the third quarter of 2008. Overall volume decreased by 1.8% for the third quarter of 2008 when compared to the same period in 2007, as growth in certain higher margin categories was more than offset by declines in other categories.

Weston Foods operating income for the third quarter of 2008 was \$104 million compared to \$128 million in the same period in 2007, a decrease of 18.8%. Weston Foods operating margin for the third quarter was 7.4% compared to 9.9% in the same period in 2007. Excluding the impact of restructuring and other charges, the net effect of stock-based compensation and the associated equity derivatives, the commodity derivatives fair value adjustment, the Domtar fair value adjustment and the curtailment of a post-retirement plan, which are more fully described in the MD&A, Weston Foods operating income growth was strong. The commodity derivatives fair value adjustment negatively impacted the year-over-year change in Weston Foods operating income in the third quarter of 2008 by \$76 million or 64.0 percentage points. Weston Foods experienced significant increases in the price of flour, fuel and other input items as compared to the third quarter of 2007, but was able to increase prices and manage its sales mix towards higher margin products to offset the higher costs. The benefits realized from the continued focus on cost reduction initiatives, including restructuring activities, had a

(1) See Non-GAAP Financial Measures on page 19.

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positive impact on operating income. In addition, during the third quarter of 2008, a reduction in insurance reserves, as more fully described in the MD&A, resulted in a benefit being recorded in operating income.

Subsequent to the end of the third quarter of 2008, Weston Foods entered into an agreement to sell the net assets of its Dairy and bottling operations in Canada to Saputo Inc. for cash proceeds of \$465 million. The sale is subject to regulatory approval and is expected to close before the end of 2008. The Dairy and bottling operations generate approximately \$600 million of annual sales and annual EBITDA⁽¹⁾ of approximately \$50 million for Weston Foods. At the time the transaction was announced, the Chairman of Weston noted that the transaction will enable the Dairy and bottling business to grow as part of Saputo Inc., Canada's largest dairy producer. Weston has consistently demonstrated that it is prepared to dispose of assets if it is in the best interests of the Company and its shareholders to do so. The sale is consistent with that approach.

Loblaw

Loblaw sales for the third quarter of 2008 increased 3.9% or \$356 million to \$9.5 billion compared to the third quarter of 2007. Same-store sales in the quarter increased by 3.0%. Sales and same-store sales growth in the third quarter of 2008 were negatively impacted by approximately 0.7% as a result of the shift of the Thanksgiving holiday into the fourth quarter of 2008. Total sales growth in both food and drugstore were good in the quarter. General merchandise sales declined compared to the third quarter of 2007 due to unseasonable weather and the markdown of merchandise to sell through seasonal inventory. Gas bar sales continued to be strong in the third quarter as a result of fuel price inflation as well as volume growth. Positive customer count growth was achieved in the third quarter of 2008, while item count growth remained flat versus the same period last year. Moderate internal retail food price inflation was experienced in the third quarter of 2008.

Loblaw operating income for the third quarter of 2008 was \$309 million compared to \$248 million in the same period in 2007, an increase of 24.6%. Loblaw operating margin was 3.3% for the third quarter compared to 2.7% in the same period in 2007. Excluding the impact of restructuring and other charges and the net effect of stock-based compensation and the associated equity forwards, which are more fully described in the MD&A, operating income and operating margin increased in the third quarter of 2008 compared to the third quarter of 2007, primarily due to higher sales and the impact of Loblaw's cost reduction initiatives.

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.

Despite challenging market conditions, Weston Foods expects satisfactory operating performance for the remainder of 2008 but it is difficult to predict the impact on reported earnings of mark to market adjustments resulting from a continuation of volatility in commodity markets, changes in the net effect of stock-based compensation and the associated equity derivatives and the other items noted above under Consolidated Results of Operations. Weston Foods will continue its efforts to satisfy consumer and customer needs, manage product mix, improve productivity and reduce costs in an uncertain economic environment.

Loblaw remains focused on delivering profitable sales momentum, driven by efforts in food renewal, store enhancements, innovation, infrastructure, and improving value for its customers. While continued progress in cost and operating efficiencies are expected to support these investments, it is anticipated that the unpredictable economy and aggressive competitive environment will further challenge results for the remainder of 2008 and into 2009.

[signed]

W. Galen Weston
Chairman and President

Toronto, Canada
November 17, 2008

(1) See Non-GAAP Financial Measures on page 19.

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

Management's Discussion and Analysis

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 22 to 48 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 included in other assets 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 November 17, 2008, unless otherwise noted.

CONSOLIDATED RESULTS OF OPERATIONS

Sales Sales for the third quarter of 2008 increased 4.4%, or \$448 million, to \$10.6 billion from \$10.2 billion in the third quarter of 2007. On a year-to-date basis, sales increased 2.7% to \$25.8 billion. The impact of foreign currency translation on the Weston Foods operating segment negatively impacted consolidated sales growth by approximately 0.1% for the third quarter of 2008 and 0.7% on a year-to-date basis. When compared to the same period last year, the Company's consolidated sales for the third quarter of 2008 were impacted by each of its reportable operating segments as follows:

- Positively by 1.1% at Weston Foods as a result of a sales increase of 8.5%, which included the negative impact of foreign currency translation on reported sales growth of approximately 0.6%. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by 10.9% for the third quarter of 2008. Overall volume decreased 1.8% for the third quarter of 2008 when compared to the same period in 2007, with the positive impact of growth in certain higher margin categories being more than offset by declines in other categories.
- Positively by 3.5% due to sales growth of 3.9% at Loblaw. Same-store sales in the quarter increased by 3.0%. Sales and same-store sales growth in the third quarter of 2008 were negatively impacted by approximately 0.7% as a result of a shift of the Thanksgiving holiday into the fourth quarter of 2008. Total sales growth in both food and drugstore were good in the quarter. General merchandise sales declined compared to the third quarter of 2007 due to unseasonable weather and the markdown of merchandise to sell through seasonal inventory. Gas bar sales continued to be strong in the third quarter as a result of fuel price inflation as well as volume growth. Positive customer count growth was achieved in the third quarter of 2008, while item count growth remained flat versus the same period last year. Moderate internal retail food price inflation was experienced in the third quarter of 2008.

Operating Income Operating income for the third quarter of 2008 was \$413 million compared to \$376 million in 2007, an increase of 9.8%. The Company's third quarter 2008 operating margin increased to 3.9% from 3.7% in the comparable period of 2007.

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

- a charge of \$3 million (2007 – \$33 million) related to restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw;
- income of \$3 million (2007 – a charge of \$30 million) related to the net effect of stock-based compensation and the associated equity derivatives of both Weston and Loblaw. The amount of net stock-based compensation cost recorded in operating income is mainly dependent 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;

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- a charge of \$63 million (2007 – income of \$13 million) related to the 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;
- income of nil (2007 – \$1 million) related to the fair value adjustment of the Domtar (Canada) Paper Inc. shares, net of the re-measurement of the Weston 3% Exchangeable Debentures; and
- income of nil (2007 – \$7 million) related to the curtailment of a post-retirement plan at Weston Foods.

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

- Negatively by 6.4% due to a decrease of 18.8% in operating income at Weston Foods, with operating margin decreasing to 7.4% compared to 9.9% in 2007. Excluding the impact of restructuring and other charges, the net effect of stock-based compensation, the commodity derivative fair value adjustment, the Domtar fair value adjustment and the curtailment of a post-retirement plan, operating income increased in the third quarter of 2008 compared to the same period in 2007, and was positively impacted by price increases and changes in sales mix, and the benefits realized from the continued focus on cost reduction initiatives, including completed restructuring activities. The commodity derivatives fair value adjustment negatively impacted the year-over-year change in operating income in the third quarter of 2008 by \$76 million or 64.0 percentage points.
- Positively by 16.2% due to an increase of 24.6% in operating income at Loblaw, with operating margin increasing to 3.3% compared to 2.7% in 2007. Excluding the impact of restructuring and other charges and the net effect of stock-based compensation, operating income and operating margin increased in the third quarter of 2008 compared to the same period in 2007. Loblaw's focus on cost reduction, including shrink initiatives has improved margins in the third quarter of 2008 compared to the third quarter of 2007. Buying synergies and more disciplined vendor management are resulting in lower purchase costs for both merchandise and not-for-resale items.

Year-to-date operating income for 2008 was \$1,005 million compared to \$913 million in 2007, an increase of 10.1%. Operating margin for 2008 year-to-date was 3.9% compared to 3.6% in 2007.

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

- a charge of \$11 million (2007 – \$188 million) related to restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw;
- a charge of \$22 million (2007 – \$32 million) related to the net effect of stock-based compensation and the associated equity derivatives of both Weston and Loblaw;
- a charge of \$73 million (2007 – income of \$25 million) related to the commodity derivatives fair value adjustment at Weston Foods;
- income of \$7 million (2007 – nil) related to the redemption of the remaining outstanding Weston 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares;
- income of nil (2007 – \$1 million) related to the fair value adjustment of the Domtar (Canada) Paper Inc. shares, net of the re-measurement of the Weston 3% Exchangeable Debentures; and
- income of nil (2007 – \$7 million) related to the curtailment of a post-retirement plan at Weston Foods.

EBITDA⁽¹⁾ increased by \$46 million or 7.8%, to \$638 million in the third quarter of 2008 compared to \$592 million in the third quarter of 2007. On a year-to-date basis EBITDA⁽¹⁾ increased by \$92 million or 6.3% to \$1,553 million compared to \$1,461 million in 2007. EBITDA margin⁽¹⁾ for both the third quarter and on a year-to-date basis increased to 6.0% from 5.8% in 2007, positively impacted by higher EBITDA margins⁽¹⁾ at Loblaw and partially offset by lower EBITDA margins⁽¹⁾ at Weston Foods.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the third quarter of 2008 increased \$38 million, or 77.6%, to \$87 million from \$49 million in the third quarter of 2007. The change was mainly the result of:

- non-cash income of \$17 million compared to income of \$44 million in 2007 which was recorded in other financing charges, related to the fair value adjustment of Weston's forward sale agreement for 9.6 million

(1) See Non-GAAP Financial Measures on page 19.

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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;

- net short term interest income of \$3 million compared to \$13 million in 2007, primarily due to lower interest rates on United States dollar denominated cash, cash equivalents and short term investments; and
- dividends on capital securities of \$9 million compared to nil in 2007;

partially offset by:

- interest expense on financial derivative instruments of \$1 million compared to an expense of \$7 million in 2007 which includes the effect of the Company's interest rate swaps, cross currency basis swaps, fixed cross currency swaps and equity derivatives.

Year-to-date interest expense and other financing charges increased by \$13 million to \$216 million from \$203 million in 2007. This increase was primarily due to the impact of lower net short term interest income and dividends on capital securities, partially offset by the impact of lower interest expense on financial derivatives in 2008 compared to 2007 and higher non-cash income of \$41 million (2007 – \$31 million) related to the fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw common shares.

Income Taxes The effective income tax rate decreased to 25.2% in the third quarter of 2008 compared to 30.9% in the third quarter of 2007 and on a year-to-date basis increased to 27.6% from 26.8%. The decrease in the third quarter of 2008 when compared to the same period in 2007 was primarily due to a change in the proportions of taxable income earned across different tax jurisdictions and lower Canadian federal and certain provincial statutory income tax rates relative to the third quarter of 2007 which was partially offset by an increase in income tax accruals relating to certain income tax matters. The year-to-date 2008 increase in the effective income tax rate when compared to the same period in 2007 was primarily due to an increase in income tax accruals relating to certain income tax matters which was partially offset by a change in the proportions of taxable income earned across different tax jurisdictions and lower Canadian federal and certain provincial statutory income tax rates relative to the prior year period.

