NEWS RELEASE

George Weston Limited Provides Preliminary Unaudited Financial Update for the 2008 Fourth Quarter and Fiscal Year Ended December 31, 2008[1].

TORONTO, **ONTARIO February 24, 2009** George Weston Limited (TSX: WN) (the "Company") today is providing a financial update for the fourth quarter of 2008 and the fiscal year ended December 31, 2008 based on management's review of preliminary unaudited results for these periods.

Basic net earnings per common share for the fourth quarter were $3.05 compared to $1.07 for the same period in 2007. For the year, basic net earnings per common share of $6.08 compared to $3.92 in 2007.

Basic net earnings per common share from continuing operations for the fourth quarter were $2.68 compared to $0.75 for the same period in 2007. For the year, basic net earnings per common share from continuing operations of $4.63 compared to $2.46 in 2007.

Consolidated Fourth Quarter and Full Year Highlights[(a)]

	Quarters Ended			Years Ended		
(unaudited) ($ millions except where otherwise indicated)	**Dec. 31, 2008**	Dec. 31, 2007	Change	**Dec. 31, 2008**	Dec. 31, 2007	Change
Sales	**$ 8,050**	$ 7,228	11.4%	**$ 32,088**	$ 30,607	4.8%
Operating income	**$ 345**	$ 139	148.2%	**$ 1,192**	$ 875	36.2%
Operating margin	**4.3%**	1.9%		**3.7%**	2.9%	
Gain on disposal of business	**$ 335**			**$ 335**		
Interest expense (income) and other financing charges	**$ 136**	$ (36)	477.8%	**$ 360**	$ 175	105.7%
Net earnings from continuing operations	**$ 356**	$ 110	223.6%	**$ 645**	$ 374	72.5%
Net earnings	**$ 404**	$ 151	167.5%	**$ 832**	$ 563	47.8%
Basic net earnings per common share from continuing operations ($)	**$ 2.68**	$ 0.75	257.3%	**$ 4.63**	$ 2.46	88.2%
Basic net earnings per common share ($)	**$ 3.05**	$ 1.07	185.0%	**$ 6.08**	$ 3.92	55.1%
EBITDA from continuing operations[(2)]	**$ 484**	$ 287	68.6%	**$ 1,837**	$ 1,525	20.5%
EBITDA margin[(2)]	**6.0%**	4.0%		**5.7%**	5.0%	
Free cash flow[(2)]	**$ 140**	$ 342	(59.1)%	**$ (219)**	$ 379	(157.8)%
Net debt (excluding Exchangeable Debentures)[(2)]	**$ 3,569**	$ 4,732	(24.6)%	**$ 3,569**	$ 4,732	(24.6)%

(a) Results of the Weston Foods fresh bread and baked goods business in the United States have been reclassified as discontinued operations, as discussed below.

The Company continued to compete successfully in challenging markets during the fourth quarter of 2008. Loblaw Companies Limited ("Loblaw") reported results that demonstrate it is continuing to make good progress on its key transformational priorities. Two significant business developments occurred in the Weston Foods operating segment ("Weston Foods" or "Weston") in the fourth quarter of 2008: the sale of the Canadian dairy and bottling operations and the announcement of an agreement to sell the fresh bread and baked goods business in the United States ("US fresh bakery business").

On December 1, 2008, the Company closed the previously announced sale of its Canadian dairy and bottling operations to Saputo Inc. This sale resulted in a pre-tax gain of $335 million, which is recognized in the fourth quarter of 2008. Accounting standards do not allow the results of the dairy and bottling operations to be reported as discontinued operations because of Loblaw's continuing purchases of product from the dairy and bottling operations. Therefore, the results of the dairy and bottling operations up to the date of sale, as well as the gain on sale, are included in net earnings from continuing operations.

(1) This News Release contains forward-looking information. See Forward-Looking Statements on page 15 of this News Release for a discussion of material factors that could cause actual results to differ materially from the conclusions, forecasts and projections herein and of the material factors and assumptions that were applied in presenting the conclusions, forecasts and projections presented herein. This News Release must be read in conjunction with George Weston Limited's filings with securities regulators made from time to time, all of which can be found at www.sedar.com and at www.weston.ca.

(2) See Non-GAAP Financial Measures on page 11 of this News Release.

In announcing the financial update, W. Galen Weston, Chairman and President of the Company said, "I am pleased with another quarter of strong operating performance at Weston Foods and the continuing progress being made at Loblaw. Having sold both the dairy business and the US fresh baking business at good multiples, we sit at George Weston Limited with strategically well positioned companies with leading market positions in food retail and baking in Canada, our retained US bakery businesses and a significant amount of cash. We intend to use that cash wisely and at the appropriate time."

Sale of US Fresh Bakery Business
Dunedin Holdings S.à.r.l., a subsidiary of the Company, announced on December 10, 2008 an agreement to sell its US fresh bakery business to Grupo Bimbo, S.A.B. de C.V. for gross and net proceeds of approximately US$2.5 billion, including approximately US$125 million for interest bearing assets. The sale transaction was completed subsequent to the end of the fourth quarter of 2008. The results of the US fresh bakery business have been reflected separately as discontinued operations in the current and comparative results, and accordingly all comparisons of operating results exclude the results of the US fresh bakery business. The Company expects to recognize a gain on the sale of this business in discontinued operations in the first quarter of 2009 of approximately US$800 million, which is subject to normal post closing working capital and other adjustments. In addition, the Company expects to recognize a portion of the cumulative foreign currency translation loss currently reflected in shareholders' equity associated with the US net investment in net earnings in the first quarter of 2009.

After the closing of the US fresh bakery transaction in 2009, Dunedin Holdings S.à.r.l. converted US$2.4 billion of its cash and short term investments to approximately $3.0 billion Canadian dollars. The Company will recognize a foreign exchange loss of approximately $50 million associated with this conversion in net earnings in the first quarter of 2009 due to the strengthening of the Canadian dollar relative to the US dollar between the closing date and the dates on which the proceeds were converted to Canadian dollars. In addition, the future net earnings of the Company will reflect translation gains and losses associated with approximately US$1.1 billion of cash and short term investments.

Weston reorganized its remaining operations subsequent to the disposition of the US fresh bakery business. The reorganization changed the composition of Weston Foods' reporting units for the purpose of goodwill impairment testing. As a result of this change, Weston expects to record a write-down of a portion of the remaining goodwill related to the biscuits, cookies, cones and wafers business in an amount of up to US$60 million in the first quarter of 2009.

CONSOLIDATED RESULTS OF CONTINUING OPERATIONS
Sales in the fourth quarter of 2008 were $8.1 billion compared to $7.2 billion for the same period in 2007, an increase of 11.4%, and include the positive impact of approximately 7.8% due to reporting an additional week of results in 2008 (a 13 week period). On a year-to-date basis, sales increased 4.8% to $32.1 billion, including the positive impact of approximately 1.9% due to the additional week.

Operating income for the fourth quarter of 2008 was $345 million compared to $139 million in the same period in 2007, an increase of 148.2%. Consolidated operating margin of 4.3% for the fourth quarter increased compared to 1.9% for the same period in 2007.

Year-over-year changes in the following items influenced the Company's operating income in the fourth quarter of 2008 compared to the same period in 2007:

- income of $4 million (2007 – a charge of $38 million) due to lower than anticipated restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw;
- income of $23 million (2007 – a charge of $79 million) related to the effect of stock-based compensation net of 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 net of the number of common shares associated with the equity derivatives and the change in the market prices of the underlying common shares;
- a charge of $5 million (2007 – income of $4 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 $9 million (2007 – $10 million) related to the income of Weston Foods' dairy and bottling operations which was sold on December 1, 2008;
- income of $22 million (2007 – nil) related to the gain on the sale of Loblaw's food service business; and
- a charge 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.

Excluding the impact of these specific items, operating income improved compared to the fourth quarter of 2007.

Year-to-date operating income for 2008 was $1,192 million compared to $875 million in 2007, an increase of 36.2%. Operating margin for 2008 year-to-date was 3.7% compared to 2.9% 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 $5 million (2007 – $215 million) related to restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw;
- income of $2 million (2007 – charge of $108 million) related to the effect of stock-based compensation net of equity derivatives of both Weston and Loblaw;
- a charge of $46 million (2007 – income of $9 million) related to the commodity derivatives fair value adjustment at Weston Foods;
- income of $47 million (2007 – $48 million) related to the income of Weston Foods' dairy and bottling operations;
- income of $22 million (2007 – nil) related to the gain on the sale of Loblaw's food service business; and
- 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.

Excluding the impact of these specific items, operating income for 2008 improved compared to 2007.

Gain on Disposal of Business The Company recorded a pre-tax gain of $335 million on the disposal of Weston Foods' dairy and bottling operations in the fourth quarter of 2008. The effect on basic net earnings per common share was income of $2.18 for both the fourth quarter and year-to-date 2008.

Interest Expense (Income) and Other Financing Charges Interest expense and other financing charges for the fourth quarter of 2008 increased $172 million, to $136 million from income of $36 million in the fourth quarter of 2007. This increase was primarily due to a non-cash charge relating to the accounting for Weston's forward sale agreement of 9.6 million Loblaw common shares of $52 million, compared to non-cash income of $110 million in 2007. Also impacting the year-over-year increase in the fourth quarter were dividends on capital securities and lower net short term investment income, offset by lower levels of net debt.

Year-to-date interest expense and other financing charges increased by $185 million to $360 million from $175 million in 2007. This increase was primarily due to a non-cash charge of $11 million compared to non-cash income of $141 million in 2007 related to the fair value adjustment of Weston's forward sale agreement for 9.6 million Loblaw common shares, as well as the impact of lower net short term interest income and dividends on capital securities. These increases were partially offset by the impact of lower interest expense on financial derivatives in 2008 compared to 2007 and lower net debt levels.

Income Taxes The effective income tax rate decreased to 20.6% in the fourth quarter of 2008 compared to 24.6% in the fourth quarter of 2007. The decrease in the fourth quarter of 2008 when compared to the same period in 2007 was primarily due to an impact of non-taxable amounts including capital gains, a change in the proportions of taxable income earned across different tax jurisdictions, lower Canadian federal and certain provincial statutory income tax rates relative to the fourth quarter of 2007 and a decrease in income tax accruals relating to certain income tax matters, which were partially offset by a charge of $11 million related to tax on unrealized foreign exchange gains on short term investments and a 2007 cumulative adjustment of future taxes pursuant to a reduction in Canadian federal and certain provincial statutory income tax rates.

On a year-to-date basis the effective income tax rate decreased to 26.0% from 28.0%. The decrease in the effective income tax rate when compared to 2007 was primarily due to an impact of non-taxable amounts including capital gains, lower Canadian federal and certain provincial statutory income tax rates relative to 2007 and a change in the proportions of taxable income earned across different tax jurisdictions, which were partially offset by a charge of $11 million related to tax on unrealized foreign exchange gains on short term investments and a 2007 cumulative adjustment of future taxes pursuant to a reduction in Canadian federal and certain provincial statutory income tax rates and an increase in income tax accruals relating to certain income tax matters.

Net Earnings from Continuing Operations Net earnings from continuing operations for the fourth quarter of 2008 increased by $246 million or 223.6% to $356 million from $110 million in the same period in 2007. On a year-to-date basis, net earnings from continuing operations increased by $271 million, or 72.5%, to $645 million from $374 million in 2007. Basic net earnings per common share from continuing operations for the fourth quarter of 2008 increased by $1.93, or 257.3%, to $2.68 from $0.75 in the same period in 2007 and year-to-date increased by $2.17 or 88.2%, to $4.63 from $2.46 in 2007.

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

- $0.02 per common share income (2007 – $0.12 per common share charge) due to lower than anticipated restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw;
- $0.08 per common share income (2007 – $0.41 per common share charge) related to the effect of stock-based compensation net of equity derivatives of both Weston and Loblaw;
- a $0.03 per common share charge (2007 – $0.02 per common share income) related to the commodity derivatives fair value adjustment at Weston Foods;
- $0.05 per common share income (2007 – $0.06) related to the income of Weston Foods' dairy and bottling operations;
- $0.07 per common share income (2007 – nil) related to the gain on the sale of Loblaw's food service business;
- $2.18 per common share income (2007 – nil) related to the gain on disposal of Weston Foods' dairy and bottling operations;
- a $0.30 per common share non-cash charge (2007 – $0.64 per common share non-cash income) related to the accounting for Weston's forward sale of Loblaw common shares;
- nil per common share (2007 – $0.01 per common share charge) 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 (2007 – $0.15 per common share income) related to the adjustment to future income tax balances resulting from changes in federal statutory income tax rates.

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

- a $0.02 per common share charge (2007 – $0.66) related to restructuring and other charges for restructuring plans undertaken by both Weston Foods and Loblaw;
- a $0.06 per common share charge (2007 – $0.62) related to the effect of stock-based compensation net of equity derivatives of both Weston and Loblaw;
- a $0.24 per common share charge (2007 – $0.05 per common share income) related to the commodity derivatives fair value adjustment at Weston Foods;
- $0.25 per common share income (2007 – $0.25) related to the income of Weston Foods' dairy and bottling operations;
- $0.07 per common share income (2007 – nil) related to the gain on the sale of Loblaw's food service business;
- $2.18 per common share income (2007 – nil) related to the gain on disposal of Weston Foods' dairy and bottling operations;
- a $0.06 per common share non-cash charge (2007 – $0.81 per common share non-cash income) related to the accounting for Weston's forward sale of Loblaw common shares;

- a $0.03 per common share charge (2007 – $0.05) 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 (2007 – $0.15 per common share income) related to the adjustment to future income tax balances resulting from changes in federal statutory income tax rates.

Discontinued Operations Net earnings from discontinued operations for the fourth quarter of 2008 were $48 million, compared to $41 million in the same period in 2007. On a year-to-date basis, net earnings from discontinued operations for 2008 were $187 million compared to $189 million in 2007.

Net Earnings Net earnings for the fourth quarter of 2008 of $404 million increased $253 million compared to net earnings of $151 million in same period in 2007 and year-to-date net earnings of $832 million increased $269 million compared to $563 million in 2007. Basic net earnings per common share for the fourth quarter of 2008 of $3.05 increased $1.98 compared to basic net earnings per common share of $1.07 in 2007, including earnings from discontinued operations per common share of $0.37 compared to $0.32 in the same period in 2007. Year-to-date 2008 net earnings per common share of $6.08 increased $2.16 compared to $3.92 in 2007, including earnings from discontinued operations per common share of $1.45 compared to $1.46 in 2007.

REPORTABLE OPERATING SEGMENTS
Weston Foods (Continuing Operations)

Sales Weston Foods sales for the fourth quarter of 2008 of $507 million increased 8.3% compared to the same period in 2007. The December 1, 2008 sale of its dairy and bottling operations negatively impacted reported sales growth by approximately 14.4%, while the additional week of operating results in 2008 and foreign currency translation positively impacted sales by approximately 7.0% and 6.7%, respectively. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by 8.9% for the fourth quarter of 2008. Volume declined 11.5% for the fourth quarter of 2008 when compared to the same period in 2007 and was negatively impacted by 18.1% due to the sale of the dairy and bottling operations during the fourth quarter of 2008, while the additional week of operating results in 2008 positively impacted volume growth by approximately 6.5%.

On a year-to-date basis, sales of $2.2 billion increased 5.2% compared to the same period in 2007. The sale of the dairy and bottling operations and foreign currency translation negatively impacted reported sales growth by approximately 4.8% and 0.3%, respectively, while the additional week of operating results in 2008 positively impacted sales by approximately 1.6%. Price increases across key product categories combined with changes in sales mix contributed positively to sales growth by 9.9% for year-to-date 2008. Volume declined 3.8% on a year-to-date basis and was negatively impacted by 4.0% due to the sale of the dairy and bottling operations during the fourth quarter of 2008, while the additional week of operating results in 2008 positively impacted volume growth by approximately 1.4%.

The following sales analysis inclusive of the 53rd week excludes the impact of foreign currency translation and the results of the dairy and bottling operations.

Fresh bakery sales, including fresh-baked sweet goods, increased approximately 14.5% in the fourth quarter of 2008 and 11.9% year-to-date compared to the same periods in 2007, driven by price increases in key product categories combined with changes in sales mix. Volume increases in the fourth quarter of 2008 were positively impacted by the additional week of operating results. On a year-to-date basis, overall volumes decreased, with declines in certain categories partially offset by branded volume growth, lead by the *D'Italiano* brand. Sales growth in whole grain and whole wheat products exceeded the sales growth of white flour based products. The introduction of new products, such as *D'Italiano* Thintinis, *Gadoua Vitalité, Wonder+ Headstart, Country Harvest Plus* and products under the *Weight Watchers®* licensed brand contributed positively to branded sales growth during the fourth quarter of 2008 and year-to-date.

Frozen bakery sales increased by approximately 18.2% in the fourth quarter of 2008 and 10.0% year-to-date compared to the same periods in 2007, driven mainly by price increases combined with changes in sales mix. Year-to-date volume remained flat, with positive volume growth in the fourth quarter of 2008 driven by increases in certain categories and the additional week of operating results.