Net Earnings Net earnings for the third quarter of 2008 remained consistent with the same period in 2007, at \$179 million. On a year-to-date basis, net earnings increased \$16 million, or 3.9%, to \$428 million from \$412 million in 2007. Basic net earnings per common share for the third quarter of 2008 increased \$0.03, or 2.4%, to \$1.28 from \$1.25 in 2007 and year-to-date increased \$0.18 or 6.3%, to \$3.03 from \$2.85 in 2007.

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

- a \$0.01 per common share charge (2007 – \$0.12) related to restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw;
- \$0.01 per common share income (2007 – \$0.18 per common share charge) related to the net effect of stock-based compensation and the associated equity derivatives of both Weston and Loblaw;
- a \$0.31 per common share charge (2007 – \$0.06 per common share income) related to the commodity derivatives fair value adjustment at Weston Foods;
- \$0.10 per common share non-cash income (2007 – \$0.24) related to the accounting for Weston's 2001 forward sale agreement of Loblaw common shares;
- nil per common share charge (2007 – \$0.06) 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; and
- nil per common share income (2007 – \$0.03) related to the curtailment of a post-retirement plan at Weston Foods.

The 2008 year-to-date basic net earnings per common share were affected by the following factors compared to 2007:

- a \$0.05 per common share charge (2007 – \$0.59) related to restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw;

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- a \$0.15 per common share charge (2007 – \$0.22) related to the net effect of stock-based compensation and the associated equity derivatives of both Weston and Loblaw;
- a \$0.36 per common share charge (2007 – \$0.12 per common share income) related to the commodity derivatives fair value adjustment at Weston Foods;
- \$0.24 per common share non-cash income (2007 – \$0.17) related to the accounting for Weston's 2001 forward sale agreement of Loblaw common shares;
- a \$0.03 per common share charge (2007 – \$0.04) 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;
- \$0.04 per common share income (2007 – nil) related to the redemption of the remaining outstanding Weston 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares; and
- nil per common share income (2007 – \$0.03) related to the curtailment of a post-retirement plan at Weston Foods.

REPORTABLE OPERATING SEGMENTS

Weston Foods

Sales Weston Foods sales for the third quarter of 2008 of \$1.4 billion increased 8.5% compared to the same period in 2007. Foreign currency translation negatively impacted reported sales growth by approximately 0.6%. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by 10.9% for the third quarter of 2008. Overall volume decreased 1.8% for the third quarter of 2008 when compared to the same period in 2007, with the positive impact of growth in certain higher margin categories being more than offset by declines in other categories.

On a year-to-date basis, sales of \$3.4 billion increased 2.5% compared to the same period in 2007. Foreign currency translation negatively impacted reported sales growth by approximately 5.4%. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by 8.6% for year-to-date 2008. Overall volume decreased 0.7% on a year-to-date basis and was positively impacted by growth in certain higher margin categories being offset by declines in other categories.

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

Fresh bakery sales increased approximately 13.0% in the third quarter of 2008 and 11.3% year-to-date compared to the same periods in 2007, driven by price increases in key product categories combined with changes in sales mix. For the third quarter of 2008 and on a year-to-date basis, branded volume increases in the *Thomas'* and *Arnold* brands in the United States and *D'Italiano* brand in Canada were offset by volume declines in other categories. 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'* 100 Calorie Bagel, *Thomas'* 100 Calorie English Muffin, *Arnold* Double Breads, *Arnold* Sandwich Thins, *Arnold* Soft Naturals, *D'Italiano* Thintinis, *Gadoua Vitalité*, *Wonder+ Headstart* and products under the *Weight Watchers*[®] licensed brand, contributed positively to branded sales growth during the third quarter of 2008 and year-to-date.

Fresh-baked sweet goods sales, primarily sold under the *Entenmann's* brand, increased approximately 4.2% in the third quarter of 2008 and 2.0% year-to-date compared to the same periods in 2007, mainly due to price increases and focused promotional activity. For the third quarter of 2008 and on a year-to-date basis, volumes remained lower than 2007 due to softness in certain full-size categories, including the impact of item rationalization, partially offset by volume growth in certain hand-held categories, including *Entenmann's Little Bites* and *Entenmann's Donuts*.

Frozen bakery sales increased approximately 6.2% in the third quarter of 2008 and 7.3% year-to-date compared to the same periods in 2007, driven mainly by price increases combined with changes in sales mix, offset by lower volumes which were negatively impacted by the timing of customer orders in the third quarter of 2007.

Dairy and bottled beverage sales decreased approximately 0.7% in the third quarter of 2008 compared to the same period in 2007 mainly due to lower volumes. On a year-to-date basis, sales increased approximately 1.8% compared to the same period in 2007 due to price increases and improvements in the sales mix as growth continued to be experienced in a number of key categories, particularly value-added and flavored milk products.

Management's Discussion and Analysis

Biscuit sales, principally wafers, ice-cream cones, cookies and crackers, increased approximately 11.1% in the third quarter of 2008 and 7.2% year-to-date compared to the same periods in 2007, due to higher sales volumes in certain categories in the third quarter and higher volume of Girl Scout cookie sales on a year-to-date basis.

Operating Income Weston Foods operating income decreased 18.8% to \$104 million in the third quarter of 2008 from \$128 million in the same period in 2007. Operating margin was 7.4% for the third quarter of 2008 compared to 9.9% in 2007.

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

- a charge of nil (2007 – \$9 million) related to restructuring and other charges;
- income of \$12 million (2007 – a charge of \$11 million) related to the net effect of stock-based compensation and the associated equity derivatives;
- a charge of \$63 million (2007 – income of \$13 million) related to the commodity derivatives fair value adjustment;
- income of nil (2007 – \$1 million) related to the fair value adjustment of the Domtar (Canada) Paper Inc. shares, net of the re-measurement of the Weston 3% Exchangeable Debentures; and
- income of nil (2007 – \$7 million) related to the curtailment of a post-retirement plan.

In addition, foreign currency translation negatively impacted third quarter 2008 operating income growth by approximately 0.8 percentage points.

On a year-to-date basis, Weston Foods operating income decreased 11.0% to \$282 million from \$317 million in 2007. Operating margin for 2008 was 8.2% compared to 9.4% in 2007.

The year-over-year change in the following items influenced year-to-date 2008 operating income compared to 2007:

- a charge of \$4 million (2007 – \$2 million) related to restructuring and other charges;
- income of \$2 million (2007 – a charge of \$12 million) related to the net effect of stock-based compensation and the associated equity derivatives;
- a charge of \$73 million (2007 – income of \$25 million) related to the commodity derivatives fair value adjustment;
- income of \$7 million (2007 – nil) related to the redemption of the remaining outstanding Weston 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares;
- income of nil (2007 – \$1 million) related to the fair value adjustment of the Domtar (Canada) Paper Inc. shares, net of the re-measurement of the Weston 3% Exchangeable Debentures; and
- income of nil (2007 – \$7 million) related to the curtailment of a post-retirement plan.

In addition, foreign currency translation negatively impacted year-to-date 2008 operating income growth by approximately 4.1 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. Due to significant volatility in the commodity market, Weston Foods recorded in operating income a charge of \$63 million (2007 – income of \$13 million) during the third quarter of 2008, and on a year-to-date basis a charge of \$73 million (2007 – income of \$25 million), related to the fair value adjustment of exchange traded commodity derivatives that were not designated within a hedging relationship. Despite the treatment of these commodity derivatives for accounting purposes, they have the economic impact of largely mitigating the associated risks arising from price fluctuations in the underlying commodities.

Management's Discussion and Analysis

During the third quarter of 2007, the amendment of a post-retirement benefit plan resulted in a significant reduction in the number of future years of service, thereby triggering a curtailment. Accordingly, a \$7 million pro rata portion of the unamortized past service gain from a previous plan amendment was recognized as a curtailment gain in the third quarter and year-to-date 2007.

Weston Foods operating income and operating margin for the third quarter of 2008 and year-to-date were impacted negatively by the specific items described above, in particular the change in the commodity derivatives fair value adjustment, when compared to the prior year periods. Excluding these specific items, operating income increased in the third quarter of 2008 and year-to-date compared to the same periods of 2007, 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. The commodity derivatives fair value adjustment negatively impacted the year-over-year change in operating income in the third quarter of 2008 and year-to-date by \$76 million and \$98 million or 64.0 and 32.6 percentage points, respectively. In addition, during the third quarter of 2008, a reduction in insurance reserves, relating primarily to workers' compensation benefits in the United States, resulted in a benefit of \$14 million that was recorded in operating income. This benefit was largely a result of favourable experience in workers' compensation claims and an increased focus on workplace safety programs. Pricing and other actions mitigated the impact of higher fuel costs and the inflationary cost pressures related to certain ingredients, primarily flour, oils and sugar. Gross margin decreased in the third quarter of 2008 and year-to-date mainly as a result of the commodity derivatives fair value adjustment.

Weston Foods continuously evaluates 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. The following items related to those initiatives were recorded in 2008:

- During the second quarter of 2008, Weston Foods approved a plan to close a fresh bakery manufacturing facility in Ontario. This restructuring was substantially completed as at the end of the third quarter of 2008. As a result of this restructuring plan, Weston Foods recognized \$1 million of accelerated depreciation and \$1 million of employee termination costs in the second 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, which is now complete, involved the transfer of full-size dessert cake and cookie production to other existing Weston Foods facilities. The Bay Shore location is now a more focused facility producing primarily danish and pie products. 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 costs 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 has been completed. 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.

During the second quarter of 2008, Weston purchased a frozen bakery manufacturing facility in Ontario, Canada for cash consideration of \$10 million. The acquisition was accounted for using the purchase method of accounting. The impact of the acquisition on Weston Foods' operating results was not significant. The purchase price allocation was finalized during the third quarter of 2008. The fair value of the net assets acquired consisted of \$1 million of inventories and \$10 million of fixed assets, net of current liabilities of \$1 million.

Subsequent to the end of the third quarter of 2008, Weston Foods entered into an agreement to sell the net assets of its Dairy and bottling operations in Canada for cash proceeds of \$465 million. As at October 4, 2008, the carrying value of the net assets to be sold consisted of fixed assets of \$54 million, goodwill of \$11 million and working capital of \$6 million. Prior to the closing, Weston will pay Loblaw \$65 million in consideration of Loblaw's agreement to enter into a long term supply agreement with the Dairy and bottling operations. The cash proceeds are subject to normal post-closing adjustments, including working capital. The sale is subject to regulatory approval and is expected to close before the end of 2008. The gain on disposal will be finalized on closing. The Dairy and bottling operations generate approximately \$600 million of annual sales and annual EBITDA⁽¹⁾ of approximately \$50 million for Weston Foods.

(1) See Non-GAAP Financial Measures on page 19.

Management's Discussion and Analysis

EBITDA⁽¹⁾ decreased by \$25 million, or 15.2%, to \$139 million in the third quarter of 2008 compared to \$164 million in 2007. On a year-to-date basis EBITDA⁽¹⁾ decreased by \$42 million, or 10.2%, to \$369 million compared to \$411 million in 2007. EBITDA margin⁽¹⁾ decreased in the third quarter of 2008 to 9.9% from 12.6% in 2007 and on a year-to-date basis to 10.7% from 12.2% in 2007.

Loblaw

Sales Sales for the third quarter increased by 3.9% to \$9.5 billion compared to \$9.1 billion in the third quarter of 2007. Total sales growth in both food and drugstore were good in the quarter while general merchandise sales declined compared to the third quarter of 2007 due to unseasonable weather and the markdown of merchandise to sell through seasonal inventory. Gas bar sales continued to be strong in the third quarter as a result of fuel price inflation and volume growth. Moderate internal retail food price inflation contributed to the same-store sales increase of 3.0% in the quarter.