Biscuit sales, principally wafers, ice-cream cones, cookies and crackers, increased by approximately 17.0% in the fourth quarter of 2008 and 8.7% year-to-date compared to the same periods in 2007, due to higher sales volumes in all categories during the fourth quarter of 2008 and higher volume of Girl Scout cookie sales on a year-to-date basis.

Operating Income Weston Foods operating income increased by $23 million to $30 million in the fourth quarter of 2008 from $7 million in the same period in 2007. Operating margin was 5.9% for the fourth quarter of 2008 compared to 1.5% in 2007.

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

- a charge of $4 million (2007 – $2 million) related to restructuring and other charges;
- income of $6 million (2007 – a charge of $27 million) related to the effect of stock-based compensation net of equity derivatives;
- a charge of $5 million (2007 – income of $4 million) related to the commodity derivatives fair value adjustment;
- income of $9 million (2007 – $10 million) related to the income of the dairy and bottling operations; and
- a charge 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.

On a year-to-date basis, Weston Foods operating income increased $7 million to $154 million from $147 million in 2007. Operating margin for 2008 was 7.0% in both 2008 and 2007.

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

- a charge of $6 million (2007 – income of $7 million) related to restructuring and other charges;
- income of $9 million (2007 – a charge of $36 million) related to the effect of stock-based compensation net of equity derivatives;
- a charge of $46 million (2007 – income of $9 million) related to the commodity derivatives fair value adjustment;
- income of $47 million (2007 – $48 million) related to the income of the dairy and bottling operations; and
- 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.

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 markets, Weston Foods recorded a charge of $5 million (2007 – income of $4 million) in operating income during the fourth quarter of 2008, and on a year-to-date basis a charge of $46 million (2007 – income of $9 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.

Excluding the specific items described above, operating income increased in the fourth quarter of 2008 and on a year-to-date basis compared to the same periods in 2007. Operating income was positively impacted by sales growth primarily due to price increases combined with changes in sales mix, the additional week of operating results and the benefits realized from the continued focus on cost reduction initiatives and restructuring activities. 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 fourth 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 2006, Weston Foods approved a plan to restructure a portion of its distribution network in Quebec. This restructuring was substantially completed by year end 2008. As a result of this restructuring plan, Weston Foods recognized a gain of $2 million on the sale of distribution rights in the fourth quarter of 2008. During the fourth quarter of 2007, Weston Foods recognized $1 million of exit related costs and year-to-date 2007 recognized $2 million of employee termination costs and other exit related costs.

- 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 by 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 the third quarter of 2008, Weston Foods approved a plan to close a fresh manufacturing facility in Quebec and consolidate its production with other existing manufacturing facilities. This restructuring was substantially completed by year end 2008. As a result of this restructuring plan, Weston Foods recognized $1 million of accelerated depreciation in the fourth quarter of 2008.

- During the third quarter of 2008, Weston Foods approved a plan to restructure its Western Canada fresh manufacturing network, which will result in the closure of two manufacturing facilities and a move into a new facility. This restructuring is expected to be completed by the end of 2009. Weston Foods recognized $2 million of employee termination costs and a gain of $1 million on the sale of fixed assets during the fourth quarter of 2008.

- During the fourth quarter of 2008, Weston Foods approved a plan to restructure the operating structure of the Canadian bakery business. The plan involves segregating certain functional departments between the fresh and frozen bakery businesses and centralization of other functions. As a result of this restructuring plan, Weston Foods recognized $4 million of employee termination costs in the fourth quarter of 2008.

EBITDA(1) increased by $24 million to $45 million in the fourth quarter of 2008 compared to $21 million in 2007. On a year-to-date basis EBITDA(1) increased by $5 million, or 2.4%, to $214 million compared to $209 million in 2007. EBITDA margin(1) increased in the fourth quarter of 2008 to 8.9% from 4.5% in 2007 and on a year-to-date basis decreased to 9.7% from 10.0% in 2007.

During the fourth quarter of 2008, Weston Foods sold the net assets of its dairy and bottling operations for cash proceeds of $467 million, which resulted in a pre-tax gain of $335 million ($281 million, net of tax). The carrying value of the net assets sold consisted of fixed assets of $54 million, goodwill of $11 million and negative working capital of $6 million. Prior to the closing, Weston Foods paid Loblaw $65 million in consideration of Loblaw's agreement to enter into a long term supply agreement with the dairy and bottling operations. This payment will be recognized into operating income by Loblaw over the term of the agreement. The dairy and bottling operations generated $543 million of sales, operating income of $47 million and earnings before interest, income taxes, depreciation and amortization of $53 million for Weston Foods in 2008.

(1) See Non-GAAP Financial Measures on page 11.

Loblaw

Sales Sales in the 13 week fourth quarter increased by 11.2% to $7.7 billion compared to $7.0 billion in the 12 week fourth quarter of 2007.

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

- same-store sales growth of 10.6% including an increase in sales and same-store sales growth of 7.9% due to the extra selling week in the fourth quarter of 2008;
- a shift of the Thanksgiving holiday to the fourth quarter of 2008 resulted in higher sales and same-store sales growth of approximately 0.8% during the fourth quarter of 2008;
- sales and same-store sales growth were negatively impacted by 1.0% due to a strike in certain Maxi stores in Quebec;
- on an equivalent 12 week basis, total sales growth in both food and drugstore was strong;
- on an equivalent 12 week basis, apparel sales growth was strong in the fourth quarter but this did not offset the decline in core general merchandise sales growth, which primarily declined due to reductions in assortment and square footage;
- on an equivalent 12 week basis, item count growth declined marginally, while customer count growth remained flat versus the fourth quarter of 2007;
- on an equivalent 12 week basis gas bar sales growth was negative as a result of lower fuel prices;
- Loblaw's analysis indicated that internal retail food price inflation was higher than the year-to-date trend, but lower than the national food price inflation of 8.4% as measured by "The Consumer Price Index for Food Purchased from Stores". In the fourth quarter of 2007, Loblaw experienced internal retail food price deflation; and
- during the fourth quarter of 2008, 16 new corporate and franchised stores were opened and 10 were closed, resulting in a net increase of 0.2 million square feet or 0.5%.

Sales in 2008 (53 weeks) increased by 4.8% to $30.8 billion, from sales of $29.4 billion in 2007 (52 weeks).

The following factors, in addition to the quarterly factors mentioned above, explain the change in 2008 sales over the prior year including same-store sales growth of 4.2%:

- an increase in sales and same-store sales growth of 1.9% due to the 53rd week in 2008; and
- during the year, 37 new corporate and franchised stores were opened, including stores which underwent conversions and major expansions, and 37 stores were closed resulting in a net increase of 0.2 million square feet or 0.5%.

Operating Income Operating income of $315 million for the fourth quarter of 2008 compared to $132 million in 2007, an increase of 138.6%. Operating margin was 4.1% for the fourth quarter of 2008 compared to 1.9% in 2007. The increase in operating income was mainly due to lower restructuring and other charges and lower net stock-based compensation costs, higher sales, and cost reduction initiatives.

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

- income of $8 million (2007 − charge of $36 million) due to lower than anticipated restructuring and other charges;
- income of $17 million (2007 − charge of $52 million) related to the effect of stock-based compensation net of equity forwards; and
- income of $22 million (2007 – nil) related to the sale of Loblaw's food service business.

Included in 2008 fourth quarter operating income is a fixed asset impairment charge of $29 million (2007 − $33 million). In the fourth quarter of 2007, an $11 million gain was realized related to the sale of an office building in Calgary, Alberta. On an equivalent 12 week basis and excluding the above items, operating income in the fourth quarter of 2008 improved compared to the fourth quarter of 2007.

Loblaw experienced higher store labour costs in the fourth quarter of 2008 as a result of higher sales. Labour productivity decreased slightly in the fourth quarter of 2008 compared to the same period in 2007 as a result of investments in training and Loblaw's commitment to improve customer service during the holiday season. Labour productivity has improved on a year-over-year basis.

Operating income in 2008 increased by $310 million, or 42.6%, to $1,038 million, and resulted in an operating margin of 3.4% compared to 2.5% in 2007.

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

- income of $1 million (2007 − charge of $222 million) due to lower than anticipated restructuring and other charges;
- a charge of $7 million (2007 − $72 million) related to the effect of stock-based compensation net of equity forwards; and
- income of $22 million (2007 – nil) related to the sale of Loblaw's food service business.

Included in 2008 operating income was a $14 million gain from the sale of financial investments by *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of Loblaw and a $29 million fixed asset impairment charge. Included in 2007 operating income is an $11 million gain related to the sale of an office building in Calgary, Alberta, a $33 million fixed asset impairment charge, and a $24 million charge as a result of adjustments in estimates related to post-employment and long term disability benefits, deferred product development and information technology costs.