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

- same-store sales growth of 3.0%;
- a shift in Thanksgiving holiday sales into the fourth quarter of 2008 resulted in lower sales and same-store sales growth of approximately 0.7% during the third quarter of 2008;
- continued strong gas bar sales resulting from both fuel price inflation and volume growth;
- Loblaw experienced moderate internal retail food price inflation for the third quarter of 2008 although national food price inflation as measured by "The Consumer Price Index for Food Purchased from Stores" was 5.4% for the third quarter of 2008 compared to 2.2% in the same period of 2007. This measure of inflation does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores; and
- during the third quarter of 2008, 8 new corporate and franchised stores were opened and 15 were closed, resulting in a net decrease of 0.2 million square feet or 0.3%. During the latest four quarters, net retail square footage remained flat, despite the opening of 29 new corporate and franchised stores, inclusive of stores that underwent conversions and major expansions, and the closure of 35 stores.

For the first three quarters of the year, sales increased by 2.9%, or \$640 million, to \$23.1 billion year-to-date. The following factors in addition to the quarterly factors mentioned above further explained the change in year-to-date sales over the same period in the prior year:

- same-store sales growth of 2.2%; and
- in the first three quarters, 21 new corporate and franchised stores were opened, including stores which underwent conversions and major expansions, and 27 stores closed.

Operating Income Operating income increased 24.6% to \$309 million in the third quarter of 2008 from \$248 million in the same period in 2007. Operating margin was 3.3% for the third quarter of 2008 compared to 2.7% in 2007. The increase in operating income was mainly due to lower restructuring and other charges and net stock-based compensation costs, higher sales and the cost reduction initiatives that have been implemented throughout Loblaw.

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

- a charge of \$3 million (2007 – \$24 million) related to restructuring and other charges; and
- a charge of \$9 million (2007 – \$19 million) related to the net effect of stock-based compensation and the associated equity forwards.

Excluding the above items, operating income and operating margin increased in the third quarter of 2008 compared to the same period in 2007. Loblaw's focus on cost reduction including shrink initiatives has improved operating margin in the third quarter of 2008 compared to the third quarter of 2007. Buying synergies and more disciplined vendor management are resulting in lower purchase costs for both merchandise and not-for-resale items.

(1) See Non-GAAP Financial Measures on page 19.

Management's Discussion and Analysis

Loblaws experienced higher store labour costs in the third quarter of 2008 as a result of increased wage rates and investments in training compared to the third quarter of 2007. Labour productivity decreased slightly in the third quarter of 2008 compared to the same period last year but has remained consistent on a year-to-date basis.

Year-to-date operating income increased 21.3% to \$723 million from \$596 million in 2007. Year-to-date operating margin was 3.1% compared to 2.7% in 2007.

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

- a charge of \$7 million (2007 – \$186 million) related to restructuring and other charges; and
- a charge of \$24 million (2007 – \$20 million) related to the net effect of stock-based compensation and the associated equity forwards.

Excluding the above items, year-to-date operating income for 2008 decreased compared to the same period in 2007.

EBITDA⁽¹⁾ increased by \$71 million, or 16.6%, to \$499 million in the third quarter of 2008 compared to \$428 million in the third quarter of 2007. Year-to-date EBITDA⁽¹⁾ increased by \$134 million, or 12.8%, to \$1,184 million compared to \$1,050 million in 2007. EBITDA margin⁽¹⁾ increased in the third quarter of 2008 to 5.3% from 4.7% in the comparable period of 2007. Year-to-date EBITDA margin⁽¹⁾ increased to 5.1% from 4.7% in the comparable period in 2007.

CONSOLIDATED FINANCIAL CONDITION

Financial Ratios The Company's net debt (excluding Exchangeable Debentures)⁽¹⁾ to equity ratio at the end of the third quarter of 2008 was 0.80:1 compared to 1.04:1 at the end of the same period in 2007 and to 0.96:1 at year end 2007. Equity for the purpose of calculating the net debt (excluding Exchangeable Debentures)⁽¹⁾ to equity ratio is defined by the Company as Weston's capital securities of \$263 million (October 6, 2007 – \$260 million; December 31, 2007 – \$260 million) as at October 4, 2008 and shareholders' equity. The improvement in this ratio at the end of the third quarter of 2008 compared to the end of the third quarter of 2007 and year end 2007 was primarily due to a net decrease in commercial paper and long term debt, an increase in short term investments, and an increase in equity resulting from an increase in retained earnings and a decrease in accumulated other comprehensive loss. In addition, this ratio was negatively impacted when compared to year end 2007 by an increase in short term bank loans.

The interest coverage ratio in the third quarter of 2008 decreased to 4.4 times compared to 6.8 times in the third quarter of 2007, primarily as a result of the fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaws common shares. On a year-to-date basis the interest coverage ratio increased to 4.4 times in 2008 compared to 4.2 times in 2007. The fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaws common shares positively impacted the change in the year-to-date 2008 interest coverage ratio by approximately 0.1 times when compared to 2007.

For further details on the net debt (excluding Exchangeable Debentures)⁽¹⁾ to equity ratio and interest coverage ratio, see note 17 to the unaudited interim period consolidated financial statements.

The Company's rolling year return on average total assets⁽¹⁾ at the end of the third quarter of 2008 was 7.3% compared to 1.7% in the comparable period of 2007 and 6.7% at year end 2007. The Company's rolling year return on average common shareholders' equity⁽¹⁾ was 13.0% at the end of the third quarter of 2008 compared to (1.8)% at the end of the third quarter of 2007 and 12.7% for the year end 2007 return. The ratios for the third 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 Loblaws goodwill impairment charge recorded in the fourth quarter of 2006.

Capital Securities 10.6 million Weston Preferred Shares, Series II, are authorized and were outstanding at the end of the third quarter of 2008. During the third quarter of 2008, Loblaws issued 9.0 million Second Preferred Shares, Series A. Twelve million of these shares are authorized and 9.0 million were outstanding at the end of the third quarter 2008. These preferred shares are presented as capital securities and are included in liabilities.

(1) See Non-GAAP Financial Measures on page 19.

Management's Discussion and Analysis

Outstanding Share Capital Weston's outstanding share capital is comprised of common shares and preferred shares. An unlimited number of common shares are authorized and 129.1 million common shares were outstanding at the end of the third quarter of 2008. Ten million preferred shares Series I are authorized and 9.4 million were outstanding, 10.0 million preferred shares Series III are authorized and 8.0 million were outstanding and 8.0 million preferred shares Series IV and Series V are authorized and were outstanding at the end of the third quarter of 2008.

During the second 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 price of such shares. Weston did not purchase any shares under its Normal Course Issuer Bid during the first three quarters of 2008 or in 2007.

Further information on the Company's capital securities and outstanding share capital is provided in note 17 to the unaudited interim period consolidated financial statements.

Dividends On October 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 September 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 third quarter of 2008 was maintained at the 2007 quarterly dividend rate.

Dividends on the Preferred Shares, Series II, are presented in interest expense and other financing charges in the consolidated statement of earnings.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities of Continuing Operations Third quarter 2008 cash flows from operating activities of continuing operations were \$447 million compared to \$641 million in the comparable period in 2007. On a year-to-date basis, cash flows from operating activities of continuing operations were \$555 million compared to \$1,071 million in 2007. The decreases in cash flows from operating activities of continuing operations for the third quarter were mainly due to the changes in cash flows in non-cash working capital while the year-to-date decreases were due to the changes in non-cash working capital and the decrease in net earnings before minority interest, excluding the impact of restructuring and other charges. The change in cash flows in non-cash working capital for the third quarter was primarily driven by changes in inventories, and year-to-date was mainly due to changes in inventories and accounts receivable, partially offset by changes in accounts payable and accrued liabilities.

Cash Flows used in Investing Activities of Continuing Operations Third quarter 2008 cash flows used in investing activities of continuing operations were nil compared to \$449 million in 2007. On a year-to-date basis, cash flows used in investing activities of continuing operations were \$281 million compared to \$702 million in 2007. The primary reasons for these changes were a decrease in cash flows used in short term investments, and a change in cash flows from credit card receivables, after securitization. The year-to-date change was also impacted from the sale of the Domtar (Canada) Paper Inc. investment, which funded the retirement of the Weston 3% Exchangeable Debentures, which is included in year-to-date cash flows used in financing activities. Capital investment for the third quarter amounted to \$226 million (2007 – \$247 million) and year-to-date 2008 amounted to \$459 million (2007 – \$516 million).

During the third quarter of 2008, \$300 million (2007 – \$100 million) of credit card receivables were securitized and \$300 million (2007 – \$225 million) year-to-date by *President's Choice* Bank ("PC Bank"), a wholly owned subsidiary of Loblaw, through the sale of a portion of the total interest in these receivables to an independent trust. The securitization yielded a net gain of \$1 million in 2008 (2007 – nominal net loss) 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 \$116 million (2007 – \$89 million) on a portion of the securitized amount.

Management's Discussion and Analysis

Cash Flows used in Financing Activities of Continuing Operations Third quarter 2008 cash flows used in financing activities of continuing operations were \$382 million compared to \$171 million in 2007. This increase was primarily due to an increase in cash flows used in short term bank loans, partially offset by an increase in cash flows from commercial paper and the issuance of Loblaw capital securities. On a year-to-date basis, cash flows used in financing activities of continuing operations were \$301 million compared to \$314 million in 2007. The year-to-date decrease in cash flows used in financing activities of continuing operations was primarily due to the issuance of Loblaw capital securities, offset by a net decrease in long term debt. The net decrease in year-to-date 2008 long term debt included cash flows used in the retirement of the Weston 3% Exchangeable Debentures.

In the first quarter of 2008, Loblaw entered into an \$800 million, 5-year committed credit facility, provided by a syndicate of banks, which contains 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. As at October 4, 2008, \$273 million was drawn on the new 5-year committed credit facility.

During the second quarter of 2008, Loblaw issued USD \$300 million of fixed-rate unsecured notes in a private placement debt financing which contains certain financial covenants. The notes were issued in two equal tranches of USD \$150 million with 5 and 7 year maturities at interest rates of 6.48% and 6.86%, respectively. Loblaw entered into two fixed cross currency swaps to manage the foreign exchange and US interest rate risk. These cross currency swaps were designated as cash flow hedges (see note 16 to the unaudited interim period consolidated financial statements). The net proceeds from the issue of the notes were used to repay maturing debt obligations, including a portion of the \$390 million of 6.00% Medium Term Notes ("MTN") which matured in June 2008.

During the third quarter, Loblaw closed its Canadian public offering of 9.0 million cumulative redeemable convertible Second Preferred Shares, Series A, at a price of \$25.00 per share, to yield 5.95% per annum, for an aggregate gross amount of \$225 million and the net proceeds of \$218 million were added to the general funds of Loblaw. The preferred shares have been listed and posted to trade on the Toronto Stock Exchange ("TSX") under the symbol "L.PR.A". Dominion Bond Rating Service ("DBRS") assigned a rating of Pfd-3 with a Negative trend and Standard & Poor's ("S&P") assigned a rating of P-3 (high) to Loblaw's preferred shares.

From time to time, *PC* Bank securitizes credit card receivables through the sale of a portion of the total interest in these receivables to independent trusts. During the third quarter, \$300 million of credit card receivables were securitized by *PC* Bank, through the sale of a portion of the total interest in these receivables to an independent trust. A portion of the securitized receivables are in an independent trust facility with a term of 364 days, subject to annual renewal. If the term of this facility is not renewed, collections will be accumulated prior to the expiry and the amount of that portion of the securitized receivables will be repaid to the trust.

The financing transactions completed by Loblaw earlier in the year, existing cash and cash equivalents, short term investments and security deposits included in other assets, future operating cash flow and the amounts available to be drawn against its credit facility are expected to enable Loblaw to repay its 2009 5.75% MTN debt maturities of \$125 million, finance its capital investment program and fund its ongoing business requirements including working capital and pension plan funding. Loblaw believes it has sufficient funding available to meet these requirements over the next twelve months. Given reasonable access to capital markets, Loblaw does not foresee any difficulty in securing financing to satisfy its long term obligations.