EBITDA(1) increased by $173 million, or 65.0%, to $439 million in the fourth quarter of 2008 compared to $266 million in the fourth quarter of 2007. 2008 EBITDA(1) increased by $307 million, or 23.3%, to $1,623 million compared to $1,316 million in 2007. EBITDA margin(1) increased in the fourth quarter of 2008 to 5.7% compared to 3.8% in 2007. Year-to-date EBITDA margin(1) increased to 5.3% compared to 4.5% in 2007.

LIQUIDITY AND CAPITAL RESOURCES

Loblaw's existing cash and cash equivalents, short term investments and security deposits included in other assets, future operating cash flows and the amounts available to be drawn against its credit facility are expected to enable Loblaw to 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.

Weston's existing cash and cash equivalents, short term investments and security deposits included in other assets, the proceeds from the sale of the Company's US fresh bakery business and future operating cash flows are expected to be sufficient to repay its 2009 5.90% Medium Term Note ("MTN") debt maturities of $250 million, satisfy its current intention to redeem its Preferred Shares, Series II, finance its capital investment program and fund the ongoing business requirements of its continuing operations, including working capital and pension plan funding, over the next 12 months. Weston does not foresee any difficulty in satisfying its long term obligations at this time.

Cash Flows from Operating Activities of Continuing Operations The Company's fourth quarter 2008 cash flows from operating activities of continuing operations were $602 million compared to $530 million in the comparable period in 2007. The increase for the fourth quarter was mainly due to an increase in net earnings from continuing operations before minority interest, excluding the impact of the gain on disposal of business, restructuring and other charges, and the fair value adjustment of Weston's forward sale agreement. On a year-to-date basis, cash flows from operating activities of continuing operations were $985 million compared to $1,368 million in 2007. The year-to-date decrease was primarily due to changes in both non-cash working capital and net earnings from continuing operations before minority interest, excluding the impact of the gain on sale of businesses, restructuring and other charges, and the fair value adjustment of Weston's forward sale agreement. The change in cash flows in non-cash working capital compared to 2007 was primarily driven by changes in inventories at Loblaw.

(1) See Non-GAAP Financial Measures on page 11.

Cash Flows from (used in) Investing Activities of Continuing Operations The Company's fourth quarter 2008 cash flows from investing activities of continuing operations were $21 million compared to cash flows used in investing activities of continuing operations of $300 million in 2007. On a year-to-date basis, cash flows used in investing activities of continuing operations were $225 million compared to $966 million in 2007. The primary reasons for the fourth quarter and year-to-date 2008 changes include the $467 million of proceeds from the fourth quarter 2008 disposition of Weston Foods' dairy and bottling operations and a decrease in the cash flows used in credit card receivables, after securitization. Offsetting these changes was an increase in capital spending primarily associated with Loblaw's investment in its infrastructure, and reduced proceeds from asset sales when compared to the same periods in 2007. The year-to-date change was also impacted by 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 fourth quarter amounted to $383 million (2007 – $185 million) and year-to-date 2008 amounted to $807 million (2007 – $658 million).

Cash Flows used in Financing Activities of Continuing Operations The Company's fourth quarter 2008 cash flows used in financing activities of continuing operations were $498 million compared to $197 million in 2007. This increase was primarily due to an increase in cash flows used in short term borrowings, primarily driven by the reduction in Weston's committed credit facility, as well as an increase in dividends paid in the quarter, which was due to the timing of payment. On a year-to-date basis, cash flows used in financing activities of continuing operations were $792 million compared to $511 million in 2007. The year-to-date increase was primarily due to an increase in cash flows used in short term borrowings and a net decrease in long term debt. This was partially offset by Loblaw's issuance of capital securities. The net decrease in long term debt in 2008 included cash flows used in the retirement of the Weston 3% Exchangeable Debentures.

Subsequent to year end, following the sale of the US fresh bakery business, Weston terminated its $300 million, 5-year committed credit facility. In addition, Weston repaid its $250 million 5.90% MTN and Loblaw repaid its $125 million 5.75% MTN, both of which matured in the first quarter of 2009. Subsequent to year end, Weston also provided the holders of its Preferred Shares, Series II with a notice that on April 1, 2009 it will redeem for cash the 10.6 million outstanding shares, for $25.00 per share, or $265 million in aggregate, plus accrued and unpaid dividends to but excluding the date of redemption.

Also subsequent to year end, one of Loblaw's independent trusts filed a prospectus which permits it to issue up to $1.5 billion of notes over a 25 month period, subject to the availability of capital markets.

During the fourth quarter of 2008, Standard & Poor's ("S&P") placed Weston's long term corporate credit, commercial paper and preferred share ratings under CreditWatch with Negative Implications, and Dominion Bond Rating Service ("DBRS") placed Weston's MTN and Debentures, short term credit and preferred share ratings Under Review with Developing Implications following Weston's announcement of the sale of its US fresh bakery business.

Free Cash Flow(1) The Company's free cash flow(1) for the fourth quarter of 2008 was $140 million compared to $342 million in the fourth quarter of 2007. The decrease in the fourth quarter was primarily due to increased capital expenditures and the timing of dividend payments compared to the fourth quarter of 2007 of $198 million and $76 million, respectively, partially offset by an increase in cash flows from operating activities of continuing operations. On a year-to-date basis, free cash flow(1) was negative $219 million compared to $379 million in 2007. The year-to-date change was primarily due to a decrease in cash flows from operating activities of continuing operations, specifically working capital of $290 million, and an increase in both capital expenditures and dividends compared to last year of $149 million and $66 million, respectively.

Net Debt (excluding Exchangeable Debentures)(1) The Company's net debt (excluding Exchangeable Debentures)(1) at December 31, 2008 was $3,569 million compared to $4,732 million at the end of 2007. Of the $1,163 million reduction, the proceeds from the sale of Weston Foods' dairy and bottling operations accounted for $467 million, the issuance of preferred shares by Loblaw in 2008 accounted for $218 million and all other factors accounted for $478 million.

(1) See Non-GAAP Financial Measures on page 11.

RISKS AND RISK MANAGEMENT

Economic Environment In the last six months of 2008 and continuing into 2009, economic conditions in Canada and the United States have deteriorated, which may impact the Company's operations negatively in the future as increased unemployment levels, reduced access to credit or changes in inflation could severely impact consumer spending and ultimately negatively impact sales and margins. The challenging economic conditions may also increase the risks associated with any deployment of the Company's significant cash reserves resulting from the sale of the Canadian dairy and bottling operations and the U.S. fresh bakery business.

Financial Risk and Risk Management The Company is exposed to credit, interest rate, foreign exchange, market and liquidity risks as a result of holding and issuing financial instruments. The Company's risk management practices in this area are described in note 24 of the Consolidated Financial Statements in the Company's 2007 Annual Report and in note 21 of the 2008 Third Quarter Report to Shareholders. In addition, the recent economic downturn has increased the risk of personal bankruptcies, higher risk of credit card receivable write-offs, and increased funding costs of the credit card portfolio.

Employee Future Benefit Contributions 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. During 2008, the Company contributed $148 million (2007 – $83 million) to its registered funded defined benefit pension plans, of which $64 million was contributed in the fourth quarter of 2008 as a result of the Company's decision to increase 2008 contributions in excess of original estimates. Contributions of $118 million to the Company's registered funded defined benefit pension plans are planned for 2009. The Company continues to assess the impact of capital markets on its funding requirements.

OUTLOOK(1)

The consolidated results of the Company for 2009 will continue to reflect the changes undertaken by both the Weston Foods and Loblaw operating businesses. With the divestitures of the dairy business in 2008 and the US fresh bakery business in January 2009, the Company has significant short term investments denominated in Canadian and United States currencies and will therefore be subject to earnings volatility caused by changes in short term interest rates and US foreign exchange currency fluctuations. The Company will continue to assess its strategic options for the deployment of the proceeds of these divestitures.

The remaining Weston Foods operating businesses are expected to deliver satisfactory operating performance in 2009 despite challenging market conditions. Reported earnings will continue to be impacted by volatility in commodity markets.

For 2009, Loblaw remains confident in its approach and will continue to focus on making measured progress on its key transformation priorities, including food renewal, store enhancements, product innovation, infrastructure, and customer value. During 2009, Loblaw will step up investments in information technology and supply chain which will increase the associated expense by approximately $100 million. This investment, coupled with the continuing economic challenges and competitive pressures are expected to challenge results in 2009.

NON-GAAP FINANCIAL MEASURES

The Company reports its financial results in accordance with Canadian generally accepted accounting principles ("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 News Release 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

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

and variable interest entities ("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 and free cash flow. The Company believes these Non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below. These measures do not have a standardized meaning prescribed by Canadian GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with Canadian GAAP.