With respect to the capital investment program, Loblaw is continuing to invest in renovations to its existing store base, with a focus on generating profitable same-store sales growth, and in upgrading its information technology and supply chain infrastructure. Loblaw's estimate of capital expenditures for the remainder of 2008 is approximately \$300 million.

During the first quarter of 2008, Loblaw's MTN, other notes and debentures and commercial paper ratings were downgraded by DBRS and 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)".

Management's Discussion and Analysis

During the second quarter of 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.

As a result of the DBRS downgrades of the short term credit rating, Loblaw has limited access to commercial paper. Loblaw has secured short term funding from other sources, primarily the \$800 million, 5-year committed credit facility.

During the second quarter of 2008, Weston entered into a \$300 million, 5-year committed credit facility, provided by a syndicate of banks, which contains certain financial covenants. This facility is the primary source of Weston'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 \$300 million, 364-day revolving 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. As at October 4, 2008, \$292 million was drawn on the new 5-year committed credit facility.

During the second quarter of 2008, the Company exercised its right to redeem all of the remaining outstanding Weston 3% Exchangeable Debentures pursuant to the trust indenture dated June 29, 1998 by paying cash of \$633.08 per each \$1,000 principal amount of Exchangeable Debentures for \$137 million plus accrued but unpaid interest of approximately \$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. The Company recorded a gain of \$7 million in operating income in the second quarter of 2008.

Weston's existing cash and cash equivalents, short term investments and security deposits included in other assets, the proceeds from the sale of Weston's Dairy and bottling operations in Canada, future operating cash flow and the amounts available to be drawn against its credit facility are expected to enable Weston to repay its 2009 5.90% MTN debt maturities of \$250 million, satisfy its current intention to redeem its Preferred Shares, Series II, finance its capital investment program and fund its ongoing business requirements including working capital and pension plan funding. The Company believes it has sufficient funding available to meet these requirements over the next twelve months. Over the longer term, given reasonable access to capital markets, Weston does not foresee any difficulty in securing financing to satisfy its obligations.

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)", Exchangeable Debentures to "BBB (low)" from "BBB" and the preferred shares to "Pfd-3" from "Pfd-3 (high)", all with a Stable trend.

During the second 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.

Subsequent to the third quarter of 2008, Weston's MTN and Debentures, short term credit and preferred share ratings were affirmed by DBRS at "BBB", "R-2 (high)", and "Pfd-3", all with a Stable trend.

As a result of the DBRS downgrade of Weston's short term credit rating, Weston has limited access to commercial paper. Weston has secured short term financing from other sources, primarily the \$300 million, 5-year committed credit facility.

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 maintaining appropriate levels of cash and cash equivalents, short term investments and security deposits included in other assets, actively monitoring market conditions and diversifying its sources of funding and maturity profile.

Management's Discussion and Analysis

Free Cash Flow⁽¹⁾ Free cash flow⁽¹⁾ for the third quarter of 2008 was \$62 million compared to \$232 million in the third quarter of 2007. The change was primarily due to a decrease in cash flows from operating activities, specifically working capital of \$128 million, partially offset by a decrease in capital expenditures of \$21 million compared to the third quarter last year. On a year-to-date basis, free cash flow⁽¹⁾ was negative \$222 million compared to positive \$227 million in 2007. The year-to-date change was primarily due to a decrease in cash flows from working capital of \$332 million and a decrease in net earnings before minority interest, excluding restructuring and other charges of \$126 million, partially offset by a decrease in capital expenditures of \$57 million.

Independent Funding Trusts 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.

During the first quarter of 2008, 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 downgrade by DBRS of Loblaw's long term credit rating to "BBB (high)" from "A (low)". As a result of the Event of Termination, during the second quarter of 2008, Loblaw finalized an alternative financing arrangement for the independent funding trust in the form of a \$475 million, 364-day revolving committed credit facility provided by a syndicate of banks.

The gross principal amount of loans issued to Loblaw's independent franchisees outstanding at the end of the third quarter of 2008 was \$380 million (2007 – \$418 million) including \$151 million (2007 – \$148 million) of loans payable by VIEs consolidated by Loblaw. Based on a formula, Loblaw has 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% (2007 – 10%) of the principal amount of the loans outstanding at any point in time, \$66 million (2007 – \$44 million) as of the end of the third quarter of 2008. The standby letter of credit has never been drawn upon. 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 relative financing cost to the franchisees, which in turn could adversely affect operating results. The new financing structure has been reviewed and Loblaw determined there were no material implications with respect to the consolidation of VIEs.

(1) See Non-GAAP Financial Measures on page 19.

Management's Discussion and Analysis

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. Every five years the fourth quarter is 13 weeks in duration and this will occur in fiscal 2008.

Quarterly Financial Information (unaudited)

(\$ millions except where otherwise indicated)	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
	2008	2007	2008	2007	2008	2007	2007	2006
Sales	\$ 10,611	\$ 10,163	\$ 7,847	\$ 7,739	\$ 7,337	\$ 7,221	\$ 7,692	\$ 7,578
Net earnings (loss) from continuing operations	\$ 179	\$ 179	\$ 118	\$ 129	\$ 131	\$ 104	\$ 151	\$ (428)
Net earnings (loss)	\$ 179	\$ 179	\$ 118	\$ 129	\$ 131	\$ 104	\$ 151	\$ (417)
Net earnings (loss) per common share from continuing operations (\$)								
Basic and diluted	\$ 1.28	\$ 1.25	\$ 0.84	\$ 0.90	\$ 0.91	\$ 0.70	\$ 1.07	\$ (3.42)
Net earnings (loss) per common share (\$)								
Basic and diluted	\$ 1.28	\$ 1.25	\$ 0.84	\$ 0.90	\$ 0.91	\$ 0.70	\$ 1.07	\$ (3.33)

Consolidated sales growth continued in the third quarter of 2008 compared to the third quarter of 2007. At Loblaw, same-store sales in the current quarter increased 3.0%. Sales and same-store sales growth in the third quarter of 2008 were negatively impacted by approximately 0.7% due to the timing of the Thanksgiving holiday, which occurred one week later in 2008, resulting in a shift in holiday sales into the fourth quarter of 2008 compared to the third 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 negatively impacted by foreign currency translation.

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;
- the commodity derivatives fair value adjustment at Weston Foods;
- the fair value adjustment and 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;
- the gain on the redemption of the remaining outstanding Weston 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares;
- 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.

Management's Discussion and Analysis

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 sixteen weeks ended October 4, 2008 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS AND RISK MANAGEMENT

Employee Future Benefit Contributions

Although the Company's registered funded defined benefit plans, as of the last filed actuarial valuations, were adequately funded and historical returns on defined pension plan assets are in line with long term expectations, there is no assurance that these trends will continue. If the capital markets do not recover from recent significant declines in the near term, the Company may experience a significant increase in pension expense for its defined benefit plans and it is possible that future pension plan contributions may be significantly greater than the current projected contributions. The Company continues to assess the impact of capital markets on its funding requirements.

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 claimed that assets of the multi-employer pension plan had been mismanaged and were seeking, among other demands, damages of \$1 billion. The action was framed as a representative action on behalf of all the beneficiaries of the multi-employer pension plan. During the second quarter of 2008, the Company received confirmation that the action against the Company and Loblaw has been dismissed and in the third quarter of 2008, the Company also received confirmation that the action against the plan trustees has been dismissed.

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 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 17 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 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 19 and 21 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.

Management's Discussion and Analysis

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 12 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 has completed a diagnostic impact assessment, has completed planning activities, including the establishment of a steering committee comprised of senior management, and is currently progressing through the detailed assessment and design of the overall implementation strategy.

The Company expects the transition to IFRS to impact financial reporting, business processes and information systems. The Company will continue to review all proposed and continuing projects of the International Accounting Standards Board to determine their impact on the Company, and will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

Management's Discussion and Analysis

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.

Despite challenging market conditions, Weston Foods expects satisfactory operating performance for the remainder of 2008 but it is difficult to predict the impact on reported earnings of mark to market adjustments resulting from a continuation of volatility in commodity markets, changes in the net effect of stock-based compensation and the associated equity derivatives and the other items noted above under Consolidated Results of Operations. Weston Foods will continue its efforts to satisfy consumer and customer needs, manage product mix, improve productivity and reduce costs in an uncertain economic environment.

Loblaw remains focused on delivering profitable sales momentum, driven by efforts in food renewal, store enhancements, innovation, infrastructure, and improving value for its customers. While continued progress in cost and operating efficiencies are expected to support these investments, it is anticipated that the unpredictable economy and aggressive competitive environment will further challenge results for the remainder of 2008 and into 2009.

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.

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 decided that effective the first quarter of 2008 it would 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 net 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.

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

Management's Discussion and Analysis

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 sixteen and forty week periods 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.

(\$ millions)	16 Weeks Ended Oct. 4, 2008			16 Weeks Ended Oct. 6, 2007		
	Weston Foods	Loblaw	Consolidated	Weston Foods	Loblaw	Consolidated
Net earnings			\$ 179			\$ 179
Add impact of the following:						
Minority interest			65			47
Income taxes			82			101
Interest expense and other financing charges			87			49
Operating income	\$ 104	\$ 309	\$ 413	\$ 128	\$ 248	\$ 376
Depreciation and amortization	35	190	225	34	180	214
Accelerated depreciation ⁽¹⁾				2		2
EBITDA	\$ 139	\$ 499	\$ 638	\$ 164	\$ 428	\$ 592

(\$ millions)	40 Weeks Ended Oct. 4, 2008			40 Weeks Ended Oct. 6, 2007		
	Weston Foods	Loblaw	Consolidated	Weston Foods	Loblaw	Consolidated
Net earnings			\$ 428			\$ 412
Add impact of the following:						
Minority interest			143			108
Income taxes			218			190
Interest expense and other financing charges			216			203
Operating income	\$ 282	\$ 723	\$ 1,005	\$ 317	\$ 596	\$ 913
Depreciation and amortization	86	461	547	88	454	542
Accelerated depreciation ⁽¹⁾	1		1	6		6
EBITDA	\$ 369	\$ 1,184	\$ 1,553	\$ 411	\$ 1,050	\$ 1,461

(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.

Management's Discussion and Analysis

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 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 could be settled by using the Company's investment in Domtar (Canada) Paper Inc.

(\$ millions)	Oct. 4, 2008	Oct. 6, 2007
Bank indebtedness	\$ 179	\$ 131
Commercial paper	9	320
Short term bank loans	817	677
Long term debt due within one year	413	432
Long term debt	5,277	5,507
Less: Cash and cash equivalents	1,147	993
Short term investments	696	458
Security deposits included in other assets	465	402
Net debt	4,387	5,214
Less: Exchangeable Debentures		165
Net debt (excluding Exchangeable Debentures)	\$ 4,387	\$ 5,049

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 sixteen and forty week periods ended as indicated. The Company calculates free cash flow as cash flows from 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 requirements.

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 4, 2008	Oct. 6, 2007	Oct. 4, 2008	Oct. 6, 2007
Cash flows from operating activities of continuing operations	\$ 447	\$ 641	\$ 555	\$ 1,071
Less: Fixed asset purchases	226	247	459	516
Dividends on share capital	159	162	318	328
Free cash flow	\$ 62	\$ 232	\$ (222)	\$ 227

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 included in other assets and the Domtar (Canada) Paper Inc. investment from the total assets used in this measure.