EBITDA and EBITDA Margin The following table reconciles earnings before interest, income taxes, depreciation and amortization ("EBITDA") to Canadian GAAP net earnings from continuing operations reported in the unaudited interim period consolidated statements of earnings for the 13 (2007 – 12) and 53 (2007 – 52) 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.

	Quarter Ended Dec. 31, 2008			Quarter Ended Dec. 31, 2007		
($ millions)	**Weston Foods**	**Loblaw**	**Consolidated**	Weston Foods	Loblaw	Consolidated
Net earnings from continuing operations			**$ 356**			$ 110
Add (deduct) impact of the following:						
Minority interest			**76**			22
Income taxes			**112**			43
Interest expense (income) and other financing charges			**136**			(36)
Gain on disposal of business			**(335)**			
Operating income	**$ 30**	**$ 315**	**$ 345**	$ 7	$ 132	$ 139
Depreciation and amortization	**14**	**124**	**138**	14	134	148
Accelerated depreciation(1)	**1**		**1**			
EBITDA	**$ 45**	**$ 439**	**$ 484**	$ 21	$ 266	$ 287

(1) Accelerated depreciation is included in restructuring and other (income) charges in the consolidated statements of earnings.

	Year Ended Dec. 31, 2008			Year Ended Dec. 31, 2007		
($ millions)	**Weston Foods**	**Loblaw**	**Consolidated**	Weston Foods	Loblaw	Consolidated
Net earnings from continuing operations			**$ 645**			$ 374
Add (deduct) impact of the following:						
Minority interest			**219**			130
Income taxes			**303**			196
Interest expense (income) and other financing charges			**360**			175
Gain on disposal of business			**(335)**			
Operating income	**$ 154**	**$ 1,038**	**$ 1,192**	$ 147	$ 728	$ 875
Depreciation and amortization	**58**	**585**	**643**	62	588	650
Accelerated depreciation(1)	**2**		**2**			
EBITDA	**$ 214**	**$ 1,623**	**$ 1,837**	$ 209	$ 1,316	$ 1,525

(1) Accelerated depreciation is included in restructuring and other (income) charges in the consolidated statements of earnings.

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 prior to the redemption of the Exchangeable Debentures as the Exchangeable Debentures could be settled by using the Company's investment in Domtar (Canada) Paper Inc.

($ millions)	**Dec. 31, 2008**	Dec. 31, 2007
Bank indebtedness	**$ 112**	$ 60
Commercial paper		609
Short term bank loans	**453**	250
Long term debt due within one year	**415**	432
Long term debt	**5,308**	5,494
Less: Cash and cash equivalents	**1,465**	1,076
Short term investments	**694**	461
Security deposits included in other assets	**560**	419
Net debt	**3,569**	4,889
Less: Exchangeable Debentures		157
Net debt (excluding Exchangeable Debentures)	**$ 3,569**	$ 4,732

Free Cash Flow The following table reconciles free cash flow to Canadian GAAP cash flows from operating activities of continuing operations reported in the unaudited interim period consolidated cash flow statements for the 13 (2007 – 12) and 53 (2007 – 52) 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.

	Quarters Ended		Years Ended	
($ millions)	**Dec. 31, 2008**	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Cash flows from operating activities of continuing operations	**$ 602**	$ 530	**$ 985**	$ 1,368
Less: Fixed asset purchases	**383**	185	**807**	658
Dividends on share capital	**79**	3	**397**	331
Free cash flow	**$ 140**	$ 342	**$ (219)**	$ 379

FORWARD-LOOKING STATEMENTS

This News Release for the Company 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, including the possibility that the Company's plans and objectives will not be achieved. 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 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; 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 acquisitions or 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's 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; changes in interest and currency exchange rates; the inability of the Company to collect on its credit card receivables; 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 and its 2008 Quarterly Reports. These forward-looking statements reflect management's current assumptions regarding these risks and uncertainties and their respective impact on the Company.

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. 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 News Release. 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 Statements of Earnings

(unaudited)

($ millions except where otherwise indicated)	Quarters Ended Dec. 31, 2008	Quarters Ended Dec. 31, 2007	Years Ended Dec. 31, 2008	Years Ended Dec. 31, 2007
Sales	**$ 8,050**	$ 7,228	**$ 32,088**	$ 30,607
Operating Expenses				
Cost of sales, selling and administrative expenses	**7,571**	6,903	**30,248**	28,867
Depreciation and amortization	**138**	148	**643**	650
Restructuring and other (income) charges	**(4)**	38	**5**	215
	7,705	7,089	**30,896**	29,732
Operating Income	**345**	139	**1,192**	875
Gain on disposal of business	**335**		**335**	
	680	139	**1,527**	875
Interest Expense (Income) and Other Financing Charges	**136**	(36)	**360**	175
Earnings from Continuing Operations Before the Following:	**544**	175	**1,167**	700
Income Taxes	**112**	43	**303**	196
	432	132	**864**	504
Minority Interest	**76**	22	**219**	130
Net Earnings from Continuing Operations	**356**	110	**645**	374
Discontinued Operations	**48**	41	**187**	189
Net Earnings	**$ 404**	$ 151	**$ 832**	$ 563
Net Earnings per Common Share ($) – Basic and Diluted				
Continuing Operations	**$ 2.68**	$ 0.75	**$ 4.63**	$ 2.46
Discontinued Operations	**$ 0.37**	$ 0.32	**$ 1.45**	$ 1.46
Net Earnings	**$ 3.05**	$ 1.07	**$ 6.08**	$ 3.92

Consolidated Balance Sheets

(unaudited)

($ millions)	As at Dec. 31, 2008	Dec. 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 1,465**	$ 1,076
Short term investments	**694**	461
Accounts receivable	**958**	985
Inventories	**2,307**	2,145
Income taxes	**40**	133
Future income taxes	**69**	76
Prepaid expenses and other assets	**75**	40
Current assets of operations held for sale	**2,588**	238
Total Current Assets	**8,196**	5,154
Fixed Assets	**8,542**	8,453
Goodwill and Intangible Assets	**1,134**	1,128
Future Income Taxes	**36**	
Other Assets	**1,756**	1,819
Long Term Assets of Operations Held for Sale		1,880
Total Assets	**$ 19,664**	$ 18,434
LIABILITIES		
Current Liabilities		
Bank indebtedness	**$ 112**	$ 60
Commercial paper		609
Accounts payable and accrued liabilities	**3,121**	3,184
Income taxes	**78**	
Future income taxes		1
Short term bank loans	**453**	250
Long term debt due within one year	**415**	432
Capital securities	**264**	
Current liabilities of operations held for sale	**620**	348
Total Current Liabilities	**5,063**	4,884
Long Term Debt	**5,308**	5,494
Future Income Taxes	**288**	296
Other Liabilities	**615**	525
Capital Securities	**219**	260
Minority Interest	**2,244**	2,132
Long Term Liabilities of Operations Held for Sale		166
Total Liabilities	**13,737**	13,757
SHAREHOLDERS’ EQUITY		
Share Capital	**950**	950
Retained Earnings	**5,299**	4,726
Accumulated Other Comprehensive Loss	**(322)**	(999)
Total Shareholders’ Equity	**5,927**	4,677
Total Liabilities and Shareholders’ Equity	**$ 19,664**	$ 18,434

Consolidated Cash Flow Statements

(unaudited)

($ millions)	Quarters Ended Dec. 31, 2008	Quarters Ended Dec. 31, 2007	Years Ended Dec. 31, 2008	Years Ended Dec. 31, 2007
Operating Activities				
Net earnings from continuing operations before minority interest	**$ 432**	$ 132	**$ 864**	$ 504
Gain on disposal of business	**(335)**		**(335)**	
Depreciation and amortization	**138**	148	**643**	650
Restructuring and other (income) charges	**(4)**	38	**5**	215
Future income taxes	**15**	19	**(14)**	(3)
Fair value adjustment of Weston's forward sale agreement	**52**	(110)	**11**	(141)
Change in non-cash working capital	**339**	304	**(181)**	109
Other	**(35)**	(1)	**(8)**	34
Cash Flows from Operating Activities of Continuing Operations	**602**	530	**985**	1,368
Investing Activities				
Fixed asset purchases	**(383)**	(185)	**(807)**	(658)
Short term investments	**63**	(2)	**(114)**	(220)
Proceeds from fixed asset sales	**63**	175	**125**	237
Business acquisition			**(10)**	
Proceeds from business disposition	**467**		**467**	
Domtar investment			**144**	
Credit card receivables, after securitization	**(150)**	(283)	**82**	(238)
Franchise investments and other receivables	**(18)**	1	**(37)**	14
Other	**(21)**	(6)	**(75)**	(101)
Cash Flows from (used in) Investing Activities of Continuing Operations	**21**	(300)	**(225)**	(966)
Financing Activities				
Bank indebtedness	**(46)**	(46)	**53**	(8)
Commercial paper	**(9)**	289	**(609)**	(229)
Short term bank loans	**(364)**	(427)	**203**	72
Long term debt - Issued			**301**	25
- Retired		(9)	**(561)**	(39)
Capital securities issued			**218**	
Dividends - To common shareholders	**(46)**		**(232)**	(186)
- To preferred shareholders	**(11)**	(3)	**(55)**	(57)
- To minority shareholders	**(22)**		**(110)**	(88)
Other		(1)		(1)
Cash Flows used in Financing Activities of Continuing Operations	**(498)**	(197)	**(792)**	(511)
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	**135**	(1)	**233**	(152)
Cash Flows from (used in) Continuing Operations	**260**	32	**201**	(261)
Cash Flows from Discontinued Operations	**58**	51	**188**	247
Change in Cash and Cash Equivalents	**318**	83	**389**	(14)
Cash and Cash Equivalents, Beginning of Period	**1,147**	993	**1,076**	1,090
Cash and Cash Equivalents, End of Period	**$ 1,465**	$ 1,076	**$ 1,465**	$ 1,076

Basis of Presentation

The unaudited condensed interim period consolidated financial information has been prepared by management in accordance with Canadian GAAP. This financial information does not contain all disclosures required by Canadian GAAP for annual financial statements, and accordingly, this financial information should be read in conjunction with the most recently issued audited annual consolidated financial statements for the year ended December 31, 2007 contained in our 2007 Annual Report.

Basis of Consolidation

The unaudited condensed interim period consolidated financial information includes the accounts of the Company and its subsidiaries, with provision for minority interest. The Company's interest in the voting share capital of its subsidiaries is 100% except for Loblaw, which was 61.9% at year end 2008 and 2007. In addition, the Company consolidates VIEs pursuant to the Canadian Institute of Chartered Accountants 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 condensed interim period consolidated financial information requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the unaudited condensed interim period consolidated financial information. 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, credit card losses, 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 this financial information.

Restructuring and Other (Income) Charges

The following tables summarize the restructuring and other (income) charges:

	Quarters Ended					
	Dec. 31, 2008			Dec. 31, 2007		
($ millions)	**Weston Foods**	**Loblaw**	**Total**	Weston Foods	Loblaw	Total
Accelerated depreciation	**$ 1**		**$ 1**			
Gain on sale of fixed assets	**(1)**		**(1)**			
Gain on sale of distribution rights	**(2)**		**(2)**			
Employee termination costs	**6**	**$ (6)**			$ 24	$ 24
Site closing and other exit costs		**(2)**	**(2)**	$ 2	12	14
	$ 4	**$ (8)**	**$ (4)**	$ 2	$ 36	$ 38

	Years Ended					
			Dec. 31, 2008			Dec. 31, 2007
($ millions)	**Weston Foods**	**Loblaw**	**Total**	Weston Foods	Loblaw	Total
Accelerated depreciation	**$ 2**		**$ 2**			
Gain on sale of fixed assets	**(1)**		**(1)**	$ (14)		$ (14)
Gain on sale of distribution rights	**(2)**		**(2)**			
Employee termination costs	**7**	**$ (1)**	**6**	3	$ 145	148
Site closing and other exit costs				4	77	81
	$ 6	**$ (1)**	**$ 5**	$ (7)	$ 222	$ 215

Weston Foods

Distribution Network Restructuring During 2006, Weston Foods approved a plan to restructure a portion of its distribution network in Quebec. This restructuring was substantially completed by year end 2008. As a result of this restructuring plan, Weston Foods recognized a gain of $2 million on the sale of distribution rights in the fourth quarter of 2008. During the fourth quarter of 2007, Weston Foods recognized $1 million of exit related costs and year-to-date 2007 recognized $2 million of employee termination costs and other exit related costs.

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 by 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 the third quarter of 2008, Weston Foods approved a plan to close a fresh manufacturing facility in Quebec and consolidate its production with other existing manufacturing facilities. This restructuring was substantially completed by year end 2008. As a result of this restructuring plan, Weston Foods recognized $1 million of accelerated depreciation in the fourth quarter of 2008.

During the third quarter of 2008, Weston Foods approved a plan to restructure its Western Canada fresh manufacturing network, which will result in the closure of two manufacturing facilities and a move into a new facility. This restructuring is expected to be completed by the end of 2009. Weston Foods recognized $2 million of employee termination costs and a gain of $1 million on the sale of fixed assets during the fourth quarter of 2008.

Canadian Bakery Business During the fourth quarter of 2008, Weston Foods approved a plan to restructure the operating structure of the Canadian bakery business. The plan involves segregating certain functional departments between the fresh and frozen bakery businesses and centralization of other functions. As a result of this restructuring plan, Weston Foods recognized $4 million of employee termination costs in the fourth quarter of 2008.

Year-to-date, employee termination costs and other exit related costs of approximately $3 million (2007 − $17 million) were paid related to all Weston Foods restructuring activities. As at year end 2008, the accrued liabilities relating to restructuring activities were $7 million (2007 − $3 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 fourth quarter of 2008, Loblaw recognized nil (2007 − $29 million) of restructuring costs resulting from this plan. The year-to-date charge of $3 million (2007 − $197 million) is comprised of $2 million (2007 − $139 million) for employee termination costs including severance, additional pension costs resulting from the termination of employees and retention costs; and $1 million (2007 − $58 million) of other costs, primarily consulting directly associated with the restructuring. Cash payments in the fourth quarter of 2008 were $2 million (2007 − $19 million) and

$36 million (2007 − $149 million) year-to-date. As at year end 2008, a remaining liability of $1 million (2007 − $33 million) was recorded on the consolidated balance sheets in respect of this initiative.

Store Operations During 2007, Loblaw completed the previously announced restructuring of its store operations. In the fourth quarter of 2008, Loblaw recognized income of $2 million (2007 − nil) and income of $3 million (2007 – charge of $16 million) year-to-date related to this plan. Cash payments in the fourth quarter of 2008 were nil (2007 − $2 million) and $1 million (2007 − $22 million) year-to-date. As at year end 2008, a remaining liability of nil (2007 − $3 million) was recorded on the consolidated balance sheets in respect of this initiative.

Supply Chain Network During 2005, Loblaw approved a comprehensive plan to restructure its supply chain operations nationally. In the fourth quarter of 2008, Loblaw recognized income of $6 million (2007 – charge of $7 million) of restructuring costs resulting from this plan. Year-to-date income of $1 million (2007 – charge of $9 million) is composed of income of $3 million (2007 – charge of $7 million) for employee termination costs resulting from planned involuntary terminations and a charge of $2 million (2007 – $2 million) for site closing and other costs. Cash payments in the fourth quarter of 2008 were $4 million (2007 − $1 million) and $25 million (2007 − $5 million) year-to-date. As at year end 2008, a remaining liability of $7 million (2007 − $33 million) was recorded on the consolidated balance sheets in respect of this initiative. No further restructuring charges will be recognized related to this initiative.

Business Dispositions

During the fourth quarter of 2008, Weston Foods sold the net assets of its dairy and bottling operations for cash proceeds of $467 million, which resulted in a pre-tax gain of $335 million ($281 million, net of tax). The carrying value of the net assets sold consisted of fixed assets of $54 million, goodwill of $11 million and negative working capital of $6 million. Prior to the closing, Weston Foods paid Loblaw $65 million in consideration of Loblaw's agreement to enter into a long term supply agreement with the dairy and bottling operations. This payment will be recognized into operating income by Loblaw over the term of the agreement. The dairy and bottling operations generated $543 million of sales, operating income of $47 million and EBITDA of $53 million for Weston Foods in 2008.

In the fourth quarter of 2008, Loblaw disposed of its food service business for proceeds of $36 million which resulted in a pre-tax gain of $22 million in operating income ($16 million, net of tax). The disposed business had annual sales and annual EBITDA of approximately $150 million and $5 million, respectively.