(\$ millions)	Oct. 4, 2008	Oct. 6, 2007
Canadian GAAP total assets	\$ 18,796	\$ 17,938
Less: Cash and cash equivalents	1,147	993
Short term investments	696	458
Security deposits included in other assets	465	402
Domtar (Canada) Paper Inc. investment		166
Total assets	\$ 16,488	\$ 15,919

Consolidated Statements of Earnings

(unaudited)

(\$ millions except where otherwise indicated)	16 Weeks Ended		40 Weeks Ended	
	Oct. 4, 2008	Oct. 6, 2007	Oct. 4, 2008	Oct. 6, 2007
Sales	\$ 10,611	\$ 10,163	\$ 25,795	\$ 25,123
Operating Expenses				
Cost of sales, selling and administrative expenses	9,970	9,540	24,232	23,480
Depreciation and amortization	225	214	547	542
Restructuring and other charges (note 3)	3	33	11	188
	10,198	9,787	24,790	24,210
Operating Income	413	376	1,005	913
Interest Expense and Other Financing Charges (note 4)	87	49	216	203
Earnings Before the Following:	326	327	789	710
Income Taxes (note 7)	82	101	218	190
	244	226	571	520
Minority Interest	65	47	143	108
Net Earnings	\$ 179	\$ 179	\$ 428	\$ 412
Net Earnings per Common Share (\$)				
– Basic and Diluted (note 8)	\$ 1.28	\$ 1.25	\$ 3.03	\$ 2.85

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

Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

(\$ millions except where otherwise indicated)	40 Weeks Ended	
	Oct. 4, 2008	Oct. 6, 2007
Share Capital		
Preferred Shares	\$ 817	\$ 817
Common Shares	133	133
Total Share Capital, Beginning and End of Period	\$ 950	\$ 950
Retained Earnings, Beginning of Period	\$ 4,726	\$ 4,506
Cumulative impact of implementing new accounting standards (note 2)	(27)	(100)
Net earnings	428	412
Dividends declared		
Per common share (\$) – \$1.08 (2007 – \$1.08)	(139)	(139)
Per preferred share (\$) – Series I – \$1.09 (2007 – \$1.09)	(10)	(10)
– Series II – \$0.97 (2007 – \$0.97) (notes 4 & 17)	(3)	(10)
– Series III – \$0.97 (2007 – \$0.97)	(8)	(8)
– Series IV – \$0.97 (2007 – \$0.97)	(7)	(7)
– Series V – \$0.89 (2007 – \$0.89)	(7)	(7)
Retained Earnings, End of Period	\$ 4,953	\$ 4,637
Accumulated Other Comprehensive Loss, Beginning of Period	\$ (999)	\$ (503)
Cumulative impact of implementing new accounting standards (note 2)		9
Other comprehensive income (loss)	293	(514)
Accumulated Other Comprehensive Loss, End of Period (note 18)	\$ (706)	\$ (1,008)
Total Shareholders' Equity	\$ 5,197	\$ 4,579

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

Consolidated Statements of Comprehensive Income

(unaudited)

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 4, 2008	Oct. 6, 2007	Oct. 4, 2008	Oct. 6, 2007
Net earnings	\$ 179	\$ 179	\$ 428	\$ 412
Other comprehensive income (loss), net of income taxes and minority interest				
Foreign currency translation adjustment	163	(245)	303	(512)
Net unrealized gain (loss) on available-for-sale financial assets	6	(20)	20	(38)
Reclassification of (gain) loss on available-for-sale financial assets to net earnings	(5)	17	(6)	9
	1	(3)	14	(29)
Net (loss) gain on derivatives designated as cash flow hedges	(4)	18	(10)	34
Reclassification of gain on derivatives designated as cash flow hedges to net earnings	(2)	(15)	(14)	(7)
	(6)	3	(24)	27
Other comprehensive income (loss)	158	(245)	293	(514)
Total Comprehensive Income (Loss)	\$ 337	\$ (66)	\$ 721	\$ (102)

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

Consolidated Balance Sheets

(\$ millions)	As at		
	Oct. 4, 2008 (unaudited)	Oct. 6, 2007 (unaudited)	Dec. 31, 2007
ASSETS			
Current Assets			
Cash and cash equivalents (note 9)	\$ 1,147	\$ 993	\$ 1,076
Short term investments	696	458	461
Accounts receivable (notes 10 & 11)	1,026	935	1,141
Inventories (note 12)	2,368	2,037	2,172
Income taxes		51	91
Future income taxes	138	135	121
Prepaid expenses and other assets	80	82	49
Total Current Assets	5,455	4,691	5,111
Fixed Assets	8,940	9,083	8,960
Goodwill and Intangible Assets (note 13)	2,364	2,302	2,240
Future Income Taxes	112	48	91
Other Assets	1,925	1,814	1,986
Total Assets	\$ 18,796	\$ 17,938	\$ 18,388
LIABILITIES			
Current Liabilities			
Bank indebtedness	\$ 179	\$ 131	\$ 85
Commercial paper	9	320	609
Accounts payable and accrued liabilities	3,059	2,853	3,322
Income taxes	12		
Short term bank loans (note 15)	817	677	250
Long term debt due within one year	413	432	432
Capital securities (note 17)	263		
Current liabilities of discontinued operations	3	3	3
Total Current Liabilities	4,755	4,416	4,701
Long Term Debt (note 16)	5,277	5,507	5,494
Future Income Taxes	297	317	293
Other Liabilities	865	732	831
Capital Securities (note 17)	219	260	260
Minority Interest	2,186	2,127	2,132
Total Liabilities	13,599	13,359	13,711
SHAREHOLDERS' EQUITY			
Share Capital (note 17)	950	950	950
Retained Earnings	4,953	4,637	4,726
Accumulated Other Comprehensive Loss (note 18)	(706)	(1,008)	(999)
Total Shareholders' Equity	5,197	4,579	4,677
Total Liabilities and Shareholders' Equity	\$ 18,796	\$ 17,938	\$ 18,388

Contingencies, commitments and guarantees (note 22).
Subsequent event (note 6).

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

Consolidated Cash Flow Statements

(unaudited)

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 4, 2008	Oct. 6, 2007	Oct. 4, 2008	Oct. 6, 2007
Operating Activities				
Net earnings before minority interest	\$ 244	\$ 226	\$ 571	\$ 520
Depreciation and amortization	225	214	547	542
Restructuring and other charges (note 3)	3	33	11	188
Future income taxes	(13)	24	(9)	8
Fair value adjustment of Weston's forward sale agreement (note 4)	(17)	(44)	(41)	(31)
Change in non-cash working capital	13	141	(577)	(245)
Other	(8)	47	53	89
Cash Flows from Operating Activities of Continuing Operations	447	641	555	1,071
Investing Activities				
Fixed asset purchases	(226)	(247)	(459)	(516)
Short term investments	(5)	(180)	(177)	(218)
Proceeds from fixed asset sales	48	35	62	69
Business acquisition (note 5)			(10)	
Domtar investment (note 16)			144	
Credit card receivables, after securitization (note 10)	200	(47)	232	45
Franchise investments and other receivables	1	14	(19)	13
Other	(18)	(24)	(54)	(95)
Cash Flows used in Investing Activities of Continuing Operations		(449)	(281)	(702)
Financing Activities				
Bank indebtedness	43	(56)	92	38
Commercial paper	9	(424)	(600)	(518)
Short term bank loans (note 15)	(480)	479	567	499
Long term debt - Issued		2	301	25
- Retired (note 16)	(13)	(10)	(561)	(30)
Capital securities issued (note 17)	218		218	
Dividends - To common shareholders	(93)	(93)	(186)	(186)
- To preferred shareholders	(22)	(25)	(44)	(54)
- To minority shareholders	(44)	(44)	(88)	(88)
Cash Flows used in Financing Activities of Continuing Operations	(382)	(171)	(301)	(314)
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	53	(62)	98	(151)
Cash Flows from (used in) Continuing Operations	118	(41)	71	(96)
Cash Flows used in Discontinued Operations				(1)
Change in Cash and Cash Equivalents	118	(41)	71	(97)
Cash and Cash Equivalents, Beginning of Period	1,029	1,034	1,076	1,090
Cash and Cash Equivalents, End of Period	\$ 1,147	\$ 993	\$ 1,147	\$ 993

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

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 third 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 VIEs’ expected losses or that entitle it to receive a majority of the VIEs’ 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.

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 17. 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 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 19 and 21. 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 replaced 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 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 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 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.

Notes to the Unaudited Interim Period Consolidated Financial Statements

In addition to the disclosure of accounting policies used in measuring inventories, Section 3031 also requires additional disclosures. See note 12 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 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 tables summarize the restructuring and other charges:

(\$ millions)	16 Weeks Ended					
	Oct. 4, 2008			Oct. 6, 2007		
	Weston Foods	Loblaw	Total	Weston Foods	Loblaw	Total
Accelerated depreciation				\$ 2		\$ 2
Employee termination costs	\$ 2	\$ 2	\$ 2	5	\$ 11	16
Site closing and other exit costs		1	1	2	13	15
	\$ 3	\$ 3	\$ 3	\$ 9	\$ 24	\$ 33

(\$ millions)	40 Weeks Ended					
	Oct. 4, 2008			Oct. 6, 2007		
	Weston Foods	Loblaw	Total	Weston Foods	Loblaw	Total
Accelerated depreciation	\$ 1		\$ 1	\$ 6		\$ 6
Gain on sale of fixed assets				(14)		(14)
Fixed asset impairment	1		1			
Employee termination costs	3	\$ 5	8	6	\$ 121	127
Site closing and other exit costs	(1)	2	1	4	65	69
	\$ 4	\$ 7	\$ 11	\$ 2	\$ 186	\$ 188

Weston Foods

Manufacturing Assets During the second quarter of 2008, Weston Foods approved a plan to close a fresh bakery manufacturing facility in Ontario. This restructuring was substantially completed as at the end of the third quarter of 2008. As a result of this restructuring plan, Weston Foods recognized \$1 million of accelerated depreciation and \$1 million of employee termination costs in the second quarter of 2008.

During 2006, Weston Foods approved a restructuring plan to downsize its fresh-baked sweet goods facility in Bay Shore, New York. The plan, which is now complete, involved the transfer of full-size dessert cake and cookie production to other existing Weston Foods facilities. The Bay Shore location is now a more focused facility producing primarily danish and pie products. 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 costs in the first quarter of 2008.

Notes to the Unaudited Interim Period Consolidated Financial Statements

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 has been completed. 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.

Year-to-date 2008, employee termination costs and other exit related costs of approximately \$8 million (2007 – \$20 million) were paid related to all Weston Foods restructuring activities. As at the end of the third quarter of 2008, the accrued liabilities relating to restructuring activities were \$5 million (2007 – \$10 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 third quarter of 2008, Loblaw recognized nil (2007 – \$23 million) of restructuring costs resulting from this plan. The year-to-date charge of \$3 million (2007 – \$168 million) is comprised of \$2 million (2007 – \$120 million) for employee termination costs including severance, additional pension costs resulting from the termination of employees and retention costs; and \$1 million (2007 – \$48 million) of other costs, primarily consulting directly associated with the restructuring. Cash payments in the third quarter of 2008 were \$4 million (2007 – \$54 million) and \$34 million (2007 – \$130 million) year-to-date. As at the end of the third quarter of 2008, a remaining liability of \$3 million (2007 – \$29 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. In the third quarter of 2008, Loblaw recognized nil (2007 – nil) and income of \$1 million (2007 – charge of \$16 million) year-to-date related to this plan. Cash payments in the third quarter of 2008 were nil (2007 – \$2 million) and \$1 million (2007 – \$20 million) year-to-date. As at the end of the third quarter of 2008, a remaining liability of \$2 million (2007 – \$5 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 costs, 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 third quarter of 2008, Loblaw recognized \$3 million (2007 – \$1 million) of restructuring costs resulting from this plan. The year-to-date charge of \$5 million (2007 – \$2 million) is composed of \$4 million (2007 – \$1 million) for employee termination costs resulting from planned involuntary terminations and \$1 million (2007 – \$1 million) for site closing and other costs. At the end of the third quarter of 2008, \$6 million in estimated costs remained to be incurred and will be recognized as appropriate criteria are met. Cash payments in the third quarter of 2008 were \$13 million (2007 – nil) and \$21 million (2007 – \$4 million) year-to-date. As at the end of the third quarter of 2008, a remaining liability of \$17 million (2007 – \$27 million) was recorded on the consolidated balance sheet in respect of this initiative.

Notes to the Unaudited Interim Period Consolidated Financial Statements

4. Interest Expense and Other Financing Charges

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 4, 2008	Oct. 6, 2007	Oct. 4, 2008	Oct. 6, 2007
Interest on long term debt	\$ 114	\$ 119	\$ 292	\$ 297
Interest expense on financial derivative instruments	1	7	1	16
Other financing charges ⁽¹⁾	(25)	(51)	(61)	(50)
Net short term interest income	(3)	(13)	(6)	(26)
Interest income on security deposits	(3)	(7)	(9)	(17)
Dividends on capital securities	9		14	
Capitalized to fixed assets	(6)	(6)	(15)	(17)
Interest expense and other financing charges	\$ 87	\$ 49	\$ 216	\$ 203

(1) Other financing charges for the third quarter and year-to-date 2008 includes non-cash income of \$17 million (2007 – \$44 million) and non-cash income of \$41 million (2007 – \$31 million), respectively, 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 for the third quarter and year-to-date 2008 is forward accretion income of \$13 million and \$33 million (2007 – \$13 million and \$32 million), respectively, net of the forward fee of \$5 million and \$13 million (2007 – \$6 million and \$13 million), respectively, associated with Weston's forward sale agreement.

As more fully described in note 17, dividends on capital securities are presented in interest expense and other financing charges in the consolidated statement of earnings.

During the third quarter and year-to-date 2008, net interest expense of \$123 million and \$301 million, respectively, was recorded related to the financial assets and financial liabilities not classified as held-for-trading.

Interest and dividends on capital securities paid in the third quarter of 2008 were \$147 million (2007 – \$150 million) and interest received was \$46 million (2007 – \$60 million). Year-to-date 2008 interest and dividends on capital securities paid were \$433 million (2007 – \$426 million) and interest received was \$138 million (2007 – \$146 million).

5. Business Acquisition

During the second quarter of 2008, Weston purchased a frozen bakery manufacturing facility in Ontario, Canada for cash consideration of \$10 million. The acquisition was accounted for using the purchase method of accounting. The purchase price allocation was finalized during the third quarter of 2008. The fair value of the net assets acquired consisted of \$1 million of inventories and \$10 million of fixed assets, net of current liabilities of \$1 million.

6. Business Disposition

Subsequent to the end of the third quarter of 2008, Weston Foods entered into an agreement to sell the net assets of its Dairy and bottling operations in Canada for cash proceeds of \$465 million. As at October 4, 2008, the carrying value of the net assets to be sold consisted of fixed assets of \$54 million, goodwill of \$11 million and working capital of \$6 million. Prior to the closing, Weston will pay Loblaw \$65 million in consideration of Loblaw's agreement to enter into a long term supply agreement with the Dairy and bottling operations. The cash proceeds are subject to normal post-closing adjustments, including working capital. The sale is subject to regulatory approval and is expected to close before the end of 2008. The gain on disposal will be finalized on closing. The Dairy and bottling operations generate approximately \$600 million of annual sales and annual EBITDA of approximately \$50 million for Weston Foods.

Notes to the Unaudited Interim Period Consolidated Financial Statements

7. Income Taxes

The effective income tax rate decreased to 25.2% in the third quarter of 2008 compared to 30.9% in the third quarter of 2007 and on a year-to-date basis increased to 27.6% from 26.8%. The decrease in the third quarter of 2008 when compared to the same period in 2007 is primarily due to a change in the proportions of taxable income earned across different tax jurisdictions and lower Canadian federal and certain provincial statutory income tax rates relative to the third quarter of 2007 which was partially offset by an increase in income tax accruals relating to certain income tax matters. The year-to-date 2008 increase in the effective income tax rate when compared to the same period in 2007 is primarily due to an increase in income tax accruals relating to certain income tax matters which was partially offset by a change in the proportions of taxable income earned across different tax jurisdictions and lower Canadian federal and certain provincial statutory income tax rates relative to the third quarter of 2007.

Net income taxes received in the third quarter were \$10 million (2007 – \$4 million) and year-to-date 2008 net income taxes paid were \$105 million (2007 – \$148 million).

8. Basic and Diluted Net Earnings per Common Share

(\$ millions except where otherwise indicated)	16 Weeks Ended		40 Weeks Ended	
	Oct. 4, 2008	Oct. 6, 2007	Oct. 4, 2008	Oct. 6, 2007
Net earnings	\$ 179	\$ 179	\$ 428	\$ 412
Prescribed dividends on preferred shares in share capital	(14)	(18)	(37)	(44)
Net earnings available to common shareholders	\$ 165	\$ 161	\$ 391	\$ 368
Weighted average common shares outstanding (in millions)	129.1	129.1	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	129.1	129.1
Basic and diluted net earnings per common share (\$)	\$ 1.28	\$ 1.25	\$ 3.03	\$ 2.85

(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 and year-to-date:

Option Exercise Price	16 Weeks Ended		40 Weeks Ended	
	Oct. 4, 2008	Oct. 6, 2007	Oct. 4, 2008	Oct. 6, 2007
\$49.88	3,013		3,013	
\$72.21	681,240		681,240	
\$75.62	4,135	4,135	4,135	4,135
\$78.85		81,168		81,168
\$93.35	472,874	514,826	472,874	514,826
\$95.88	30,130	100,130	30,130	100,130
\$100.00	118,400	129,400	118,400	129,400
\$111.02	470,056	511,219	470,056	511,219

Notes to the Unaudited Interim Period Consolidated Financial Statements

9. Cash and Cash Equivalents

The components of cash and cash equivalents as at October 4, 2008, October 6, 2007 and December 31, 2007 were as follows:

(\$ millions)	Oct. 4, 2008	As at	
		Oct. 6, 2007	Dec. 31, 2007
Cash	\$ 98	\$ 116	\$ 110
Cash equivalents - short term investments with a maturity of 90 days or less			
Bank term deposits	35	231	119
Government treasury bills	458	220	456
Government-sponsored debt securities	289	227	177
Corporate commercial paper	267	199	214
Cash and cash equivalents	\$ 1,147	\$ 993	\$ 1,076

During the third quarter of 2008, the Company recognized an unrealized foreign currency exchange gain of \$110 million (2007 – loss of \$146 million), as a result of translating its United States dollar denominated cash and cash equivalents, short term investments and security deposits included in other assets, of which a gain of \$53 million (2007 – loss of \$62 million) related to cash and cash equivalents. Loblaw recognized an unrealized foreign currency exchange gain of \$52 million (2007 – loss of \$71 million) as a result of translating its United States dollar denominated cash and cash equivalents, short term investments and security deposits included in other assets, of which a gain of \$21 million (2007 – loss of \$19 million) related to cash and cash equivalents. The remaining foreign currency exchange gain of \$58 million (2007 – loss of \$75 million), of which \$32 million (2007 – loss of \$43 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.

Year-to-date 2008, the unrealized foreign currency exchange gain as a result of translating United States dollar denominated cash and cash equivalents, short term investments and security deposits included in other assets, was \$200 million (2007 – loss of \$300 million), \$98 million (2007 – loss of \$151 million) of which related to cash and cash equivalents. Loblaw recognized an unrealized foreign currency exchange gain of \$94 million (2007 – loss of \$150 million) as a result of translating its United States dollar denominated cash and cash equivalents, short term investments and security deposits included in other assets, of which \$37 million (2007 – loss of \$61 million) related to cash and cash equivalents. The remaining foreign currency exchange gain of \$106 million (2007 – loss of \$150 million) of which \$61 million (2007 – loss of \$90 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.

The Loblaw gain or loss on cash and cash equivalents, short term investments and security deposits included in other assets, 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.

Notes to the Unaudited Interim Period Consolidated Financial Statements

10. Accounts Receivable

From time to time, *President's Choice Bank* ("PC Bank"), a wholly owned subsidiary of Loblaw, securitizes credit card receivables through the sale of a portion of the total interest in these receivables to independent trusts. During the third quarter of 2008, \$300 million (2007 – \$100 million) of credit card receivables were securitized, \$300 million (2007 – \$225 million) year-to-date to an independent trust. A portion of the securitized receivables are in an independent trust facility with a term of 364 days, subject to annual renewal. If the term of this facility is not renewed, collections will be accumulated prior to the expiry and the amount of that portion of the securitized receivables will be repaid to the trust. The securitization yielded a \$1 million gain (2007 – nominal net loss) based on the assumptions disclosed in note 12 of the annual consolidated financial statements for the year ended December 31, 2007. 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 \$116 million (2007 – \$89 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.

(\$ millions)	Oct. 4, 2008	As at	
		Oct. 6, 2007	Dec. 31, 2007
Credit card receivables	\$ 2,065	\$ 1,744	\$ 2,023
Amount securitized	(1,775)	(1,475)	(1,475)
Net credit card receivables	290	269	548
Other receivables	736	666	593
Accounts receivable	\$ 1,026	\$ 935	\$ 1,141

Credit card receivables that are past due of \$6 million as at October 4, 2008 are not classified as impaired as they are less than 90 days past due and most receivables are reasonably expected to remedy the past due status. Any credit card receivable balances with a payment that is contractually 180 days in arrears or where the likelihood of collection is considered remote are 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 October 4, 2008, of which a nominal amount were more than 60 days past due.

11. Allowances for Receivables

The allowance for receivables recorded on the consolidated balance sheets 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 sheets. The allowance for Loblaw receivables from independent franchisees is recorded in accounts payable and accrued liabilities on the consolidated balance sheets. A continuity of the Company's allowances for receivables is as follows:

Credit Card Receivables

(\$ millions)	16 Weeks Ended		40 Weeks Ended		Year Ended
	Oct. 4, 2008	Oct. 6, 2007	Oct. 4, 2008	Oct. 6, 2007	Dec. 31, 2007
Allowances at beginning of period	\$ (13)	\$ (13)	\$ (13)	\$ (11)	\$ (11)
Provision for losses	(14)	(3)	(26)	(8)	(11)
Recoveries	(5)	(3)	(9)	(6)	(7)
Write-offs	19	6	35	12	16
Allowances at end of period	\$ (13)	\$ (13)	\$ (13)	\$ (13)	\$ (13)

Notes to the Unaudited Interim Period Consolidated Financial Statements

Other Receivables

(\$ millions)	16 Weeks Ended		40 Weeks Ended		Year Ended
	Oct. 4, 2008	Oct. 6, 2007	Oct. 4, 2008	Oct. 6, 2007	Dec. 31, 2007
Allowances at beginning of period	\$ (64)	\$ (72)	\$ (62)	\$ (67)	\$ (67)
Provision for losses	(29)	(21)	(61)	(68)	(86)
Write-offs	39	15	70	56	87
Impact of foreign currency translation	(1)	3	(2)	4	4
Allowances at end of period	\$ (55)	\$ (75)	\$ (55)	\$ (75)	\$ (62)

12. Inventories

(\$ millions)	As at
	Oct. 4, 2008
Raw materials and supplies	\$ 66
Finished goods	2,302
Inventories	\$ 2,368

The cost of inventories recognized as an expense during the third quarter of 2008 and year-to-date were \$8 billion and \$19 billion, respectively, which includes the effect of commodity derivatives that are entered into.

The cost of inventories recognized as an expense during the third quarter of 2008 and year-to-date includes \$10 million and \$43 million, respectively, for the write-down of inventories below cost to net realizable value. There was no reversal of previous write-downs of inventories.