Interest Expense (Income) and Other Financing Charges

	Quarters Ended		Years Ended	
($ millions)	**Dec. 31, 2008**	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Interest on long term debt	**$ 96**	$ 91	**$ 396**	$ 396
Interest expense on financial derivative instruments	**1**	5	**2**	21
Other financing charges(1)	**46**	(117)	**(15)**	(167)
Net short term interest income	**(7)**	(5)	**(13)**	(31)
Interest income on security deposits	**(3)**	(5)	**(12)**	(22)
Dividends on capital securities	**8**		**22**	
Capitalized to fixed assets	**(5)**	(5)	**(20)**	(22)
Interest expense (income) and other financing charges	**$ 136**	$ (36)	**$ 360**	$ 175

(1) Other financing charges for the fourth quarter and year-to-date 2008 includes non-cash charge of $52 million (2007 – non-cash income of $110 million) and non-cash charge of $11 million (2007 – non-cash income of $141 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 fourth quarter and year-to-date 2008 is forward accretion income of $10 million and $43 million (2007 – $10 million and $42 million), respectively, net of the forward fee of $4 million and $17 million (2007 – $3 million and $16 million), respectively, associated with Weston's forward sale agreement.

Interest on debt and dividends on capital securities paid in the fourth quarter of 2008 were $142 million (2007 – $128 million) and interest received on cash, short term investments and security deposits was $51 million (2007 – $37 million). Year-to-date 2008 interest on debt and dividends on capital securities paid were $574 million (2007 – $554 million) and interest received on cash, short term investments and security deposits was $180 million (2007 – $177 million).

Discontinued Operations
On December 10, 2008, Dunedin Holdings S.à.r.l., a subsidiary of the Company, announced it had agreed to sell its US fresh bakery business to Grupo Bimbo, S.A.B. de C.V. The transaction closed on January 21, 2009.

Certain financial information has been reclassified in prior periods to present this disposal group as discontinued operations on the consolidated statements of earnings, as assets and liabilities of operations held for sale on the consolidated balance sheets and as cash flows from discontinued operations on the consolidated cash flow statements. The results of the discontinued operations were previously reported in the Weston Foods segment.

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

	Quarters Ended		Years Ended	
($ millions)	**Dec. 31, 2008**	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Sales	**$ 665**	$ 464	**$ 2,422**	$ 2,208
Operating income	**60**	42	**218**	219
Interest income and other financing charges[1]	**(2)**	(2)	**(10)**	(10)
Earnings before the following:	**62**	44	**228**	229
Income taxes	**14**	3	**41**	40
Earnings from discontinued operations	**$ 48**	$ 41	**$ 187**	$ 189

(1) In calculating earnings from discontinued operations, no general interest expense has been allocated to these operations.

The assets held for sale and related liabilities as at year end were as follows:

($ millions)	Years Ended Dec. 31, 2008	Years Ended Dec. 31, 2007
Current assets of operations held for sale:		
Accounts receivable	**$ 219**	$ 156
Inventories	**40**	27
Prepaid expenses and other assets	**211**	9
Fixed assets	**618**	
Goodwill and intangible assets	**1,364**	
Future income taxes	**136**	46
	$ 2,588	$ 238
Long term assets of operations held for sale:		
Fixed assets		$ 507
Goodwill and intangible assets		1,112
Future income taxes		94
Other assets		167
		$ 1,880
Current liabilities of operations held for sale:		
Bank indebtedness	**$ 22**	$ 25
Accounts payable and accrued liabilities	**354**	281
Income taxes	**52**	42
Future income taxes	**2**	
Other liabilities	**190**	
	$ 620	$ 348
Long term liabilities of operations held for sale:		
Other liabilities		$ 166
		$ 166

The cash flows from discontinued operations were as follows:

($ millions)	Quarters Ended Dec. 31, 2008	Quarters Ended Dec. 31, 2007	Years Ended Dec. 31, 2008	Years Ended Dec. 31, 2007
Cash flows from operations	**$ 76**	$ 73	**$ 247**	$ 305
Cash flows used in investing	**(16)**	(22)	**(50)**	(58)
Cash flows used in financing	**(2)**		**(9)**	
Cash flows from discontinued operations	**$ 58**	$ 51	**$ 188**	$ 247

Income Taxes

The effective income tax rate decreased to 20.6% in the fourth quarter of 2008 compared to 24.6% in the fourth quarter of 2007. The decrease in the fourth quarter of 2008 when compared to the same period in 2007 was primarily due to an impact of non-taxable amounts including capital gains, a change in the proportions of taxable income earned across different tax jurisdictions, lower Canadian federal and certain provincial statutory income tax rates relative to the fourth quarter of 2007 and a decrease in income tax accruals relating to certain income tax matters, which were partially offset by a charge of $11 million related to tax on unrealized foreign exchange gains on short term investments and a 2007 cumulative adjustment of future taxes pursuant to a reduction in Canadian federal and certain provincial statutory income tax rates.

On a year-to-date basis the effective income tax rate decreased to 26.0% from 28.0%. The decrease in the effective income tax rate when compared to 2007 was primarily due to an impact of non-taxable amounts including capital gains, lower Canadian federal and certain provincial statutory income tax rates relative to 2007 and a change in the proportions of taxable income earned across different tax jurisdictions, which were partially offset by a charge of $11 million related to tax on unrealized foreign exchange gains on short term investments, a 2007 cumulative adjustment of future taxes pursuant to a reduction in Canadian federal and certain provincial statutory income tax rates and an increase in income tax accruals relating to certain income tax matters.

Net income taxes paid in the fourth quarter were $35 million (2007 – $72 million) and year-to-date 2008 net income taxes paid were $133 million (2007 – $214 million).

Basic and Diluted Net Earnings per Common Share from Continuing Operations

	Quarters Ended		Years Ended	
($ millions except where otherwise indicated)	**Dec. 31, 2008**	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Net earnings from continuing operations	**$ 356**	$ 110	**$ 645**	$ 374
Prescribed dividends on preferred shares in share capital	**(10)**	(13)	**(47)**	(57)
Net earnings from continuing operations available to common shareholders	**$ 346**	$ 97	**$ 598**	$ 317
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 from continuing operations ($)	**$ 2.68**	$ 0.75	**$ 4.63**	$ 2.46

(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:

	Quarters Ended		Years Ended	
Option Exercise Price	**Dec. 31, 2008**	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
$72.21	**678,177**	687,892	**678,177**	687,892
$75.62	**3,731**	4,135	**3,731**	4,135
$78.85		81,168		81,168
$93.35	**282,611**	300,902	**282,611**	300,902
$95.88	**30,130**	30,130	**30,130**	30,130
$111.02	**308,533**	334,508	**308,533**	334,508

Cash and Cash Equivalents

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

	As at	
($ millions)	**Dec. 31, 2008**	Dec. 31, 2007
Cash	**$ 104**	$ 110
Cash equivalents - short term investments with a maturity of 90 days or less		
Bank term deposits	**101**	119
Government treasury bills	**656**	456
Government-sponsored debt securities	**107**	177
Corporate commercial paper	**450**	214
Foreign bonds	**47**	
Cash and cash equivalents	**$ 1,465**	$ 1,076

During the fourth quarter of 2008, the Company recognized an unrealized foreign currency exchange gain of $251 million (2007 – loss of $3 million), as a result of translating its United States dollar denominated cash and cash equivalents, short term investments and security deposits included in other assets, of which a gain of $135 million (2007 – loss of $1 million) related to cash and cash equivalents. Loblaw recognized an unrealized foreign currency exchange gain of $116 million (2007 – loss of $5 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 $50 million (2007 – $1 million) related to cash and cash equivalents. The remaining foreign currency exchange gain of $135 million (2007 – $2 million), of which $85 million (2007 – loss of $2 million) relates to the translation of cash and cash equivalents, 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 $451 million (2007 – loss of $303 million), $233 million (2007 – loss of $152 million) of which related to cash and cash equivalents. Loblaw recognized an unrealized foreign currency exchange gain of $210 million (2007 – loss of $155 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 $87 million (2007 – loss of $60 million) related to cash and cash equivalents. The remaining foreign currency exchange gain of $241 million (2007 – loss of $148 million) of which $146 million (2007 – loss of $92 million) relates to the translation of cash and cash equivalents, 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 income by the unrealized foreign currency exchange loss or gain on Loblaw's cross currency basis swaps.

Accounts Receivable

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 fourth quarter of 2008, nil (2007 – nil) 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 – $1 million) 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.

	As at	
($ millions)	**Dec. 31, 2008**	Dec. 31, 2007
Credit card receivables	**$ 2,206**	$ 2,023
Amount securitized	**(1,775)**	(1,475)
Net credit card receivables	**431**	548
Other receivables	**527**	437
Accounts receivable	**$ 958**	$ 985

Credit card receivables that are past due of $7 million as at December 31, 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 $86 million as at December 31, 2008, of which a nominal amount were more than 60 days past due.

Inventories

	As at
($ millions)	**Dec. 31, 2008**
Raw materials and supplies	**$ 41**
Finished goods	**2,266**
Inventories	**$ 2,307**

The cost of inventories recognized as an expense during the fourth quarter of 2008 and year-to-date were $6,208 million and $24,576 million, respectively, which includes the effect of commodity derivatives that are entered into.