13. Goodwill and Intangible Assets

(\$ millions)	Oct. 4, 2008			As at	
	Weston Foods	Loblaw	Total	Oct. 6, 2007	Dec. 31, 2007
Goodwill, beginning of period	\$ 887	\$ 946	\$ 1,833	\$ 2,055	\$ 2,055
Goodwill, acquired during the period		1	1	10	8
Adjusted purchase price allocation					(67)
Other					4
Impact of foreign currency translation	85		85	(170)	(167)
Goodwill, end of period	972	947	1,919	1,895	1,833
Trademarks and brand names ⁽¹⁾	432		432	393	394
Other intangible assets	13		13	14	13
Goodwill and intangible assets	\$ 1,417	\$ 947	\$ 2,364	\$ 2,302	\$ 2,240

(1) The balance includes the positive impact of foreign currency translation of \$39 million (2007 – negative impact of \$72 million) and amortization of \$1 million (2007 – \$1 million).

14. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was \$71 million and \$182 million (2007 – \$81 million and \$203 million) for the third quarter and year-to-date 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.

Notes to the Unaudited Interim Period Consolidated Financial Statements

15. Short Term Bank Loans

During the second quarter of 2008, Weston entered into a \$300 million, 5-year committed credit facility, provided by a syndicate of banks, which contains certain financial covenants (see note 17). This facility is the primary source of Weston'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 \$300 million, 364-day revolving 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. As at October 4, 2008, \$292 million was drawn on the new 5-year committed credit facility.

During the first quarter of 2008, Loblaw entered into an \$800 million, 5-year committed credit facility, provided by a syndicate of banks, which contains certain financial covenants (see note 17). 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. As at October 4, 2008, \$273 million was drawn on the new 5-year committed credit facility.

Also included in short term bank loans were Weston's Series B debentures, due on demand, of \$252 million as at October 4, 2008.

16. Long Term Debt

During the second quarter of 2008, the Company exercised its right to redeem all of the remaining outstanding Weston 3% 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 for \$137 million plus accrued but unpaid interest of approximately \$3 million, for an aggregate amount including interest 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. The Company recorded a gain of \$7 million in operating income in the second quarter of 2008.

During the second quarter of 2008, Loblaw issued USD \$300 million of fixed-rate unsecured notes in a private placement debt financing which contains certain financial covenants (see note 17). The notes were issued in two equal tranches of USD \$150 million with 5 and 7 year maturities at interest rates of 6.48% and 6.86%, respectively. Loblaw entered into two fixed cross currency swaps designated as cash flow hedges to manage the foreign exchange risk. The ineffective portion of the gains or losses on the derivatives within these hedging relationships was insignificant. As at October 4, 2008, \$326 million was recorded on the consolidated balance sheet. For further information on the Company's policies with respect to cash flow hedges, refer to note 1 of the annual consolidated financial statements for the year ended December 31, 2007.

During the second quarter of 2008, Loblaw's \$390 million 6.00% Medium Term Note ("MTN") due June 2, 2008 matured and was repaid.

Notes to the Unaudited Interim Period Consolidated Financial Statements

17. Capital Management

The Company defines capital as net debt (excluding Exchangeable Debentures), capital securities 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:

(\$ millions)	Oct. 4, 2008	Oct. 6, 2007	Dec. 31, 2007
Interest coverage	4.4	4.2	5.9
Net debt (excluding Exchangeable Debentures) to equity	0.80:1	1.04:1	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 40 weeks ended October 4, 2008 and October 6, 2007 and for the year ended December 31, 2007. The Company manages debt on a net basis, excluding capital securities, calculated as outlined below. The Company's internal guideline targets a net debt (excluding Exchangeable Debentures) to equity ratio of less than 1:1. Equity for the purpose of calculating the net debt (excluding Exchangeable Debentures) to equity ratio is defined by the Company as Weston's capital securities of \$263 million (October 6, 2007 – \$260 million; December 31, 2007 – \$260 million) as at October 4, 2008 and shareholders' equity. This ratio is useful in assessing the amount of leverage employed. These ratios are also calculated from time-to-time on an alternative 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:

(\$ millions)	Oct. 4, 2008	As at	
		Oct. 6, 2007	Dec. 31, 2007
Bank indebtedness	\$ 179	\$ 131	\$ 85
Commercial paper	9	320	609
Short term bank loans	817	677	250
Long term debt due within one year	413	432	432
Long term debt	5,277	5,507	5,494
Less: Cash and cash equivalents	1,147	993	1,076
Short term investments	696	458	461
Security deposits included in other assets	465	402	419
Net debt	4,387	5,214	4,914
Less: Exchangeable Debentures		165	157
Net debt (excluding Exchangeable Debentures)	\$ 4,387	\$ 5,049	\$ 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 included in other assets, actively monitoring market conditions and diversifying its capital sources and maturity profile.

Notes to the Unaudited Interim Period Consolidated Financial Statements

During the second quarter of 2008, Loblaw filed a Short Form Base Shelf Prospectus (“Prospectus”) allowing for the potential issue of up to \$1 billion of unsecured debentures and/or preferred shares subject to the availability of funding by capital markets. During the third quarter of 2008, Loblaw issued preferred shares under the Prospectus as described below.

Capital Securities Weston has 10.6 million 5.15% non-voting Preferred Shares, Series II authorized and outstanding, with a face value of \$265 million, which entitle the holder to a fixed cumulative preferred cash dividend of \$1.2875 per share per annum which will, if declared, be payable quarterly. On and after April 1, 2009, Weston may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at \$25.00 per share, together with all accrued but unpaid dividends to but not including the redemption date. On and after July 1, 2009, these outstanding preferred shares are convertible at the option of the holder, into that number of Weston’s common shares determined by dividing \$25.00, together with accrued and unpaid dividends to but not including the conversion date, by the greater of \$2.00 and 95% of the then current market price of Weston’s common shares. This option is subject to Weston’s right to redeem the preferred shares for cash or arrange for their sale to substitute purchasers. At any time after issuance, Weston may, at its option, give the holders of these preferred shares the right, at the option of the holder, to convert their preferred shares into preferred shares of a further series designated by Weston on a share-for-share basis on a date specified by Weston. These preferred shares are presented as capital securities and are included in current liabilities as at the end of the third quarter of 2008, due to management’s current intention to redeem these preferred shares within the next twelve months.

During the third quarter of 2008, Loblaw issued 9.0 million of the 12.0 million authorized 5.95% non-voting Second Preferred Shares, Series A, with a face value of \$225 million for net proceeds of \$218 million, which entitle the holder to a fixed cumulative preferred cash dividend of \$1.4875 per share per annum which will, if declared, be payable quarterly. On and after July 31, 2013, Loblaw may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares as follows:

On or after July 31, 2013 at \$25.75 per share, together with all accrued and unpaid dividends to but not including the redemption date;
On or after July 31, 2014 at \$25.50 per share, together with all accrued and unpaid dividends to but not including the redemption date; and
On or after July 31, 2015 at \$25.00 per share, together with all accrued and unpaid dividends to but not including the redemption date.

On and after July 31, 2013, Loblaw may, at its option, convert these preferred shares into that number of common shares of Loblaw determined by dividing the then applicable redemption price, together with all accrued and unpaid dividends to but not including the conversion date, by the greater of \$2.00 and 95% of the then current market price of the common shares. On and after July 31, 2015, these outstanding preferred shares are convertible at the option of the holder, into that number of common shares of Loblaw determined by dividing \$25.00, together with all accrued and unpaid dividends to but not including the conversion date, by the greater of \$2.00 and 95% of the then current market price of the common shares. This option is subject to Loblaw’s right to redeem the preferred shares for cash or arrange for their sale to substitute purchasers. These preferred shares which are presented as capital securities are included in liabilities to conform with Section 3863 “Financial Instruments – Presentation”. They are classified as other financial liabilities, and measured using the effective interest method.

Outstanding Share Capital Weston’s outstanding share capital is comprised of common shares and preferred shares. An unlimited number of common shares are authorized and 129.1 million common shares were outstanding at the end of the third quarter of 2008. Ten million preferred shares Series I are authorized and 9.4 million were outstanding, 10.0 million preferred shares Series III are authorized and 8.0 million were outstanding and 8.0 million preferred shares Series IV and Series V are authorized and were outstanding at the end of the third 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.

Notes to the Unaudited Interim Period Consolidated Financial Statements

At the end of the third quarter of 2008, a total of 2,346,390 (2007 – 2,436,763) Weston stock options and share appreciation rights were outstanding, 1,997,597 (2007 – 2,028,770) of which were stock options that 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.

During the second quarter of 2008, Weston renewed its Normal Course Issuer Bid ("NCIB") 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 price of such shares. Weston did not purchase any shares under its NCIB in the first three quarters of 2008 or in 2007.

Dividends The declaration and payment of dividends and the amount thereof are at the discretion of the Board of Directors. Over the long term, the Company's objective is for its common share 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 third quarter of 2008, the Board of Directors 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

Dividends on the Preferred Shares, Series II are presented in interest expense and other financing charges in the consolidated statement of earnings.

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 during the second quarter of 2008 are subject to certain covenants (see note 15). Under the USD \$300 million private placement notes, Loblaw is also subject to certain financial covenants (see note 16). As at the end of the third quarter of 2008, both Loblaw and Weston were in compliance with these covenants.

Loblaw 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 that establishes regulatory capital requirements that are more sensitive to a bank's risk profile. *PC Bank* met all applicable capital targets as at the end of the third 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 met the minimum requirements under Basel I as at the end of the third 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 second quarter of 2008.

Notes to the Unaudited Interim Period Consolidated Financial Statements

18. Accumulated Other Comprehensive Loss

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

	40 Weeks Ended Oct. 4, 2008			
(\$ millions)	Foreign currency translation adjustment	Available-for- sale assets	Cash flow hedges	Total
Balance, beginning of period	\$ (1,011)	\$ (2)	\$ 14	\$ (999)
Foreign currency translation adjustment	303			303
Net unrealized gain on available-for-sale financial assets ⁽¹⁾		20		20
Reclassification of gain on available-for-sale financial assets ⁽²⁾		(6)		(6)
Net loss on derivatives designated as cash flow hedges ⁽³⁾			(10)	(10)
Reclassification of gain on derivatives designated as cash flow hedges ⁽⁴⁾			(14)	(14)
Balance, end of period	\$ (708)	\$ 12	\$ (10)	\$ (706)

(1) Net of income taxes of \$1 million and minority interest of \$13 million.

(2) Net of income taxes recovered of \$5 million and minority interest of \$3 million.

(3) Net of income taxes of \$7 million and minority interest of \$3 million.

(4) Net of income taxes recovered of a nominal amount and minority interest of \$8 million.

	40 Weeks Ended Oct. 6, 2007			
(\$ millions)	Foreign currency translation adjustment	Available-for- sale assets	Cash flow hedges	Total
Balance, beginning of period	\$ (503)			\$ (503)
Cumulative impact of implementing new accounting standards ⁽¹⁾		\$ 13	\$ (4)	9
Foreign currency translation adjustment	(512)			(512)
Net unrealized loss on available-for-sale financial assets ⁽²⁾		(38)		(38)
Reclassification of loss on available-for-sale financial assets ⁽³⁾		9		9
Net gain on derivatives designated as cash flow hedges ⁽⁴⁾			34	34
Reclassification of gain on derivatives designated as cash flow hedges ⁽⁵⁾			(7)	(7)
Balance, end of period	\$ (1,015)	\$ (16)	\$ 23	\$ (1,008)

(1) Net of income taxes recovered of \$1 million and minority interest of \$6 million.

(2) Net of income taxes of nil and minority interest of \$23 million.

(3) Net of income taxes of nil and minority interest of \$5 million.

(4) Net of income taxes of \$2 million and minority interest of \$21 million.

(5) Net of income taxes of \$2 million and minority interest of \$5 million.

Notes to the Unaudited Interim Period Consolidated Financial Statements

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 loss of \$11 million, net of income taxes and minority interest, recorded in accumulated other comprehensive loss related to cash flow hedges as at October 4, 2008 is expected to be reclassified to net earnings during the next 12 months. This will be offset by the available-for-sale financial assets that are hedged. Remaining amounts will be reclassified to net earnings over periods up to 7 years.

The change in the cumulative foreign currency translation adjustment from year end 2007 decreased accumulated other comprehensive loss by \$303 million (2007 – increased accumulated other comprehensive loss by \$512 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 first three quarters of 2008.

Notes to the Unaudited Interim Period Consolidated Financial Statements

19. Fair Values of Financial Instruments

The following tables provide a comparison of carrying and fair values for each classification of financial instruments as at October 4, 2008, October 6, 2007 and December 31, 2007:

As at October 4, 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			\$ 2,054	\$ 254			\$ 2,308	\$ 2,308
Derivatives included in accounts receivable	\$ (7)	\$ (34)					(41)	(41)
Other receivables					\$ 1,067		1,067	1,067
Other financial assets included in other assets					198		198	198
Available-for-sale securities included in other assets				6			6	6
Derivatives included in other assets	114	519					633	633
Total financial assets	\$ 107	\$ 485	\$ 2,054	\$ 260	\$ 1,265		\$ 4,171	\$ 4,171
Short term borrowings						\$ 1,005	\$ 1,005	\$ 1,005
Accounts payable and accrued liabilities						3,059	3,059	3,059
Long term debt						5,690	5,690	5,111
Derivatives included in other liabilities		\$ 232					232	232
Capital securities						482	482	465
Total financial liabilities		\$ 232				\$ 10,236	\$ 10,468	\$ 9,872

The equity investment in Loblaw franchises is measured at cost of \$71 million because quoted market prices in an active market are not available. These investments are classified as available-for-sale, and Loblaw has no intention of disposing of these equity investments.

Notes to the Unaudited Interim Period Consolidated Financial Statements

As at October 6, 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			\$ 1,388	\$ 465			\$ 1,853	\$ 1,853
Derivatives included in accounts receivable		\$ 23					23	23
Other receivables					\$ 912		912	912
Other financial assets included in other assets			166		152		318	318
Available-for-sale securities included in other assets				11			11	11
Derivatives included in other assets	\$ 161	330					491	491
Total financial assets	\$ 161	\$ 353	\$ 1,554	\$ 476	\$ 1,064		\$ 3,608	\$ 3,608
Short term borrowings						\$ 1,128	\$ 1,128	\$ 1,128
Accounts payable and accrued liabilities						2,853	2,853	2,853
Long term debt						5,939	5,939	6,137
Derivatives included in other liabilities		\$ 88					88	88
Capital securities						260	260	270
Total financial liabilities		\$ 88				\$ 10,180	\$ 10,268	\$ 10,476

The equity investment in Loblaw franchises is measured at cost of \$73 million because quoted market prices in an active market are not available. These investments are classified as available-for-sale, and Loblaw has no intention of disposing of these equity investments.

Notes to the Unaudited Interim Period Consolidated Financial Statements

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		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
Short term borrowings						\$ 944	\$ 944	\$ 944
Accounts payable and accrued liabilities						3,322	3,322	3,322
Long term debt						5,926	5,926	5,870
Derivatives included in other liabilities		\$ 203					203	203
Capital securities						260	260	270
Total financial liabilities		\$ 203				\$ 10,452	\$ 10,655	\$ 10,609

The equity investment in Loblaw franchises is measured at cost of \$75 million because quoted market prices in an active market are not available. These investments are classified as available-for-sale, and Loblaw has no intention of disposing of these equity investments.

Notes to the Unaudited Interim Period Consolidated Financial Statements

During the third quarter and year-to-date 2008, the net unrealized and realized gain on held-for-trading financial assets designated as held-for-trading, recognized in net earnings before income taxes and minority interest was \$53 million and \$69 million (2007 – loss of \$113 million and \$103 million), respectively. In addition, the net unrealized and realized loss on held-for-trading financial assets and financial liabilities, including non-financial derivatives, required to be classified as held-for-trading, recognized in net earnings before income taxes and minority interest was \$108 million and \$106 million (2007 – gain of \$60 million and \$105 million), respectively.

20. 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:

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 4, 2008	Oct. 6, 2007	Oct. 4, 2008	Oct. 6, 2007
Stock option plans / share appreciation right plan (income) expense	\$ (1)	\$ (2)	\$ 1	\$ 1
Equity derivatives (gain) loss	(6)	29	13	18
Restricted share unit plan expense	4	3	8	13
Net stock-based compensation (income) expense	\$ (3)	\$ 30	\$ 22	\$ 32

Stock Option Plan During the second quarter of 2008, Weston granted 3,013 (2007 – 4,135) stock options with an exercise price of \$49.88 (2007 – \$75.62) per common share and during the first quarter, Weston granted 219,349 (2007 – 689,192) stock options with an exercise price of \$46.24 (2007 – \$72.21) per common share. During the first three quarters of 2008, Weston also paid the share appreciation value of nil (2007 – \$0.5 million) on the exercise of nil (2007 – 21,965) stock options and share appreciation rights. In addition, 175,886 (2007 – 168,857) stock options and share appreciation rights were forfeited or cancelled during the first three quarters of 2008.

During the third quarter of 2008, Loblaw granted 82,204 (2007 – 194,559) stock options with an exercise price of \$29.30 (2007 – \$49.11) per common share, during the second quarter of 2008, Loblaw granted 8,800 (2007 – 38,938 and 148,987) stock options with an exercise price of \$33.10 (2007 – \$46.01 and \$50.80) per common share, and 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. Loblaw also paid the share appreciation value of nil (2007 – \$0.2 million) on the exercise of nil (2007 – 108,000) stock options. In addition, 1,914,555 (2007 – 1,445,788) stock options were forfeited or cancelled during the first three quarters of 2008.

At the end of the third quarter of 2008 a total of 2,346,390 (2007 – 2,436,763) Weston stock options and share appreciation rights were outstanding, 1,997,597 (2007 – 2,028,770) of which were stock options that 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 30,447 (2007 – 3,463) RSUs in the second quarter of 2008 and 27,732 (2007 – 32,636) RSUs in the first quarter of 2008. In addition 7,415 (2007 – 13,506) RSUs were cancelled and 118,330 (2007 – 6,529) RSUs were settled in cash in the amount of \$6 million (2007 – a nominal amount) during the first three quarters of 2008.

Under its existing RSU plan, Loblaw granted 13,526 (2007 – 23,425) RSUs in the third quarter of 2008, 45,321 (2007 – 10,925) RSUs in the second quarter of 2008, and 352,268 (2007 – 281,818) RSUs in the first quarter of 2008. In addition, 87,995 (2007 – 142,322) RSUs were cancelled and 246,785 (2007 – 134,882) were settled in cash in the amount of \$8 million (2007 – \$7 million) during the first three quarters of 2008.

At the end of the third quarter of 2008, a total of 222,793 (2007 – 314,975) Weston and 845,022 (2007 – 788,916) Loblaw RSUs were outstanding.

21. 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, security deposits included in other assets, *PC* Bank's credit card receivables and accounts receivable from independent franchisees, associated stores, independent accounts and amounts receivable from Weston Foods customers and suppliers.

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 positive fair value of the derivatives on the balance sheet (see note 19).

See note 10 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 MTNs, private placement notes included in long term debt, 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 \$1 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, security deposits included in other assets and USD private placement notes included in long term debt. 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 not have a 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 \$27 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) in relevant commodity prices, with all other variables held constant, would result in a net gain (loss) of \$23 million in net earnings before income taxes and minority interest.

Notes to the Unaudited Interim Period Consolidated Financial Statements

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 one dollar increase (decrease) in the market value of the respective underlying shares of the equity swaps and forwards, with all other variables held constant, would result in a gain (loss) of \$6 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 one dollar increase (decrease) in the market value of the underlying shares of the equity forward, with all other variables held constant, would result in a loss (gain) of \$10 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 attempts to meet 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 and 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 included in other assets, actively monitoring market conditions and diversifying its sources of funding and maturity profile.

Notes to the Unaudited Interim Period Consolidated Financial Statements

The following are the undiscounted contractual maturities of significant financial liabilities as at October 4, 2008:

(\$ millions)	2008 Remaining	2009	2010	2011	2012	Thereafter	Total
Interest rate swaps payable ⁽¹⁾	\$ 6	\$ 13	\$ 13	\$ 13	\$ 13	\$ 5	\$ 63
Equity swaps and forwards associated with stock-based compensation ⁽²⁾			207	36	26	163	432
Long term debt including fixed interest payments ⁽³⁾	94	737	636	961	249	8,236	10,913
Capital securities ⁽⁴⁾		265					265
	\$ 100	\$ 1,015	\$ 856	\$ 1,010	\$ 288	\$ 8,404	\$ 11,673

(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 October 4, 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) Weston's capital securities are included due to management's current intention to redeem in 2009. Loblaw's capital securities have been excluded as Loblaw is not contractually obligated to pay these amounts.

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.

22. Contingencies, Commitments and Guarantees

Guarantees – Independent Funding Trusts 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.

During the first quarter of 2008, Loblaw was notified that an Event of Termination of the independent funding trust agreement for its franchisees had occurred as a result of Loblaw's long term credit rating downgrade by Dominion Bond Rating Service to "BBB (high)" from "A (low)". As a result of the Event of Termination, during the second quarter of 2008, Loblaw finalized an alternative financing arrangement for the independent funding trust in the form of a \$475 million, 364-day revolving committed credit facility provided by a syndicate of banks.

The gross principal amount of loans issued to the Loblaw's independent franchisees outstanding at the end of the third quarter of 2008 was \$380 million (2007 – \$418 million) including \$151 million (2007 – \$148 million) of loans payable by VIEs consolidated by Loblaw. Based on a formula, Loblaw has 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% (2007 – 10%) of the principal amount of the loans outstanding at any point in time, \$66 million (2007 – \$44 million) as of the end of the third quarter of 2008. The standby letter of credit has not been drawn upon. 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 structure has been reviewed and Loblaw determined there were no material implications with respect to the consolidation of VIEs. In accordance with Canadian GAAP, the financial statements of the independent funding trust are not consolidated with those of Loblaw.

Notes to the Unaudited Interim Period Consolidated Financial Statements

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 claimed that assets of the multi-employer pension plan had been mismanaged and were seeking, among other demands, damages of \$1 billion. The action was framed as a representative action on behalf of all the beneficiaries of the multi-employer pension plan. During the second quarter of 2008, the Company received confirmation that the action against the Company and Loblaw has been dismissed and in the third quarter of 2008, the Company also received confirmation that the action against the plan trustees has been dismissed.

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.

23. 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 sheets, are now included in other assets on the consolidated balance sheets and totaled \$465 million (October 6, 2007 – \$402 million; December 31, 2007 – \$419 million) as at October 4, 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 enter into and maintain outstanding swaps and forwards and insurance activities. The amount of the required security deposits will fluctuate.

Weston's Preferred Shares, Series II, which were previously presented as share capital on the consolidated balance sheets are now presented as capital securities and are included in liabilities and totaled \$263 million (October 6, 2007 – \$260 million; December 31, 2007 – \$260 million) as at October 4, 2008.

24. 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.

(\$ millions)	16 Weeks Ended		40 Weeks Ended	
	Oct. 4, 2008	Oct. 6, 2007	Oct. 4, 2008	Oct. 6, 2007
Sales				
Weston Foods	\$ 1,410	\$ 1,299	\$ 3,447	\$ 3,364
Loblaw	9,493	9,137	23,057	22,417
Intersegment	(292)	(273)	(709)	(658)
Consolidated	\$ 10,611	\$ 10,163	\$ 25,795	\$ 25,123
Operating Income				
Weston Foods	\$ 104	\$ 128	\$ 282	\$ 317
Loblaw	309	248	723	596
Consolidated	\$ 413	\$ 376	\$ 1,005	\$ 913

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.

Ce rapport est disponible en français.

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Weston

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