The Company recorded $16 million as an expense for the write-down of inventories below cost to net realizable value for inventories as at December 31, 2008. There was no reversal of inventories written down previously that are no longer estimated to sell below cost.

Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $39 million and $174 million (2007 – $45 million and $201 million) for the fourth quarter of 2008 and year-to-date, respectively. The total net benefit plan cost included costs for the Company's defined benefit pension and other benefit plans, defined contribution pension plans and multi-employer pension plans.

During 2008, the Company contributed $148 million (2007 – $83 million) to its registered funded defined benefit pension plans, of which $64 million was contributed in the fourth quarter of 2008 as a result of the Company's decision to increase 2008 contributions in excess of original estimates. Contributions of $118 million to the Company's registered funded defined benefit pension plans are planned for 2009. The Company continues to assess the impact of capital markets on its funding requirements.

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. This facility was the primary source of Weston's short term funding requirements. As at December 31, 2008, nil was drawn on the 5-year committed credit facility. Following the sale of the US fresh bakery business in 2009, Weston terminated this 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. 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 December 31, 2008, $190 million was drawn on the new 5-year committed credit facility.

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 US$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 US$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 December 31, 2008, $361 million was recorded on the consolidated balance sheet.

Capital Securities

During the third quarter, Loblaw closed its Canadian public offering of 9 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 are presented as capital securities on the consolidated balance sheets. The preferred shares have been listed and posted to trade on the Toronto Stock Exchange ("TSX") under the symbol "L.PR.A". DBRS assigned a rating of Pfd-3 with a Negative trend and S&P assigned a rating of P-3 (high) to the Loblaw's preferred shares.

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 fourth 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 (income) and other financing charges in the consolidated statements of earnings.

Covenants and Regulatory Requirements
The committed credit facility which Loblaw entered into during the first quarter of 2008 is subject to certain covenants. Under the US$300 million private placement notes, Loblaw is also subject to certain financial covenants. As at year end 2008, Loblaw was 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 year end 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 year end 2008.

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

Accumulated Other Comprehensive Loss
The change in the cumulative foreign currency translation adjustment from year end 2007 decreased accumulated other comprehensive loss by $677 million (2007 – increased accumulated other comprehensive loss by $508 million), of which $374 million (2007 – $4 million) related to the fourth quarter. 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 2008.

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

	Quarters Ended		Years Ended	
($ millions)	**Dec. 31, 2008**	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Stock option plans / share appreciation right plan expense	**$ 7**		**$ 8**	
Equity derivatives (gain) loss	**(34)**	$ 82	**(22)**	$ 100
Restricted share unit plan expense (income)	**4**	(3)	**12**	8
Net stock-based compensation (income) expense	**$ (23)**	$ 79	**$ (2)**	$ 108

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 of 2008, Weston granted 219,349 (2007 – 689,192) stock options with an exercise price of $46.24 (2007 – $72.21) per common share. During 2008, Weston also paid the share appreciation value of nil (2007 – nominal) on the exercise of nil (2007 – 21,965) stock options and share appreciation rights. In addition, 141,153 (2007 – 103,373) stock options and share appreciation rights were forfeited or cancelled during 2008.

During the fourth quarter of 2008, Loblaw granted 36,871 (2007 – 101,057) stock options with an exercise price of $30.57 (2007 – $33.03) per common share. 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. 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 – nominal) on the exercise of nil (2007 – 108,000) stock options. In addition, 2,071,528 (2007 – 1,812,870) stock options were forfeited or cancelled during 2008.

At the end of 2008 a total of 1,616,344 (2007 – 1,535,135) Weston stock options and share appreciation rights were outstanding, 1,522,344 (2007 – 1,438,735) of which were stock options that represented approximately 1.2% (2007 – 1.1%) 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 6,921 (2007 – 4,285) RSUs were cancelled and 69,482 (2007 – 4,350) RSUs were settled in cash in the amount of $4 million (2007 – nominal) during 2008.

Under its existing RSU plan, Loblaw granted 5,179 (2007 – 18,888) RSUs in the fourth quarter of 2008, 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, 103,103 (2007 – 161,621) RSUs were cancelled and 252,479 (2007 – 154,700) were settled in cash in the amount of $9 million (2007 – $8 million) during 2008.

At the end of 2008, a total of 151,769 (2007 – 169,993) Weston and 829,399 (2007 – 768,687) Loblaw RSUs were outstanding.

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 DBRS 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 year end 2008 was $388 million (2007 – $418 million) including $152 million (2007 – $153 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 year end 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.

Indemnities Related to the Sale of Businesses Indemnities provided to the purchasers of Weston Foods' dairy and bottling operations and US fresh bakery business could result in future cash outflows and statement of earnings charges.

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.

Comparative Information

Certain prior year's information was reclassified to conform with the current year's presentation. In addition, results of the US fresh bakery business have been reclassified to discontinued operations.

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 $560 million (2007 – $419 million) as at December 31, 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 $264 million (2007 – $260 million) as at December 31, 2008.

A portion of the Company's unrealized equity derivatives liability, which was previously presented as other long term liabilities on the consolidated balance sheets, is now included in accounts payable and accrued liabilities and totaled $136 million as at December 31, 2008 (2007 − $140 million).

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.

	Quarters Ended		Years Ended	
($ millions)	**Dec. 31, 2008**	Dec. 31, 2007	**Dec. 31, 2008**	Dec. 31, 2007
Sales				
Weston Foods	**$ 507**	$ 468	**$ 2,197**	$ 2,088
Loblaw	**7,745**	6,967	**30,802**	29,384
Intersegment	**(202)**	(207)	**(911)**	(865)
Consolidated	**$ 8,050**	$ 7,228	**$ 32,088**	$ 30,607
Operating Income				
Weston Foods	**$ 30**	$ 7	**$ 154**	$ 147
Loblaw	**315**	132	**1,038**	728
Consolidated	**$ 345**	$ 139	**$ 1,192**	$ 875

Subsequent Events

On January 21, 2009 Dunedin Holdings S.à.r.l., a subsidiary of the Company, completed the sale of its US fresh bakery business for gross and net proceeds of approximately US$2.5 billion, including approximately US$125 million for interest bearing assets. The Company expects to recognize a gain on the sale of this business in discontinued operations in the first quarter of 2009 of approximately US$800 million, which is subject to normal post closing working capital and other adjustments. In addition, the Company expects to recognize a portion of the cumulative foreign currency translation loss currently reflected in shareholders' equity associated with the US net investment in net earnings in the first quarter of 2009.

After the closing of the US fresh bakery transaction in 2009, Dunedin Holdings S.à.r.l. converted US$2.4 billion of its cash and short term investments to approximately $3.0 billion Canadian dollars. The Company will recognize a foreign exchange loss of approximately $50 million associated with this conversion in net earnings in the first quarter of 2009 due to the strengthening of the Canadian dollar relative to the US dollar between the closing date and the dates on which the proceeds were converted to Canadian dollars.

Weston reorganized its remaining operations subsequent to the disposition of the US fresh bakery business. The reorganization changed the composition of Weston Foods' reporting units for the purpose of goodwill impairment testing. As a result of this change, Weston expects to record a write-down of a portion of the remaining goodwill related to the biscuits, cookies, cones and wafers business in an amount of up to US$60 million in the first quarter of 2009.

Subsequent to year end, following the sale of the US fresh bakery business, Weston terminated its $300 million, 5-year committed credit facility. In addition, Weston repaid its $250 million 5.90% MTN, and Loblaw repaid its $125 million 5.75% MTN, both of which matured in the first quarter of 2009. Subsequent to year end Weston also provided the holders of its Preferred Shares, Series II with a notice that on April 1, 2009 it will redeem for cash the 10.6 million outstanding shares, for $25.00 per share, or $265 million in aggregate, plus accrued and unpaid dividends to but excluding the date of redemption.

2008 ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

Weston's audited consolidated financial statements and MD&A for the year ended December 31, 2008 will be released on or before March 31, 2009. Both documents will be contained in Weston's 2008 Annual Report and will be available in the Investor Zone section of Weston's website at www.weston.ca, or at www.sedar.com.

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, (416) 922-2500 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). This News Release 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 on Loblaw's corporate website at www.loblaw.ca.

CONFERENCE CALL AND WEBCAST PRESENTATION

George Weston Limited will host a conference call as well as an audio webcast on February 24, 2009 at 11:00 AM (EST).

To access via teleconference please dial (416) 644-3414. The playback will be made available one hour after the live event at (416) 640-1917 passcode: 21295279#. To access via webcast please visit www.weston.ca.

Full details and Pre-registration are available by visiting our website at www.weston.ca.